

## **THE IMPORTANCE OF FINANCIAL REPORTING DURING PRIVATIZATION: TURKISH CASE**

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*ABSTRACT: Privatization has been on a lot of countries' agenda, especially for the emerging countries for a long time. In Turkey, as an emerging country, privatization plan has been a very high priority among the State Budget income items for three decades. To identify and to explore the accounting role in privatization is the critical issue for the countries under privatization process. In this study, the importance of financial reporting during privatization process is examined. The overall responsibility of accounting in privatization is to develop investor confidence to channel the flows of funds and to ensure the effective and efficient use of capital funds. Therefore, without a sound accountancy framework, the privatization process would not generate the desired long term economic, social, and financial development results. Therefore, we analyzed the period of Turkish privatization experience by underlying the importance of financial reporting in this process. For this purpose, in the first part of the study, we defined the privatization and argued the positive and negative opinions about it. In the second part, we clarified the role of accounting in privatization process under disclosure, transitional problems, training, valuation problems, and inflation accounting subsections. In the third part, we discussed the recent accounting developments which may effects privatization in Turkey. In the fourth part, we summarized the implementation of privatization in Turkey. Then, we mentioned the key issues in privatization process for emerging economies. Based on the Turkey's privatization practices, financial reporting has a very important role in the SOE's privatization process. In our point of view, since accounting has an important role in privatization, this role takes place before, during and also after the privatization. It should be taken into consideration that the main objective of privatization is not only to privatize SOE's, but also keep the sustainability of privatized SOE's. While privatization creates sources for new investments of the governments, it should support the effectiveness and economics of goods and services in the area of privatization. So the sustainability of privatized companies is very important as well as their sales. All of the above purposes can be controlled by solely accounting.*

*Key words: privatization, accounting, financial reporting, emerging economies, state owned enterprises*

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