İşletme Araştırmaları Dergisi
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Turkey Financial Reporting Standard - 9 "Financial Instruments" by Standard Classification of Financial Instruments and Application Examples

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Extensive Summary

There are four Turkey Accounting Standard related to Financial Instruments. These are IAS 32 "Financial Instruments: Presentation", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures" and IFRS 9 "Financial Instruments ".

According to IAS 39, financial assets are classified into four classes. Each of them is subjected to different measurement basis. According to the standard, financial assets are classified into fair value assets, assets held to maturity, loans and receivables, available for sale financial assets. This quadruple classification for financial assets in IAS 39 has reduced into the groups as valued at fair value in the form of financial assets valued at amortized cost by IFRS 9. Entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset are taken into consideration in this classification.

The objective of this IFRS is to establish principles for the financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows.

According to IFRS 9, at initial recognition, an entity shall measure a financial asset at its fair value unless it is measured at amortized cost. A gain or loss on a financial asset that is measured at fair value and is not part of a hedging relationship shall be recognized in profit or loss unless the financial asset is an investment in an equity instrument and the entity has elected to present gains and losses on that

investment in other comprehensive income. At the implementing example of this study, stock held for trading is taken, and how to take into account the positive and negative differences in fair value using profit and loss accounts are shown.

Another implementing example of our study is related to an investment in an equity investment that is not held for trading purposes. Changes will be occur later in the fair value of these financial assets are presented, as mentioned in the standard, in other comprehensive income subsequent.

A financial asset shall be measured at amortized cost if both of the following conditions are met; the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Their direct acquisition of the fair values attributable transaction costs are added. At the example related to purchase of bonds in the implementation part of the study, first the cost of bond at the date of purchase (purchase price + commission expenses, etc.), cash flows will be obtained in the future from this bond (interest and principal payments) equalizing discount rate (internal rate of return) is calculated. Accordingly, an amortized cost table that shows interest income of each period, cash flows sourced from obtained interests and the cost bond at he and of each year is created. According to this table, accounting records considering each year-end valuation of the bond is sh