Asya Studies

Academic Social Studies / Akademik Sosyal Araştırmalar
Year: 6 - Number: 21, p. 345-356, Autumn 2022

IFRS Implementation in Indonesia and Turkey: A Literature Review*

Endonezya'daki ve Türkiye'deki UFRS uygulaması: Bir Literatür İncelemesi

DOI: https://doi.org/10.31455/asya.1079658

Araştırma Makalesi / Research Article

Makale Geliş Tarihi / Article Arrival Date
28.02.2022

Makale Kabul Tarihi / Article Accepted Date
13.09.2022

Makale Yayın Tarihi / Article Publication Date
30.09.2022

Asya Studies

Assoc. Prof. Dr. Tuba Derya Baskan
Kirikkale University, Faculty of Economics and Administrative Sciences, Department of Accounting and Finance
tdbaskan@gmail.com

ORCID ID
https://orcid.org/0000-0003-1012-3605

Tri Damayanti
tri.damayanti@ubl.ac.id

ORCID ID
https://orcid.org/0000-0003-2792-0889

Abstract

The aim of this study is to apply the International Financial Reporting Standards (IFRS) in both countries by using the literature review method regarding the determinants affecting the adoption in Turkey and Indonesia and to identify the difficulties. The spread of globalization and the shrinking of the world with developing technology have also affected businesses. Businesses have prioritized the IFRS development target to minimize the barrier to global business investment. The importance of international standards accepted by international investors at the international level has been understood in order to reduce the barriers to global investment in order to expand global investment. The implementation of IFRS is not easy because countries have their own legal system and economic problems related to the contracting parties and international relations agreements. For this reason, the standards are implemented by the competent authorities responsible for IFRS in the countries in accordance with their own legislation. In this context, literature studies on IFRS applications in Indonesia and Turkey are examined and differences in IFRS applications are tried to be determined. As a finding of the study, it was determined that IFRS-14 Regulatory Deferral Calculations could not be applied in Indonesia. IFRS 14 is not applicable in Indonesia as transactions regulated in IFRS 14 are not legally permitted by Indonesian law. This law states that the government is fully responsible for managing natural resources such as water, natural gas, electricity and other government natural resources in a publicly owned company for the benefit of society. Also, the impact of IFRS 14 not being applied in Indonesia results in IFRS 1 not being applied in Indonesia as well, because the basis for applying IFRS 1 is the full application of all IFRSs, including IFRS 14. This includes Indonesia in the group. Countries that have not fully implemented IFRS. This is what makes IFRS implementation different in Indonesia and Turkey, both of which have legal background/laws in their respective countries. On the other hand, it has been determined that the standards have been revised and implemented by the authorized legislation due to the obstacles and differences arising from the regulations/laws in both countries.

Keywords: Indonesia Accounting Standard, Reporting Quality, Turkey Accounting Standard, IFRS, Country Regulations

Öz

Bu çalışmanın amacı, Uluslararası Finansal Raporlama Standartlarının (UFRS) Türkiye ve Endonezya'da benimsenmesini etkileyen belirleyicilere ilişkin olarak literatür taraması yöntemini kullanarak her iki ülkede de uygulanması ve zorluklarının tespit edilmesidir. Küreselleşmenin yaygınlaşması ve gelişen teknoloji ile dünyanın küçülmesi işletmeleri de etkilemiştir. İşletmeler küresel iş yatırımının önündeki engeli en aza indirmek için IFRS geliştirme hedefini öncelikleri arasına almıştır. Küresel yatırımı yaygınlaştırmak için küresel yatırımın önündeki engellerin azaltılabilmesi için uluslararası yatırımcılar tarafından uluslararası düzeyde kabul edilen uluslararası standartlarının önemi anlaşılmıştır. Ülkelerin sözleşme tarafları ve uluslararası ilişkilere ilişkin anlaşmaları ile ilgili kendi hukuk sistemi ve ekonomik sorunları olmasından kaynaklı UFRS'nın uygulanması kolay olmamaktadır. Bu sebeple standartlar ülkelerdeki UFRS'den sorumlu yetkili merciler tarafından ülkelerin kendi mevzuatlarına uygun bir şekilde uygulamaktadır. Bu kapsamda Endonezya ve Türkiye'de UFRS uygulamalarındaki literatür çalışmaları incelenmekte ve UFRS uygulamalarındaki farklılıklar tespit edilmeye çalışılmaktadır. Çalışmanın bulgusu olarak Endonezya'da UFRS-14 Düzenlemeye Dayalı Erteleme Hesapları'nın uygulanamadığı tespit edilmiştir. UFRS 14, Endonezya yasaları tarafından UFRS 14'te düzenlenen işlemlere yasal olarak izin verilmediğinden Endonezya'da uygulanamaz. Bu yasa, devletin su, doğal gaz, elektrik ve diğer devlet doğal kaynakları gibi doğal kaynakları kamuya ait bir şirkette toplum yararına yönetmekten tamamen sorumlu olduğunu belirtir. Ayrıca, UFRS 14'ün Endonezya'da uygulanamamasının etkisi, UFRS 1'in Endonezya'da da uygulanmamasına neden olduğu tespit edilmiştir. Çünkü UFRS 1'in uygulanmasının temeli, UFRS 14 dahil tüm UFRS'lerin tam olarak uygulanmasıdır. Bu durum UFRS'yi tam olarak uygulamayan ülkeler arasına Endonezya'yı gruba dahil eder. Diğer taraftan her iki ülkedeki düzenlemelerden/yasalardan kaynaklanan engeller ve farklılıklarından dolayı yetkili mevzuatlarca standartlar revize edilerek uygulamaya geçildiği tespit edilmiştir.

Anahtar Kelimeler: *Endonezya Muhasebe Standardı, Raporlama Kalitesi, Türkiye Muhasebe Standardı, UFRS, Ülke Düzenlemeleri*

Citation Information/Kaynakça Bilgisi

Derya Baskan, T. and Damayanti, T. (2022). IFRS Implementation in Indonesia and Turkey: A Literature Review. *Asya Studies-Academic Social Studies / Akademik Sosyal Araştırmalar,* 6(21), 345-356.

INTRODUCTION

Globalization of economy held in the world since the application borderless system lead the globalization in investment. It means that there is a need of international investors to understand financial information in global level. They need international standard for their investment decision making. International standard based financial reporting plays important role in helping investor to make decision for their investment in the international area.

IFRS as international accounting standard aimed to provide international standard for financial reporting to provide international standard based financial report in the world and help international investor to make decision making. As mentioned Jones and Higgins (2006: 635) in their paper, harmonization of IFRS played important role in the organizational development function and drived responsibilities in their business department. Also, IFRS can be one of the is the way to push managers in creativity and to consider professional judgement which might be mitigate the relevance, comparability, transparency, and reliability of financial accounting information. Thus, they would have an impact on the quality of reporting. For reaching the goal of providing high-quality financial report, the nations need government regulation and/or standard to prepare useful financial information (IASB, 2015: 19). Juhmani (2017: 25) stated that the motivation power of financial report compliance influenced benefıts of IFRS adoption and financial report. This motivation is affected by the enforcement framework which is widely defined in the guidance to support all the institutions and procedures to certify among agreement, auditors, regulators, and courts (IASB, 2015:21).

The advantages of IFRS over the local accounting standards can be sumarized as follow. First, IFRS is considered as the international standard that more capital-oriented and more beneficial to investors (Hail, Leuz, and Wysocki, 2010: 340). Then, IFRS can rminimize the selection of accounting methods, hence decreasing managerial discretion (Barth, Landsman, and Lang, 2008: 478-480). Moreover, IFRS involve accounting recognition and measurements which provide information for investment decisions more relevant (Barth, Landsman, and Lang, 2008:489-492). Also, IFRS enhance the disclosure requirment then it can mitigate information asymmetry both stockholders and managers.

Jiao, Koning, Mertens, and Roosenboom (2012: 61-63) stated that IFRS could enhance not only quality of financial report but also quality of earnings. Also, Horton, Serafeim, and Serafeim, (2013: 416) demostrated that IFRS generate the effect of both information and comparability, then it also could increase the quality of information intermediation in capital market. Furthermore, Akgün (2016:182) argued that one of the motivation of mandatory IFRS adoption is to assure the more among comparability, transparency, and quality of financial reporting globally. There are several differences that might be capable of influencing the adoption of IFRS, related to increase financial reports' quality, such as (Ahmed and Wang, 2013: 1369),

1. Some of alternative methods of accounting eliminated in IFRS
2. Fraudulent activities being more boarder in the IFRS,
3. Fair value which is used in IFRS more relevance to some parties.

IFRS also claimed that harmonization of IFRS rises up the comparability of companies across markets and countries, thus they can facilitate integration and cross-border investment of capital markets Furthermore, experts also stated that IFRS provides several advantages for investors, issuers and economies regarding its ability to enhance financial reporting of the demand for lower cost of capital and equities (e.g. EC Regulation No. 1606/2002). Short term dividends and dividend yield are the most interested in investors' view. They frequently focus on these issues rather than on the stock index and weight of index, so that financial statement sometimes less important in their way to make desicision (Florou and Pope, 2012: 7).

According to Armstrong, Barth, and Jagolinzer. (2010: 34-35), higher-quality of financial reporting by lowering information asymmetry and risk is one of the investor expectation of the IFRS implementation. In line with prior researchers, Laupe (2018:53) also noted that IFRS implementation was predicted to invent positive influence on the capital market. Another benefit of IFRS implementation according to Pacter (2013: 17) is not only enhancing the understanding of financial report and access for foreign investments, but also decreasing cost of capital. These benefits caused the expectation of IFRS implementation to mitigate the international barriers in securities trading then increase the market efficiency.

Despite of several benefits of IFRS adoption and promoted by global organization such as G20, The World Bank, IMF, The Basel Committee, IOSCO and IFAC, IFRS adoption process in the world faced many difficulties. One of the difficulties of IFRS implementation is countries' legal system. As mentioned by Renders and Gaermynck (2007: 66-67), strong low enforcement countries is capable of mitigating information asymmetry both investors and managers. Laupe (2018:55) stated that the definition of law enforcement is how the country gives the guanrantee for each citizens' right. Furthermore, law enforcement also indicated that it can also provide guarantee for investors by their corporate governence regulation and system. Thus, this regulation can force all their economic environments to apply the concept of corporate governance system. These regulation is expected to mitigate managerial opportunistic behavior and information asymmetry.

The second one, as stated Uddin (2005: 27), there are local businesses and economic environments are not proper to applied IFRS since this standards need several accounting judgement. Sometimes these issues lead the shadow in the financial statement' presentation process. Thus, the imlepentation IFRS in the country need the readyness of accounting human resources, i.e preparers and auditors.

Krismiaji and Surifah (2020) stated that to provide high quality financial statement is not only depend on the adoption of IFRS. Companies' problems that caused low quality financial statement are often caused by the risks of corporate mismanagement and conflicts of interest between boards and shareholders. These risks can be reduced by implementation of corporate governance mechanism, since financial reporting reflects the effectiveness of corporate governance in order to provide tranparency for stakeholders and stockholders (Juhmani, 2017: 39).

Indonesia and Turkey as developing countries, of course have several differences among geo-politics, economics, legal system and historical issues. In this study we would like to present the lessons which can learn from the unique characteristics of both countries in making decisions of IFRS implementation.

RESEARCH METHOD

In this study we used literature review method. Literature review method is one of research method which has puposed to review some frameworks for instance strategies, standards, and also guidelines (Snyder, 2019: 338). Furhermore, Snyder (201:342) argued that one of the advantages of literature review method is that approach could deliver narrow in analysis, for example it could explored some evidences in special case of research.

We collected several resources such as literatures, studies and regulations enacted in both Indonesia and Turkey regarding the implementation of IFRS. From among the documents we analyzed using qualitative method. Firstly, we studied the implementation of IFRS in both countries using the prior researches, such as studies conducted by Simga-Mugan and Hosal-Akman (2005:135), Agça and Aktaş (2007: 99), Li (2010: 609), Florou and Pope (2012:6), Jiao, Koning, Mertens, and Roosenboom (2012: 58), Bahadır, Demir and Oncel (2016: 9), Kombate and Bandi (2016:508), Shara and Mita (2017:13), Limijaya (2017:7), Laupe (2018:53), Lasmin (2012:3), Özkaya (2018: 580), and Krismiaji and Surifah (2020:193. Secondly, we highlighted the important key amongs the literatures. After that section, we also studied the regulations enacted in both countries for making completion of the highlighten literatures. Then, we analyzed all the resources using qualitative method.

DISCUSSION

Accoounting system in Turkey is influenced by the historical issues. This issues is regarding both the commercial and political relations of the 1st World War. Because of this issues, Turkey was extensively affected by German system, including legal and accounting system. Simga-Mugan and Akman (2005:131) argued the influention of German system could be seen in The Commercial Code of Turkish Republic. This code was validated after the establishment of Turkish republic. It was based on the German company and commercial laws. Furthermore, The Turkish accounting system also affected by German law. In this period, Turkish accounting were considering to support the taxation since the procedural tax code heavily affected accounting practices (Simga-Mugan and Hosal-Akman, 2005:136).

However, after 1950s, Turkish accounting system was affected by US System was (Simga-Mugan and Hosal Akman, 2005:132). In 1984 Turkey establish Istanbul Stok Exchange (ISE) that officially operated in 1986. It was the important point of the evelopment of Turkish accounting system. By establishing ISE, Capital Market Board of Turkey (CMB) issued the first financial accounting standards for listed companies in 1989. This standards were similar to IAS, including five accounting assumptions and basic principles. Despite of the similarity of Turkish accounting system with IAS, factually this standards also had several differences, such as accounting for long-term investment and accounting for hyper-inflationary economies (Simga-Mugan and Hosal-Akman, 2005:132). Also, in these standards also were prepared at historical cost except for revaluation of property, plan and equipment. Furthermore, there were the concepts of long-term investment including subsidiaries and equity participations that carried at cost.

The second important part of Turkish accounting standards development is in 1994 period. In this period, Turkey started to apply Tukey GAAP. This standard were applied in 1994 to 2003. It was ended by the agreement of Turkey with European Union regarding the commitment to implement IFRS for country accounting standards. In this period, Turkey started to prepare IFRS adoption as the consequence of European Union member. Turkey Accounting Standard Board (TASB) started to translate IFRS in Turkish Simga-Mugan, Akman, and Arikboga, 2009: 60).

The following step to prepare the adoption of IFRS is CMB issues Comminiqué for acounting standards in Turkish capital market (Serial: XI, No: 25) in 2003. This Comminiqué required to applied IFRS in the financial statement listed companies at least in 2005 (Özkaya, 2018: 581). Despite of the commitement as European Union, in the first adoption of IFRS, Turkish Financial Accounting Standard remains the differences of the applied IFRS with IASB after 2004. One of these differences was dealing of goodwill, since CMB rules deals goodwill as amortizement (Simga-Mugan and Hosal-Akman, 2005: 135). Thus, it can be learned that the first time adoption of IFRS the adopting countries might face the differences both the IFRS and country's codes and laws. Because of the agreement to IASB, TASB also officially translated and published IFRS/IAS and the related interpretations.

The next step is in the period of middle 2007. In this step TASB published 31 Turkish accounting standards (TAS) based on IAS and 7 Turkish financial reporting standards (TFRS) based on IFRS. Because of both the IFRS adoption and CMB codes, Turkish companies were required to implement the new rules for their activities. One of the important standards wa TAS 27 which based on IAS 27. This standard regulated the consolidated and separate financial statement (Hosan-Akmal, Simga-Mugan, Arikboga, 2009: 59).

In the way of IFRS adoption, Turkey found several difficulties over the difference of IFRS based standards and pervious Turkish GAAP. There are some primary issues that are covered in IFRS/IAS but not in the CMB rules, such as (UNTAD, 2008: 134)

1. Asets impairment (IAS 36)
2. Financial assets de-recognition (IAS 39)
3. Provision for employee benefits other than lump sum termination indemnities (IAS 19)
4. Segment reporting (IAS 14)
5. Provision, contingent, liabilities, and continent assets (IAS 37)
6. Deffered tax (IAS 12)
7. Treasury shares (IAS 32)
8. Hedge accounting (IAS 39)

Besides these issues, in Turkey also have several differences both CMB rules and IFRS/IAS. There are several differences of IFRS and CMB rules in the case of measurement (UNTAD, 2008: 134)

1. According to IFRS and IAS, foreign exchange losses are capitalized as period expense. CMB rules capitalized foreign exchange losses that increase because of acquition of property, plants, and equipment put into use.
2. IFRS and IAS using the percentage of completion or cost recovery methods to accounted construction contract. CMB rules require that construction contracts should be accounted for using the completed contract method.
3. IFRS and IAS accounted the organization and research period expenses by permitting capitalization of development costs in their environment, CMB rules permitted these issues as costs.
4. Both of IFRS/IAS and CMB rules had different amortization period of goodwill.
5. CMB rules do not require discounting of the pension obligations, IFRS and IAS require this issues to present value.
6. CMB rules require all the types of leases as operating leases.

In the disclosure issues, there are also several differences both IFRS/IAS and CMB Rules, such as (UNTAD, 2008: 135):

1. According to IFRS and IAS, the applicability of related parties are more broadly than only to related parties or limited to shareholders as require in CMB rules.
2. IFRS and IAS require statement of changes in shareholders' equity although CMB do not required that issues.
3. IFRS and IAS also require more specific dislosure although CMB rules do not require specific disclosure relating to the fair value of assets and liabilities.
4. IFRS and IAS require a breakdown of cash flows by type of activity on the format of the statement of cash flows, although it is not require in the CMB rules.

The first time adoption of IFRS often challenging among the regulator, prepares, and auditors. The first time IFRS adoption also needs the readyness among compatibility regulations, understandable of new standards of human resources, and also the academic environment in order to minimize the gap of accounting education in university and the accounting practice. These challenging situations might be one of the barrier to another countries regarding IFRS implementation.

Indonesia has its own historical and law influenced issues. Indonesia had been undercontrolled of Dutch for almost 350 years. Hence, it was not surprised these controlling affected in several aspect, including on the socioeconomic and political development. According to Hofstede (1980: 27), in the case of Indonesia could be considerable that these controlling of Dutch involved the legal system. Thus, Indonesian law system was involved and based on the Roman-Dutch system. The characteristics of these system is a formalize the common rules for future than for particular case (Maulana, 2019:15). Otherwise, the code would be separated to the other law and related with a precise case in the common law countries. Nowadays, Indonesia tend to apply civil law system.

The Dutch Commercial Code 1947 was applied in the regulation of business in Indonesia. This code allows the consideration of individual's right and obligations. The limitation of this code was generally regulated the periods of record-keeping while determining how record must be preserved was not regulated. Before 1973, Dutch accounting system was the basic of Indonesian acounting practice (Limijaya, 2017:7). After this period, Indonesia Accounting Association (IAI) issued a set of accounting principles based on the accounting guidelines by AICPA in 1965. This accounting standard set namely Indonesia Accounting Principles (*Prinsip Akuntansi Indonesia*/PAI). Because of the rapid of business, Indonesia developed capital markets in 1984. After publishing capital market, IAI also published the PAI 1984 which effective for financial statement ended in December 31, 1985 (Maulana, 2019:22).

The following step of the development of accounting standard in Indonesia is in 1994. As what happened in Turkey, in 1994 IAI was totattly revised PAI 1984 to be more internationally. In this period Indonesia the first time published the Indonesian GAAP. Indonesia GAAP often called as SAK (Financial Accounting Standards). In 1995, SAK was being applied by Indonesian companies. One more important part of this stage is in 1995 to 2007, IAI continued to revise SAK by adjusting with new standards and issued the interpretation of SAK (Limijaya, 2017:7). Under the enactement of the new companies act which was applied in March 1996 financial reporting were started to be more detail. For example, the financial reporting have to prepare based on Indonesia Accounting Standards (SAK). Then, it also have to be disclosed (Article 5). Furthermore, the report certain companies must be audited by a public accountant (Article 59) (Maulana, 2019: 37). Also, in this stage, Indonesia Capital Market Board Indonesia Company Law No. 40 (2007). This law also required corporate entities to assign annual financial statement properly with the accounting standards issued by professional accounting organization recognized by the Indonesian Government.

Different to Turkey in the case of IFRS adoption, even in 2007 Indonesia remained gradually adopt IFRS in the SAK. There were several barrier to convergence IFRS in Indonesia. Timing gap also held in the process of IFRS convergence to SAK. For example, in January 1, 2012, IAI decided to converged IFRS for almost standards in SAK. There were barriers to converged IFRS to SAK. For example, there was barrier to converged PSAK 1 based on IAS 1 because of the difference both regulation and economic environment. However, in this stage, IAI also has decided to apply IFRS converged-SAK for listed and unlisted companies. Moreover, The Indonesian Capital Market and Financial Institution Supervisory Board (BAPEPAM-LK) supported theses changes by issues the new regulation No. KEP-346/BL/2011, regarding the obligations of all companies to prepare financial statement based on the new SAK. This regulation ws enacted for fiscal period which ended in or after June 2011 (Shara and Mita, 2017: 13).

Indonesia decided to converge despite of adoption of IFRS was caused several reasons, among uncompatible regulation, economics environment, and unreadyness of human resources. However, IFAC (2015: 16-26) noted that IAI documented action plan regarding IFRS implementation. This document consists of 2 phases regarding the process of full convergence of IFRS in Indonesia. The first phase was in Janury, 2012. The second phase was in January 2015. Within this document, we could classify the implementation of IFRS in SAK is using gradually adoption method. However, according to based on IFRS/IAS, Indonesia classified as “Non IFRS Adopter” because Indonesia does not adopt IFRS 1 which is statement of first time IFRS adoption. Indonesia Company Law stated that both domestic and foreign listed companies must publish their financial reporting in the stock exhange based on the SAK (Kombate and Bandi, 2016: 519).

Indonesia and Turkey IFRS implementation and differences have investigation in this section. Agça and Aktaş (2007:111) stated that after the importances of IASC/IASB and their published standards, some experts discussed tthe topics below:

1. Appropriateness of IFRS for both the developing and developed countries and how those countries implement these standards;
2. Reasons behind their IFRS adaptation,
3. Several kinds of problems that might be occur in both in process and implementing these standards.

Gray (1988: 8) stated that uncertain situation would encourage accounting measurement to be more conservative concept. These was not approved with IFRS. IFRS concept is overlook these concept and subtitute it by prudence concept. The implementation of accounting standards in each countries is determined by country’ goals, politic, economic, and cultural system (Munawarah, Muharam, and Din, 2017: 126). Thus, it is normal when we found several differences in IFRS implementation both in Indonesia and Turkey. Table 1 below describes differences of IFRS implementation both Indonesia and Turkey.

Table 1: Differences of IFRS Implementation in Indonesia and Turkey

IFRS/IAS		Indonesia		Turkey	
IIFRS 1	First-time Adoption of International Financial Reporting Standards	There is no consideration of this interpretation standard based on under PSAK	IFRS 1 was not adopted in Indonesian GAAP. But it has been respected or incorporated in Indonesian GAAP	TFRS 1	IFRS 1 is fully adopted in TFRS 1.
IIFRS 4	Insurance Contracts	1. PSAK 62 2. PSAK 28 (Insurance Contracts Accounting for Loss Insurance) 3. PSAK 36 (Accounting for Life Insurance)	IFRS 4 is adopted for PSAK 62 except for the compulsion in this standard.	TFRS 4	IFRS 4 is fully adopted in TFRS 4.
IIFRS 14	Regulatory deferral accounts	There is no consideration of this interpretation standard based on under PSAK	PSAK was not adopt IFRS 14	TFRS 14	IFRS 14 is fully adopted in TFRS 14.
IIAS 1	Presentation of Financial Statements	PSAK 1	PSAK 1 is corresponding to to IAS 1 in all notable values.	TMS 1	IAS 1 is fully adopted in TMS 1.

			Although, several notes found.		

Table 1 (continued): Differences of IFRS Implementation in Indonesia and Turkey

IIAS 36	Impairment of Assets	PSAK 48	PSAK 48 is consistent with IAS 36 in all significant respects.	TMS 36	IAS 36 is fully adopted in TMS 36
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments	There is no consideration of this interpretation standard based on under PSAK	IFRIC 2 is not adopted since cooperatives in Indonesia do not issue shares to their members.	TFRS 2	IFRIC 2 is fully adopted in TFRS-2
IIFRIC 5	Rights to Interests arising from Decomission, Restoration and Environmental Rehabilitation Funds	There is no consideration of this interpretation standard based on under PSAK	IFRIC 5 is not adopted.	TFRS -5	IFRIC 5 is fully adopted in TFRS Yorum 5.
IIFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	There is no consideration of this interpretation standard based on under PSAK	IFRIC 6 is not adopted.	TFRS-6	IFRIC 6 is fully adopted in TFRS Yorum 6.

Table 1 presents differences in IFRS implementation between Indonesia and Turkey. As informed before that Turkey decided to change Turkish GAAP to IFRS with full adoption. It is not surprized when we found that almost the IFRS standards are implemented in the Turkish Financial Reporting Standards (TFRS). Different to Turkey, Indonesian government remains does not permit to decide full adoption of IFRS. Indonesia goverment only permits either domestic or foreign listed companies to present financial reporting based on Indonesian Accounting Standard (SAK). Despite of does not fully adoption of IFRS, Indonesian Accounting Standards are consistent with IFRS. Of course, there are several differences in the implementation of IFRS because of economic environments and regulations.

As presented in the table 1, we found that there are several standards which are not implemented in Indonesia but they are implemented in Turkey, such as IFRS 1, IFRS, 14, IFRIC 2, IFRIC 5, IFRIC 6. Also, there are some notes in the implementation of IAS 1 and IFRS 4. IFRS 1 and IFRS 14 which are not implemented in Indonesia is the most important finding of our study. IFRS 1 implemented only for the country who decided to adopt IFRS in full adoption. The goal of this standard is the statement of the first implementation of IFRS in all accounting activities. Price Water House Coopers (2020: 2-10) also stated that IFRS 14 is only applicable to entities that apply IFRS 1 as first-time adopters of IFRS. It permits such entities, on adoption of IFRS, to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment, and de-recognition of regulatory deferral accounts. Hence, IFRS 14 is not be able to implemented in Indonesia beside there is no regulation which permitted to the economic transaction regulated in IFRS 14.

The implementation IAS 1 in Indonesia Accounting Standard e.g PSAK 1 also found several notes that backgrounded by regulations of Indonesian government. Price Water House Coopers (2020: 2-10) stated that in the implementation of IAS 1 in Indonesia, there were found several notes, such as:

1. PSAK 1 clarifies that Indonesian GAAP take places the Statements of Financial Accounting Standards, their interpretations and financial reporting rules. They were published by capital market authorities. Although, IAS 1 does not incorporate the latter.
2. According to PSAK 1, it possible in creating misleading of implementation of this standard so that it needs to be developed an alternative of the basis in order to get fair presentation.
3. Based on IAS 1, an entity is possible to use titles for the statements other than those used in this Standard.

Another finding in this study is the notes of implementation of IFRS 4 in Indonesia. IFRS 4 is implemented not only in PSAK 62 but also in PSAK 28 and PSAK 36. Implementation of IFRS 4 in measuring the insurance liabilities on an undiscounted basis is contradicted to PSAK 28 and PSAK 36 (Price Water House Coopers, 2020: 2-10). PSAK 28 and PSAK 36 are implemented officially by the regulations. The IASB has issued IFRS 17 that supersides IFRS 4. Nowadays, as Turkish Accounting Standard Board, Indonesia Accounting Standard Board also in the way to publish the implementation of IFRS 17 as TFRS 17 (Turkey) and PSAK 74 (Indonesia) which possible be officially implemented in 2022 (kgk.gov.tr and iai.global.or.id). After the implementation of IFRS 17 in PSAK 74, PSAK 62, PSAK 28, and PSAK 36 will officially unenacted from the Indonesian Accounting Standards. Moreover, Indonesia does not implemented IFRIC 2, IFRIC 5, and IFRIC 6.

The differences of the implementation of IFRS both Indonesia and Turkey firstly is influenced by the legal system. As mentioned in prior section, Indonesia Company Law only allow to all the companies which operate under the Indonesian regulation to prepare their financial statement based on SAK. Legal system does not permit the full adoption of IFRS because of several backgrounds. For example, there is still local business that can not be required to apply IFRS. Thus, Indonesian Accounting Standard board (DSAK) is permitted to issue non IFRS based- standards, such as PSAK 28 (insurance loss). This standard was issued to provide the need of local business which not approriate to IFRS based-standards. This standard also expected to protect local business which is unready to be globally operated.

Furthermore, Lasmin (2012:12) documented factors which might be barrier in IFRS implementation such as: (1) it lead comparability in appearance however real differences economic activities are increased and (2) mitigate the precision of economical transaction recording with many alternatives, although they are not relevant to local standards. Furthermore, Ball (2006: 16) stated that legal, political, and taxation issues also plays important role in influencing the adoption of IFRS. Moreover, Ball, Kothari, and Robin (2000: 246) also noted that accounting system is issued by the government control, so that it is influenced by the code-law countries, especially the adoption process in common-law countries.

Roberts, Weetman, and Gordon (2002: 37) argued that in developing countries, there are several points that might be influenced their IFRS adoption, such as: (1) developing countries consider that international accounting standard does not have strong influenced to them, (2) developing countries' business environment might be faithfully represented by the prescribed accounting procedures of the international standards, and (3) developing countries are facing high costs of changing local standards to IFRS. Lasmin (2012:12) also argued that IFRS adoption involves high costs of newly set up institutions, regulations, and infrastructure. The purpose of IFRS is expected to create the high-quality information to minimize the cost of capital eventually. Thus, it is also expected to increase potential investors interests, especially international investors. However, prior research found that investors not only decided their investment decision based on the accounting standards. For example, Florou and Pope (2012:26) found that IFRS adoption is not present at tne all types of investors in the institutional holdings.

Jasiniak (2018: 1-2) also found that there were indications of investor's personality nature's, such as their knowledge and experience, have influence on their investment decisions as to the purchase of securities at a certain price range. It also includes the price limit and other levels of price may appeal investors. Hence, applied accounting standards in country is not the only one influenced investmenet decision (Jasiniak, 2018:7). Lasmin (2012:11) found that there was decresing in FDI inflow in a year after implementing IFRS. However, Shara and Mita (2017:15) found that there was positive impact in gradually IFRS adoption on the foreign direct investment. Foreign investors seems do not have any problem in the case of not full adoption of IFRS in Indonesia. They were positively making investment in Indonesian capital market.

For the quality information issues reagrding the adoption of IFRS, prior researchers i.e Soderstrom and Sun (2007:712) and Hodgdon, Tonkar, Adhikari, and Harless (2008: 9) argued that IFRS adoption does not have any impact to produce high quality information, since IFRS adoption also enhance the higher cost of modify current tax enforcement system and it would be affected by country' legal and tax system. Ball, Kothari, and Robin (2000: 256) moreover stated that it is not enough to enforce international accounting standards to getting high-quality information, since it is neccesary to change all the factors in their internal system. Verriest, Gaeremynck, ve Thornton (2013: 66-67) argued that high-quality disclosure related to the strength in corporate governance implementation. Corporate governance mechanism is formed to certify that business managers work for increasing the firm's value. Supervisory institutions have issued a series of Corporate Governance Guidelines. This institution purposed to established and developing market environments, the focus on shareholders protection. In Indonesia, these guidelines include Ministerial Regulation Number 01/MBU/2011 regarding the implementation of good corporate governance was issued for all the listed companies (Krismiaji & Surifah, 2020: 193).

Different to Indonesia, Turkey as one of EU member which committed to full adoption of IFRS, legally issued CMB regulation regarding the statement of full adoption of IFRS in Turkey. The resolution of EU to adopt IFRS influenced all the economic environments among EU country' members, including EU capital market operations and foreign direct investment. This resolution was approriate to EU countries, as the finding of Lenger, Ernsberger, and Stiebale, (2011:19). They found that IFRS adoption in EU countries created investment efficiency. Furthermore, Kapellas and Siougle (2018: 15) also stated that in EU countries IFRS adoption on investment management alleviates peliculiarity of foreign market investors and information asymmetry, which elevate foreign mutual fund investment, foreign equity portfolio investments, cross border acquisitions, domestic and global IPOs. Hence, it increase the efficiency of their investment. In the case of Turkey, Hosan-Akmal, Simga-Mugan, Arikboga (2009: 55) stated that Turkey both as part of EU and as developing country interested in foreign direct investment. They also noted that Turkey in the late 1990s started to invest outside the country. Hence, the IFRS adoption would help the economic purpose in investment section. Hence, it is not big surprise if the goverment legal system directly issued the regulation to be officially one of IFRS adopter countries. This finding in line with Daske, Hail, Leuz, and Verdi (2008: 1125-128). They found that stated that heavy mandatory IFRS adopters were experience higher liquidity and lower cost of capital compared to "label" adopters. Hence, these case influluenced on the firm-level heterogeneity in the capital market of IFRS adoption. Futhermore, in the accounting standards view, many stakeholders and economic interests are formally or informally involved in the regulatory processes over which accounting standards are set (Mouck, 2004: 536). Hence, government need to legally regulated the statement of IFRS adoption. Moreover, regulator in EU countries also claimed that mandatory adoption of IFRS is more beneficial rather than local GAAP (Florou and Pope, 2012:25).

CONCLUSION AND RECOMMENDATION

Based on UNTAD (2008: 130-133) reguler report on the legislative alignment and implementation, Turkey GAAP tend to:

1. Lack of examples of punishment based on the provisions in the legislation,
2. Regulatory deficiencies related to the whistle blowing and repetance,
3. Lack of sanctions for legal persons both interm of regulation and implementation,
4. Lack of coordination and communication among institution.

Bahadır, Demir, ve Oncel (2016:23) argued that Turkey needed to change their accounting standards to IFRS standards because of several difficulties such as: (1) cash flow statement and the changes in stakeholder' equity statement are not requisited to be provided, (2) Revenues were recognized at the nominal amount, (3) At the initial recognition, inventories were measured at the nominal amount, (4) Idle capacity was not viewed for allocating production overheads to the cost of conversion, (5) Inventories were measured at cost. In case of damages, allowances for impairment were permitted, (6) Revalution method for fixed asset was not permitted and measured at cost less accumulated depreciation (7) Revaluation method was permitted for intangible assets (8) ministrial decision decided the depreciation rate, (9) When the product is feasible either research or development costs were recognized as asset (9) There was no specific particular direction regarding to calculate and register the assets impairment losses. Goodwill was amortized over its useful life, (10) Passive investment was controlled by concept of prudence. Passive investments were recognized at the lower of cost and market value (11) a financial investment was distributed as investment in investor relations if they own 10% or more of investee's voting stock. Investment in subsidiaries were those investments over which the investor has 50% or more of the investee's voting stocks, (12) there was no specific direction served, (13) Investment in related party were recognized at cost, (13) Financial derivatives were not served in financial statement, so that disclosure is required.

Despite of being IFRS adaptor which supported by EU agreement including the economic agreement, Turkey in the first time adoption of IFRS also struggled barriers in the adoption processes. Simga-Mugan and Hosal-Akman (2005:137) stated that Turkish domestic companies facing the main and immediate difficulty that arise after convergence because they are not familiar with the content the new rules of CMB. Several issues such as pensions liability accounting, deffered taxation, and accounting for derivatives and intangible assets are not covered in CMB rules before. The difficulties came from these issues. In our opinion, Turkey even though facing the barrier in IFRS adoption, these barrier can be solved easier than another developing countries. Zakari (2014:409) stated that in the process of IFRS adoption, developing countries facing several barriers, such as economy and political ties, unspport or uncompatible legal system including investment rules, tax legal system, and capital market law system, accounting education, and culture structure.

Authorship Contribution / Yazarlık Katkısı

Assoc. Dr. Tuba DERYA BASKAN; contributed to the subject, purpose, Turkey IFRS applications, conclusions and recommendations (50%). / Doç. Dr. Tuba DERYA BASKAN; konu, amaç, Türkiye IFRS uygulamaları, sonuç ve önerilere (%50) katkı sağlamıştır.

Tri DAMAYANTI; literature review, Indonesian IFRS applications, conclusions and recommendations (50%) contributed. / Tri DAMAYANTİ; literatür taraması, Endonezya IFRS uygulamaları, sonuç ve önerilere (%50) katkı sağlamıştır.

Ethics Committee Statement / Etik Kurul Beyanı

Since our research is based on document review, ethics committee approval is not required. / Araştırmamız döküman incelemesine dayalı olduğundan etik kurul onayına gerek yoktur.

REFERENCES

Agça, A. and Aktaş, R. (2007). First Time Application of IFRS and Its Impact on Financial Ratios: A Study on Turkish Listed Firms. *Problems and Perspectives in Management*, 5(2), 99-112.

Ahmed, S. N. and Wang, D. (2013). Does Mandatory Adoption of IFRS Improve Accounting Quality? Preliminary Evidence. *Contemporary Accounting Research*, 0(30), 1334-1372.

Akgün, A. İ. (2016). Quality of The Financial Reporting within The IFRS: Research on Determining The Attitudes and Evaluations of Financial İnformation Users. *Muhasebe ve Finansman Dergisi*, 0(69), 169-188.

Armstrong, C. S.; Barth, M. E. and Jagolinzer, A. D. (2010). Market Reaction To The Adoption of IFRS in Europe. *The Accounting Review*, 8(1), 31-61.

Bahadır, O.; Demir, V. and Oncel, A. G. (2016). IFRS Implementation in Turkey: Benefits and Challenges. *Accounting and Management Information Systems*, 15(1), 5-26.

Ball, R. (2006). International Financial Reporting Standards (IFRS): Pros and Cons for Investors. *Accounting and Business Research*, 36(1S), 5-27.

Ball, R.; Kothari, S. P. and Robin, A. (2000). Incentives Versus Standards: Properties of Accounting Income in Four East Asian Countries. *Journal of Accounting and Economics*, 0(36), 235-270.

Barth, M. E.; Landsman, W. E. and Lang, M. H. (2008). International Accounting Standards and Accounting Quality. *Journal of Accounting Research*, 0(46), 467-498.

Daske, H.; Hail, L.; Leuz, C. and Verdi, R. (2008). Mandatory IFRS Reporting Around the World: Early Evidence on The Economic Consequences. *Journal of Accounting Research*, 0(46), 1085-1142.

Florou, A. and Pope, P. F. (2012). Mandatory IFRS Adoption and Institutional Investment Decisions. *The Accounting Review*, 87(6), 1993-2025.

Gray, S. J. (1988). Towards A Theory of Cultural Influence in the Development of Accounting System Internationally. *Abacus*, 0(24), 1-15.

Hail, L.; Leuz, C. and Wysocki, P. (2010). Global Accounting Convergence and The Potential Adoption of IFRS by the US (Part I): Conceptual Underpinnings and Economic Analysis. *Accounting Horizons*, 4(3), 355-394.

Hodgdon, C.; Tonkar, R. H.; Adhikari, A. and Harless, D. W. (2008). Compliance with IFRS Disclosure Requirements and Individual Analysts Forecast Errors. *Journal of International Accounting, Auditing, and Taxation*, 17(1), 1-13.

Hofstede, G. (1980). *Culture's Consequences: International Differences in Work-Related Values*. London: Sage Publications.

Horton, J.; Serafeim, G. and Serafeim, I. (2013). Does Mandatory IFRS Adoption Improve The Information Environment?. *Contemporary Accounting Research*, 30(1), 388-423.

Hosal-Akman, N.; Simga-Mugan, C. and Arikboga, D. (2009). Winds of Change in Accounting Practice in Emerging Market: Some Observations and Though. *Journal of Global Business Advancement*, 2(1/2), 54-75.

IASB. (2015). *The IASB's Conceptual Framework of Financial Reporting*. https://www.accaglobal.com/content/dam/acca/global/pdf/sa_mar11_f7pdf. (Access: 20.01.2022).

IFAC (2015). *Action Plan Developed by Institute of Indonesia Chartered Accountant*. https://www.ifac.org/system/files/complianceassessment/part_3/201509-Indonesia-IAI.pdf (Access: 20.01.2022).

Jasiniak, M. (2018). Determinants of Investment Decisions on The Capital Market. *Financial Internet Quarterly*, 14(2), 1-8.

Jiao, T.; Koning, M.; Mertens, G. and Roosenboom, P. (2012). Mandatory IFRS Adoption and Its Impact on Analysts' Forecast. *International Review of Financial Analysis*, 0(21), 56-63.

Jones, S. and Higgins, A. D. (2006). Australia's Switch to International Financial Reporting Standards: A Perspective from Account Preparers. *Accounting and Finance*, 0(46), 629-652.

Juhmani, O. (2017). Corporate Governance and The Level of Bahraini Corporate Compliance with IFRS Disclosure. *Journal of Applied Accounting Research*, 18(1), 22-41.

Kapellas, K. and Siougle, G. (2018). The Effect of IFRS Adoption on Investment Management: A Review of the Literature. *Technology and Investment*, 0(9), 1-23.

Kombate, B. and Bandi. (2016). Extra-Financial Analysis of IFRS Adoption and Application in Developing Country: The Case of Indonesia. *Chinese Business Review*, 15(11), 507-523.

Krismiaji, K. and Surifah, S. (2020). Corporate Governance, Compliance Level of IFRS Disclosure and Value Relevance of Accounting Information–Indonesian Evidence. *Journal of International Studies*, 13 (2), 191-211.

Lasmin, D. (2012). The Unwanted Effects of International Financial Reporting Standards (IFRS) Adoption on International Trade and Investments in Developing Countries. *Journal of Economics and Economic Education Research*, 13(1), 1-14.

Laupe, S. (2018). Role of Culture and Law Enforcement in Determining The Level of IFRS Adoption. *European Research Studies Journal*, 21(1), 52-64.

Lenger, S.; Ernsberger, J. and Stiebale, J. (2011). The Impact of IFRS on Firms' Investment Efficiency European Evidence on Private and Public Firms, The Illinois International Journal of Accounting Symposium – June 23-25, Porto Carras: Halkidiki.

Li, S. (2010). Does Mandatory Adoption of International Financial Reporting Standards in The European Union Reduce The Cost of Equity Capital?. *The Accounting Review*, 85(2), 607-636.

Limijaya, A. (2017). IFRS Application in Southeast Asia Countries: Where Does Indonesia Stand?. Proceedings of the 12rd Asia-Pacific Conference on Global Business, Economics, Finance, and Social Sciences (AP17 Indonesia Conference).

Maulana, A. O. (2019). Legitimacy Dynamics of Accounting Standards Setting: The Case of Indonesia, (Unpublished Ph.D thesis), University of Reading, May. https://www.semanticscholar.org/paper/Legitimacy-dynamics-of-accounting-standards-setting-Maulana/fbb6619f32ab8861ae4572ccf0f4a605a7e1c400 (Access: 25.01.2022).

Mouck, T. (2004). Institutional Reality, Financial Reporting and The Rules of The Game. *Accounting, Organizations and Society*, 29(5–6), 525–541.

Munawarah, W. C.; Muharram, H. and Din, M. (2017). State Ownership and Corporate Governance: An Empirical Study of State Owned Enterprises in Indonesia", *Interational Journal of Civil Engineering and Technology*, 8(7), 951-960.

Özkaya, H. (2018). Effect of Mandatory IFRS Adoption on Cost of Debt in Turkey. *Business and Economics Research Journal*, 9(3), 579-588.

Pacter, P. (2003). *Interational Financial Reporting Standards. International Finance and Accounting*, (Handbook 3th Edition). Wiley.

Price Water House Coopers (PWC). (2020). *IFRS and Indonesian (GAAP) Similarities and Differences*. https://www.pwc.com/id/en/publications/assurance/psak-vs-ifrs-2020.pdf (Access: 24.01.2022).

Renders, A. and Gaeremynck, A. (2007).The Impact of Legal and Voluntary Investor Protection on the Early Adoption of IFRS. *De economist*, 0(155), 49-72.

Roberts, C.; Weetman, P. and Gordon, P. (2002). *International Financial Accounting*, (2 ed.). Essex: Prentice Hall.

Shara, A., and Mita, A. F. (2017). The Effect of IFRS Convergence on Ownership of Foreign Investors in Indonesia. *Advances in Economics, Business and Management Research* (AEBMR), 55, 13-17.

Simga-Mugan, C. and Hosal-Akman, N. (2005). Convergence to International Financial Reporting Standards: The Case of Turkey. *International Journal of Accounting, Auditing, and Performance Evaluation*, 2(1-2), 127-139.

Snyder, H. (2019). Literature Review as a Research Methodology: An Overview and guidelines. *Journal of Business Research*, 0(4), 333–339.

Soderstrom, N. S. and Sun, K. J. (2007). IFRS Adoption and Accounting Quality: A Review. *European Accounting Review*, 16(4), 675-702.

Uddin, S. (2005). Global Acceptance of IASs/IFRSs. *The Cost and Management*, 3(4), 22-33.

UNTAD. (2008). *Practical of Implementation of International Financial Reporting Standard: Lessons Learned, Case Study on IFRS*. Switzerland: UN Publication

Verriest, A.; Gaeremynck, A. and Thornton, D. B. (2013). The Impact of Corporate Governance on IFRS Adoption Choices. *European Accounting Review*, 0(1), 39-77.

Zakari, M. A. (2014). Challenges of International Financial Reporting Standards (IFRS): Adoption in Libya. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2538220 (Access: 05.01.2021).