

AN EMPIRICAL RESEARCH FOR THE DETERMINATION OF VARIABLES WHICH AFFECT THE EXPLANATION LEVEL OF ACCOUNTING AND REPORTING STANDARDS*

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ABSTRACT

The extraordinary changes in technology nowadays have also influenced change in individuals' consumption habits. Consequently, many changes have occurred in economic life and multinational investments have increased. Consequently, while businesses who continued their activities in commercial life have steered their investments towards new business areas needed to sustain their existence, they had to move towards capital diversification and form new partnerships. On the other hand, it is clear that capital is the basic requirement for businesses to sustain their existence. Even though businesses use their own resources to meet their capital needs, they require international capital for the continuation of their activities. In this sense, not only businesses, but also countries do need multinational investments to realize their economic goals and increase their levels of prosperity. As capital owners move their fund resources to investment areas it is unarguable that they consider different criteria. The most fundamental reference information among these is the financial information on a business. It is mandatory that the financial information required for investment has to be primarily composed of qualitative accounting information. The formation of qualitative accounting information is possible with accounting and financial reporting standard prepared with universal qualification. On the other hand, the explanation level of the information, required to be explained as prescribed by a business' accounting and reporting standard, for the financial information users is very crucial. This information are explained by businesses in the footnotes of financial tables. An "explanation index" has been created in many studies in the literature to determine the footnote explanation level of a business. The objective of this study is the determination of variables which affect the explanation levels related to the presentation of information prescribed in the accounting and reporting standards of the sectors within the scope of the research. An "explanation index" has been created within this framework to determine the level of information required to be explained in the standards. This index has been accepted to be the dependent variable in the study and the relationship with the independent variables such as the age of business, size of business, active size of business, 4 large auditors, change of auditing firm and change of chief auditor, has been tested using the panel data regression analysis method. As a result of the study, the change in auditing firm and the change in the chief auditor have been observed to have a higher effect on the "explanation index" in comparison to the other variables.

Keywords: Accounting Standards, Accounting Policies, Footnotes, Explanation Index, Panel Data

1. INTRODUCTION

Multinational investments have increased as a result of various reasons such as the increased competition conditions, widened trade relationships, extraordinary changes in technology and change in individuals' consumption habits. In conjunction with the change experienced, new business ideas have surfaced in different areas of commercial life. Consequently, while businesses

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who continued their activities in commercial life have steered their investments towards new business areas needed to sustain their existence, they had to move towards capital diversification and form new partnerships. On the other hand, it is clear without any doubt that capital is the basic requirement for businesses to realize their new business ideas and also sustain their existence for those which continue their activities. Even though businesses use their own resources to meet their capital needs, they need international capital to continue with their activities and remain in existence. It is definite that the capital owners take into consideration many criteria in channeling fund resources to investment areas. Many different criteria such as business profitability, economic and political risks can be mentioned among them. The investors need some important financial information regarding the business prior to moving fund resources to businesses. It is a necessity to have the financial information to be composed of primarily the accounting information.

The financial information is required to reveal the actual status of a business in financial terms and be comparable, verifiable and at the same time prepared with a reporting language that is accepted in the international arena. To meet these needs, studies have been done during the process starting from 1970s until today to establish accounting and reporting standards acceptable worldwide. The fundamental objective of the standards is to present to financial information users, high quality financial information prepared using a common language. In this sense, the businesses' financial information's quality is possible as a result of compliance with the rules prescribed by the accounting and reporting standards. The display of the level of compliance with the explanation level standards regarding the presentation of information that needs to be explained as prescribed by a business' accounting and reporting standards, to financial information users is also very important. In this respect, businesses need to explain the financial and accounting information concerning their accomplished commercial activities to their information users within the framework of universal rules. Businesses make certain preferences in formation of accounting information, meaning during the recording and reporting processes. These preferences are verbalized as accounting policies. Accounting policies are in essence the basics that guide the arrangement of businesses' financial tables within the framework of financial reporting and accounting standards.

Accounting policies prescribe the consistent application policies preferred by businesses to have businesses' financial table to be comparable according to the basic concepts of accounting. Nevertheless, while the accounting standards mandate the application of some accounting policies to businesses, they also present them the right to choose in some others. Businesses may modify their accounting policies depending on their changing situations in order to present reliable information concerning their financial situation. Policy changes according to standards are very important in terms of the tables' comparability and showing the real status of a business. Therefore businesses present information regarding policy changes and activity results to the financial information users in financial tables and footnote explanations. Footnotes are the explanation of business specific events, subject to accounting science, prepared during the financial reporting processes done by businesses to allow comparisons in international dimension concerning the accounting policies applications determined within the scope of accounting and reporting standards. An "explanation index" has been created in many studies in literature to determine a business' footnote explanation level.

Explanation Index attempts to determine the level of providing information concerning situations where a business has to make an explanation (Cooke and Wallace 1989:47). At the same time Explanation Index shows the level of compliance with the accounting and reporting standards, in other words explanation level, in businesses' financial tables. The main objective of this research is the determination of variables which affect the explanation level concerning the presentation of information prescribed in the accounting and reporting standards of sectors within the scope of the research. Within this scope, footnote explanations for the 2012-2013-2014 financial tables of 235 firms active in 21 different sectors in Stock Exchange, İstanbul have been utilized and 45 different accounting policy explanations with 10 accounting standards have been reviewed. The "explanation

index” created according to the explanation level of policies within the scope of study, has been accepted as a dependent variable and the relationship with the independent variables such as the age of business, size of business, active size of business, 4 large auditors, change of auditing firm and change of chief auditor, has been tested using the panel data regression analysis method.

2. LITERATURE

Previous academic studies related to the subject of the research shall be explained in this section of the study. As a result of the literature work done, it has been determined that the researchers have handled two basic situations concerning the subject. The first situation; is the businesses’ preferences related to their selected accounting policies within the scope of accounting and reporting standards and the determination whether their policy preferences explain the business specific situations or not. During the second situation, the researchers: have created an explanation index according to the accounting policies they have determined to measure the explanation level of businesses’ accounting and reporting standards. They have conducted reviews according to econometric models to test if some factors were effective on explanation index. Within this scope, the works identified according to the second basic situation are explained below.

The relationship between the explanation rates of some companies operating in Sweden and the independent variables such as being public and size of business has been researched in the study done by Cooke (1989). As a result of the study, a meaningful relationship has been determined between the explanation rate and independent variables such as being public and size of business.

The effect of independent external audit on accounting information levels for 1987-1991 explained by 122 firms active in İMKB has been tested in the study by Çürük (2004), named ‘Practical study on the effect of independent external audit on accounting transparency: Turkey as an Example’. As a result of the study, the independent external audit has been determined to have no effect on the explanation level.

Explanations related to the important accounting methods in the 2005 financial tables of 107 public companies, among the top 500 largest industrial establishments in Turkey registered with İMKB have been reviewed by Uluşan (2007) and the businesses’ accounting policy preferences have been tried to be determined. As a result of the study, (Uluşan, 2007:195) has determined as a result of the study that “in the simple linear regression analysis results, the selection of an accounting policy did not explain the business management’s income separating (decreasing) accounting policy selection tendency of the economic determinants, other than the size of business in companies which prepare consolidated financial tables”.

In the study by Akman (2009); Explanation index has been calculated according to the information formed from the 2004, 2005 and 2006 financial tables of companies selected from Germany, Australia, France, Holland, England, Italy and Turkey according to sampling mass and the relation between this index and the independent variables such as country specific cultural values and company size, profitability, being traded in more than one capital market has been tested using regression analysis. According to the results of the study, the author has determined cultural values to be effective on companies’ financial explanation levels before UFRS and that the cultural values’ effect on the financial explanation continued after UFRS as well.

Rajhi (2014) has tried in this study to determine the explanation level using the 10 accounting standards for 2009, 2010 of 118 French companies whose shares get traded in the NYSE Euronext stock market. As a result of the study, the author has determined all the firms to have fulfilled the explanation obligations prescribed by UFRS.

Raithatha and Bapat (2014), have tried in their study on the Bombay stock market in India to determine the explanation level and the relationship between the explanation level of 29 accounting standards for 2009 of 234 companies out of the 4200 registered total in Bombay stock market. The average explanation level (compliance level) of companies in the manufacturing sector has been determined to be 73% and the average explanation level (compliance level) of companies in the

service sector has been determined to be 69%. The total average explanation level of all the sectors is 71%. As a result of the statistical study done, they have determined the explanation level to be high in all the sectors in the case when auditing gets done by the largest 4 auditors.

Demir and Bahadır (2014), have tried in their study done on 168 manufacturing companies registered with the Stock Exchange İstanbul for 2011, to determine the relationship between explanation level, over 5 basic subjects and 215 sub policy headings and independent variables such as the size of business, profitability, age of business, 4 largest auditors. As a result of the study, they have determined the profitability and auditing by 4 largest auditors to have effect on explanation level.

3. OBJECTIVE AND SCOPE OF THE RESEARCH

The basic objective of the study is; the determination of the variables that affect the explanation level related to the presentation of information prescribed by the accounting and reporting standards within the scope of the research. A preliminary study has been carried out for the companies in the sectors to be included in the research for purposes of determining the research sample's mass. Within the scope of the research, consecutive information has been searched under the heading of important accounting policies in the footnotes included in the independent audit reports of the financial statements of the companies in the sectors in Stock Exchange İstanbul. In addition, since the coherence of the research and the achievement of all companies and sectors operating in the İstanbul Stock Exchange will be very difficult in terms of time or technique, in the study 45 different accounting policy explanations in the 10 accounting standards displayed in annex-1, included in the footnotes of financial tables for 2012-2013-2014 of 235 firms, shown in table 1, operating in 21 different sectors in the Stock Exchange İstanbul, on which information has been accessed using the Public Enlightening Platform, have been reviewed. The "explanation index" formulated according to the explanation levels of policies within the scope of the study has been accepted to be the dependent variable and the relationship with the independent variables such as the age of business, size of business, active size of business, 4 large auditors, change of auditing firm and change of chief auditor, has been tested using the panel data regression analysis method.

Table 1. Sectors within the Scope of Research and Number of Companies

Seq. No	Sectors	Number of Companies Included In The Research	Percent
1	Mining	6	2,55
2	Food Drink	29	7,29
3	Weaving-Clothing	24	6,50
4	Paper Industry	7	2,03
5	Printing and Publication	8	2,37
6	Chemical Industry	6	1,82
7	Refinery	14	4,32
8	Tire-Plastic	6	1,94
9	Rock-Soil Industry	14	4,61
10	Iron Steel	6	2,07
11	Metal Industry	8	2,82
12	Electricity-Machine	28	10,14
13	Transportation Vehicles	13	5,24
14	Energy	5	1,08
15	Construction	6	1,31
16	Wholesale Trade	6	1,32
17	Retail Trade	14	3,13
18	Hotel Management	11	2,54
19	Transportation	6	1,42
20	Communication	2	0,48
21	Information Technology	16	3,86
TOTAL		235	100

4. THE METHOD OF THE RESEARCH

Panel data analysis regression method has been applied in the research to put forth the direction and the level of relationship in statistical sense, if any, between the explanation levels of accounting standards of companies in sectors determined within the scope of the study and the determined variables such as age of business, sales, size of business, 4 large auditors, change of auditing firm and change of chief auditor, has been tested using the panel data regression analysis method. Since the sampling of the research is comprised of 3 years' of simultaneous data between 2012, 2013, 2014 for 235 companies, it has panel data characteristics. In other words, the data within the scope of the study has the feature to contain a time series for each horizontal section data. Therefore, panel regression equation has been created in the application of data and the regression equation has been tested using the E-Views 7.1 statistical package program

5. EXPLANATION OF THE DEPENDENT AND INDEPENDENT VARIABLE

The dependent and independent variables used within the scope of the study are displayed in table 2 below. On the other hand, the Explanation index (disclosure) method found in the literature has been used in the study to create the dependent variable. The Explanation index tries to determine the level of providing information concerning situations where a business has to make an explanation (Cooke and Wallace, 1989: 47). In other words, it shows the account policies related to accounting and reporting standards in financial tables, meaning the explanation levels for company specific situations in footnotes. Basically there are two methods in the calculation of the Explanation index, one is weighted and the other not weighted. The weighted method expresses ranking to be done among the information that needs to be explained, meaning to assign weight to this information. Each explanation item in this method is assigned a value from 0 to 1. In the unweighted method each footnote explanation obligation is accepted to have equal importance. If an explanation is made for information that requires footnote explanation in this method, a value of 1 assigned and value of 0 is assigned if explanation is not done. Nevertheless if the information whose explanation has been reviewed is not a usable information, it is not included in the evaluation (Cooke,1989:115). The unweighted method shall be used in the study similar to researchers who use it often; (Cooke,1989; Soh,1996; Al-Modahki, 1996; Çürük, 2004; Esen and Sakin, 2009; Rajhi,2014). The equation which shows the model related to this method can be shown as below (Rajhi, 2014:4);

$$DIC_j = \frac{T = \sum_{i=1}^n d_i}{M = \sum_{i=1}^m d_i}$$

DIC (disclosure index) shows the information score each company has explained and varies between $0 \leq DIC_j \leq 1$. The T in the equation represents the total number of items (d_i) (in relation to standards) explained by firm (j). M shows the maximum number of items (standards) that need to be explained by firm (j). The Explanation index expresses the determination of accounting and reporting standards' explanation levels by sector using the ratio of total scores each company has received for the explanation items and the total scores they needed to receive.

Table 2. Summary Display of Dependent and Independent Variables

Variables	Abbreviations for Variables	Explanation of Variables
Explanation Level	DIC	Explanation Level (Explanation Index)
Age of Business	AgeBusin	Current Year-Registration Date
Size of Business	SizeBusin	Current Year Sales
Active Size	ActiveSiz	Current Year Total Assets
4 Large Audit Firms	4LargeAF	In case of the Audit Firm to be one of the top 4 Large Audit Firms, 1 otherwise 0.
Change of Audit Firm	ChangeAF	In case of the Audit Firm to be the same, 1 In case of change 0.
Change of Chief Auditor	ChangeCA	In case of the Chief Auditor to be the same, 1 In case of change 0..

6. EXPLANATION OF HYPOTHESES

The hypotheses created to determine the relationship between the age of business, sales, size of business, 4 large auditors, change of auditing firm and change of chief auditor, accepted as independent variables and which are thought to influence the explanation level of accounting standards for companies in sectors determined within the scope of the research and the “explanation index” which is the dependent variable of the research have been explained below.

H1: There is a positive relationship between firms with higher business age and the explanation levels.

H2: There is a positive relationship between firms with larger business size and the explanation levels.

H3: There is a positive relationship between firms with higher active size and the explanation levels.

H4: There is a positive relationship between firms audited by the 4 largest auditing firms and the explanation levels

H5: There is a positive relationship between the change of auditing firm and the explanation levels.

H6: There is a positive relationship between the change of chief auditor and the explanation levels.

7. COLLECTION OF DATA

Some data has to be collected in order to create the explanation index within the scope of the research. The data for the research has obtained within the scope of the work using the footnote explanations in the financial tables of independent audit reports for 2012-2013-2014 from Public Enlightening Platform for companies specified in table 1 above. The accounting policies and sub headings provided in annex-1 below, related to the accounting and reporting standards explained by sectors under the sub heading of, summary of important accounting policies, located under the heading of “basis related to the presentation of financial tables” in footnotes have been reviewed. As the policy explanations regarding the accounting and reporting standards got reviewed, the explanations related to footnote information for companies included in control lists created by sector according to years have been scanned. If an explanation is made regarding the accounting and reporting standards of the identified companies, a value of 1 has been assigned and value of 0 has been assigned for unexplained information. This application used to create the data set has been performed for the 21 sectors and 235 companies, for 10 accounting and reporting standards for 2012, 2013,2014 and the identified 45 sub accounting policy headings. The scores each company has received from the explanation items according the control lists created have been added and it has been proportioned to the total scores and accounting and reporting standards’ explanation levels by sector have been determined.

8. EMPIRICAL FINDINGS

In regard to panel data analysis, a balanced panel is relevant if each unit has been observed throughout the time periods and an unbalanced panel is relevant if periods of time are lost for some units. A balanced panel has been used in this study. In this study an econometric model has been established using annual data of 235 companies for which uninterrupted data for 2012-2014 has been accessed. The data for the study has been obtained from the footnotes of financial tables in the independent audit reports of companies registered in Stock Exchange İstanbul in the 21 sectors explained above within the scope of the study. The variables have to be stable when time and horizontal section analyses are done together in panel data analyses so that false results would not appear. The unit root tests have to be done to find out if the variables used in analysis are stable or not.

The performance of stability analysis for variables modifies the effectiveness of multiples obtained as a result of model forecast. The existence or non-availability of unit root in the series subject to

the analysis changes the structure of the panel data analysis to be applied and the type of the tests used. In this test, 1 dependent variable subject to the analysis and Hadri test has been used to research the stability of 6 independent variables. As part of Hadri (2000), the hypothesis which defends the existence of unit root in any of the series that form the panel is tested against the empty hypothesis which states the non-existence of unit root. The Hadri unit root test based on the KPSS unit root test basis in time series analyses, is a test based on error terms obtained as a result of the application of the least squares method on the fixed series based on Lagrange Çarpanı (LM) test or on fixed and trend. The hypotheses related to Hadri (2000) are as follows:

H_0 : The series forming the panel are stable (There is no unit root)

H_1 : The series forming the panel are not stable (Unit root exists)

Table 3. Hadri Panel Unit Root Test Results

Variable	(Z-stat)	(H.C. Z-stat)	(Prob.)	(Prob.)
DIC	89.2097	113.331	0.000*	0.000*
AgeBusin	89.2097	127.294	0.000*	0.000*
SizeBusin	88.6048	88.6048	0.000*	0.000*
ActiveSiz	89.2097	89.2097	0.000*	0.000*
4LargeAF	56.8011	44.4214	0.000*	0.000*
ChangeAF	89.2097	74.3723	0.000*	0.000*
ChangeCA	89.2097	76.2270	0.000*	0.000*

Upon review of the results in table 3, it is observed that all the variables subject to the model were stable at the level and that the dependent and independent variables which formed the panel did not include unit root. The probability for the calculated test statistics are meaningful at 5% ($p < 0.05$) and the zero hypothesis which states the inexistence of unit root cannot be rejected. In regard to the analyses where classic panel regression shall be applied in the next phase of the study, the fixed effects model from the panel regression methods or the compatibility of the random effect model have to be determined. This situation is determined with the use of Hausman Test. If unit or time effects have been determined as a result of the analyses done, it has to be decided if these effects were fixed or coincidence. Hausman (1978) specification test developed to test the definition error in this aspect is used to make a choice between the forecasters in the panel data models (Uluyol and Türk, 2013:377). The difference between fixed effects model parameter forecasters and the random effects model parameter forecasters has been reviewed to see if it had statistical meaning. Hausman test results are displayed in Table 4;

Table 4. Hausman Test Results

Test Summary	Chi Square Tests Statistics	Chi Square Freedom Degrees.	Probability Value
Random Effects	0.000000	6	1.0000

According to the results in Table 4, it shows chi squared distribution with k degree of freedom under the “random effects are in effect” zero hypothesis. According to the findings obtained, the zero hypothesis cannot be rejected for the panel data model forecasted for the 2012-2014 period. Consequently, the selection of random effects model is appropriate and the regression multiple forecasters are effective.

In general, if data has been withdrawn randomly from a main mass with a large horizontal section size, random effects model is used and if a data set defined more specifically is involved then a fixed effects model is used. While the correlation between the unit effects and the explanatory variables is assumed to be zero in the random effects model, the correlation is permitted to be different than zero in the fixed effects model. Nevertheless, while the fixed time variables are permitted to exist in the random effects model, the mentioned variables' existence has been restricted in the fixed effect model (Tatoğlu, 2013: 79). In order to prevent a possible successive dependency issue in terms of the variables in the model used in the study, the Estimated Generalized Least Squares- EGLS method where random effects have been taken into consideration has been used instead of the least squares (EKK) method. This method provides consistent and effective multiples even when Heteroskedasticity and autocorrelation exist. As it is known,

Heteroskedasticity, the “Error term” which is one of the fundamental assumptions of Gauss-Markov hypothesis and the least squares method is with fixed variance. Autocorrelation is the situation where there relationship between the values that follow the error term in the multiple regression analysis. This situation is accepted to be a deviation from an important assumption of the general linear regression model (Sümer,2006:18). On the other hand, it eliminates the error terms to be with fixed variance (square of standard deviation) and removes the relationship that could occur between the values of the error term.

The model’s projection results:

$$DIC_{it} = \alpha_{it} + \beta_1 AgeBusin_{it} + \beta_2 SizeBusin_{it} + \beta_3 ActiveSiz_{it} + \beta_4 4LargeAF_{it} + \beta_5 ChangeAF_{it} + \beta_6 ChangeCA_{it} + u_{it}$$

Table 5. The model’s projection results

Variable	Multiple	Standard Error	T-Statistics	Probability Value
DIC	0.664443	0.014794	44.91163	0.0000*
AgeBusin	-0.000624	0.000552	-1.131323	0.2592
SizeBusin	5.89E-12	7.07E-13	8.335050	0.0000*
ActiveSiz	-1.23E-12	9.07E-13	-1.360277	0.1752
4LargeAF	0.023333	0.003291	7.089348	0.0000*
ChangeAF	0.020406	0.008702	2.345020	0.0199*
ChangeCA	-0.014351	0.006718	-2.136187	0.0338*

Upon review of the regression model explained above to test the hypotheses according to the empirical findings, the long term regression multiples are not meaningful at 5% level statistically between the age of business and the explanation level. As it can be seen in the results of the regression model, the probability value has been found to be ($p <$) 0.2592. This situation shows that the age of business has no effect on the firms’ explanation level. Therefore, the first hypothesis of the study (H1) has been rejected. In regard to the other assumption, the long term regression multiples are not meaningful at 5% level statistically between the active size of business and the explanation level. As it can be seen in the results of the regression model, the probability value has been found to be ($p <$) 0.1752. This situation shows that the active size has no effect on the firms’ explanation level. Therefore, the third hypothesis of the study (H3) has been rejected. According to the regression results, the long term regression multiples are meaningful at 5% level statistically between the size of business and the explanation level. As it can be seen in the results of the regression model, the probability value has been found to be ($p <$) 0.0000. This situation shows that the size of business has effect on the firms’ explanation level. Therefore, the second hypothesis assumed in the study (H2) cannot be rejected. In the literature, Wallace and others, 1994; Hope, 2003; Raithatha and Bapat 2014; Rajhi, 2014; Demir and Bahadır 2014 have determined a high level of meaningful relationship in the positive sense between the size of business and the explanation level as a result of their conducted studies. This situation supports the assumed second hypothesis (H2) of the study.

According to the regression results, the long term regression multiples are meaningful at 5% level statistically between the 4 large auditing firms and the explanation level. As it can be seen in the results of the regression model, the probability value has been found to be ($p <$) 0.0000. This situation shows that the auditing of firms by the largest 4 auditing firms has effect on the firms’ explanation level. In other words, the explanation level regarding the accounting policies is high in firms where the auditing function is performed by one of the largest 4 auditing firms. Therefore, the assumed fourth hypothesis (H4) in the study cannot be rejected. In the literature, researches done by Glaum and Street, 2003; Al-Shammari, 2011; Juhmani, 2012, they have found meaningful relationship in the positive sense between working with the 4 large auditing firms and the application level of these firms’ accounting standards. This situation supports the assumed fourth hypothesis (H4) of the study.

The long term regression multiples are meaningful at 5% level statistically between the change of auditing firms and the explanation level. As it can be seen in the results of the regression model, the

probability value has been found to be ($p < 0.0199$). This situation shows that change of auditing firms has effect on the firms' explanation level. In other words, the explanation level regarding the firm's accounting policies goes higher when there is a change in auditing firm. Therefore, the assumed fifth hypothesis (H5) in the study cannot be rejected.

According to the results of the model there is a meaningful relationship in the negative sense between the change in chief auditor and the explanation level. As it can be seen in the results of the regression model, the probability value has been found to be ($p < 0.0338$). This situation shows that so long as firms do not change their chief auditors, this situation increases the explanation level concerning firms' accounting policies. Therefore, the assumed sixth hypothesis (H6) in the study has been rejected.

9. CONCLUSION

The determination of the variables affecting the explanation level of information prescribed in the accounting and reporting standards have been attempted in the study. Within this scope, and 45 different accounting policy explanations in 10 accounting standards in the footnotes of financial tables for 2012-2013 of 235 firms in Stock Exchange, İstanbul active in 21 different sectors have been reviewed. The "explanation index" (DIC) formulated within the scope of the study according to the policies' explanation levels, has been accepted as the dependent variable and the relationship with the independent variables such as the age of business, size of business, active size of business, 4 large auditors, change of auditing firm and change of chief auditor, hypotheses have been tested using the panel data regression analysis method. Upon general evaluation of the results of the model created within the scope of the study, it was found that long term regression results were not statistically significant between the age of company and explanation level. This is based on the assumption that the age of the company is old, in other words, because the corporate structure of the business is strong, the level of disclosure is high. But the results of the analysis show that, the age of the company has no effect on the level of disclosure of firms. Statistically, long term regression coefficients between the asset size and the explanatory level are not significant. The results of the analysis show that the asset size has no effect on firms' level of disclosure. According to the model results, long term regression coefficients between the firm size and the explanatory level were found to be statistically significant in the positive direction. This suggests that the firm size has an effect on firms' level of disclosure. In the study, the effect of especially the change in auditing firm and the change in chief auditor on the "explanation index" has been observed to be higher in comparison to the other variables. While firms' changing of the auditing firms they work with affect the explanation index positively, the change of the chief auditor affects the explanation index negatively. On the other hand, it has been observed that the variables determined within the scope of the research had effect on sectors where explanation level was high. For example, in situations where firms in these sectors get audited by largest 4 auditors, the explanation level rises. This situation may be a proof that the auditing activities are done more attentively by these 4 large auditing firms. In addition, the results of auditing activities impact the business' compliance levels with international standards and also increase the level of having financial reports compared at an international dimension. Therefore, the independent auditing activity should not be accepted just to guide the preparation of business' financial tables according to international standards. It can also be stated that the auditing firms work to transform the audit process in the business to a corporate understanding at the place they provide auditing service by providing training service to the related units and managers at the same time.

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APPENDIX: Policy subjects related to the Accounting and Reporting subjects reviewed within the scope the research

Standards	Political Subjects Reviewed within the scope of research	Number of Policies Reviewed within the scope of research
TAS 2	Explanations regarding the methods to determine stock costs Explanations related to important accounting evaluation, assumptions	1
TAS 8	The effect of standards not yet effective and not adopted to be implemented earlier, implementation date and the changes made to the present previous standards and comments Explanations concerning changes in accounting forecasting and errors	3
TAS 12	Briefing related to the explanations mentioned in the standards concerning the current period tax assets and obligations Briefing related to the reconciliation work between the tax expense /Income and the accounting profit Briefing according to the explanations included in the standard concerning the postponed tax asset Briefing according to the explanations included in the standard concerning the postponed tax obligation Briefing related to the temporary differences and postponed tax (obligations)/Assets (calculation items) subject to the postponed tax Briefing related to the term analysis as of date of redemption of unreduced financial losses subject to postponed tax Briefing related to current period and previous period's tax provision, tax expense and postponed tax income (expense)	7
TAS 16	Explanations regarding the methods for selecting amortization Explanations related to the real asset evaluation methods	2
TAS 18	Explanations related to the measurement of revenue (actual value) Briefing related to income Explanations concerning service providing (completion percentage method) Explanations related to interest income (effective interest method) Explanations concerning royalty (Accrual basis) Explanation regarding dividend income (according to the collection time of shareholders)	6
TAS 21	Briefing on reporting using the valid unit of currency Explanations regarding the use of currency rate valid at the time of the transaction Explanations concerning transactions according to foreign currency, monetary items closing rate Briefing related to the non-monetary items measured using historical cost and the use of currency rate at the time of transaction Briefing concerning the currency rate for the date when the actual value is measured for non-monetary items which are measured by actual value Reporting of profit or loss during the period when currency differences occur	6
TAS 23	Explanations concerning the credits' transaction expenses Explanations regarding the applied interest method for credits in the following periods Briefing on the capitalization of borrowing cost concerning special asset Briefing related to the accounting recognition of other borrowing costs as expense during the period they occur Briefing related to borrowing cost capitalized during the current year	5
TAS 36	Briefing on the policies applied concerning value decreases in financial assets Briefing related to the situation where the book value of the asset has exceeded the recoverable amount Briefing related to the application of value loss test Briefing concerning units that produce cash Briefing regarding the reporting of value decrease loss in the income table	5
TAS 37	Briefing related to the provision amount's book value and beginning, end and intra period information Briefing related to the situation where the time value of money exists (Current value method) Briefing related to using the most realistic forecast Briefing concerning the expected value method Briefing regarding the conditions to be able to include provisions in the financial tables Briefing related to the explanation of conditional obligations in footnotes Briefing related to the explanation of conditional assets in footnotes Briefing related to conditional assets which definitely transform to economic benefit	8
TAS 38	Briefing related to evaluation methods of intangible fixed assets Briefing related to amortization selection methods for intangible fixed assets	2
10	Total	45