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| RESEARCH ARTICLE

Comparison of TMS 19 and IFRS in Directing Foreign Direct Investment to Employment

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| ABSTRACT
This study aims to examine TAS 19 and the International Financial Reporting System (IFRS) systems in order to direct foreign investment to employment. In this research, firstly, general information on related concepts was given, and then, in order to encourage foreign investment, TAS 19 and the IFRS system are compared in general. According to the results of the study, there is not enough incentive and ease in directing foreign investors to both the IAS 19 and UFDRS systems. When these two systems are compared with each other, it has been observed that TAS 19 is more effective in terms of employment oriented applications and directing foreign direct investment to employment, and responds more effectively than the IFRS system in many areas, especially from employee rights to investor's legal rights and regulations. TAS 19 is important for directing domestic investments to employment, and IFRS is important for bringing foreign direct investment to the country. It can be stated that the revision of TAS 19 to allow the free movement of capital in the international arena, similar to the IFRS system, will have positive contributions to the economy by increasing both field practices and increasing employment.

| KEYWORDS

IFRS, TMS 19, Foreign Direct Investment.

| ARTICLE INFORMATION

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1. Introduction

The economy plays an important role in socialization, banking (Coşkun et al., 2024; Yılmaz and Turanlı, 2022), investments, and all other areas of society with governance (Tavas et al., 2016) and law theory (Bilgin, 2023; Bilgin, 2019). In the early 1990s, cross-border capital flows increased sharply, and their composition changed significantly. An increasing portion of the flows to developing countries is largely in the form of foreign direct investment (FDI) rather than portfolio or equity flows. After the sharp decline in global capital flows triggered by the 2007-2008 global crisis, FDI in developing countries recovered faster than other components of global capital flows and remained high at around 10 percent of gross fixed capital formation (Alfaro and Chauvin, 2017).

From the perspective of the direct balance of payments and international investment position (IIP), FDI has the same conceptual framework as the International Monetary Fund (IMF). The balance of payments is a statistical construct that systematically summarizes an economy's economic transactions with the rest of the world for a certain period of time and prepares the IIP for a certain date. For example, at the end of the year, the value of each portfolio of financial assets and financial liabilities is defined in the standard components of the balance of payments (Duce and Espana, 2003).

In order for the accounting system to fulfill its expected function, error-free information must be transmitted. For this purpose, accounting must express similar events in a similar way, be prepared according to certain standards, and prepare financial reports in certain ways. This can only be achieved by determining and implementing quality standards for accounting. TMS 19 has been

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the subject of many studies that have been conducted to explain the benefits that employers offer to their employees (Süzük, 2011).
Accounting provides a standard way for companies, investors, regulators, and others to describe the financial performance of their companies. Accounting standards provide financial statement preparers with a set of rules that must be followed in the preparation of financial statements in order to ensure standardization in the market. Companies traded on the stock exchange are required by law to publish financial statements in accordance with the relevant accounting standards. These standards are called International Financial Reporting Standards (IFRS). Since we have already addressed the globalization of business and referred to the world as a global village, it is very important to talk about business in a global language that many people can understand and compare (İsmail, 2017).

The aim of this research is to examine the TMS 19 and IFRS systems in directing foreign direct investment to employment.

2. Foreign Direct Investment and Employment
According to the IMF and OECD definitions, direct investment reflects the objective of an economic unit located in another economy (FDI) to acquire a permanent interest. Continuing interest indicates the existence of a long-term relationship between the investor and the FDI and a significant impact on its management. FDI includes both the initial transaction that establishes the relationship between the investor and the company and all subsequent capital transactions between them and between affiliates, both registered and unregistered. It should be noted that capital transactions are not easy to settle (Duce and Espana, 2003).

Global FDI increased by 36% in 2015, reaching approximately $1.73 billion, the highest level since 2007. Much of this growth was driven by a wave of cross-border mergers and acquisitions, particularly in the United States and in developed markets. While FDI in developed countries increased by 90% in 2015, developing countries grew by only 5.3%, while transition economies recorded a sharp decline of 55%. The increase in inflows to developing countries was mainly due to greater inflows to developing countries in Asia (15%), while FDI inflows to Africa, Latin America, and the Caribbean decreased by 31% and 9.1%, respectively (UN, 2016).

Many countries have continued their policy efforts to attract FDI. In 2017, 65 countries and economies adopted at least 126 investment policies, 84% of which were favorable to investors. They have liberalized entry requirements in many sectors, such as transportation, energy, and manufacturing. They have also encouraged and facilitated investment by simplifying administrative procedures, providing incentives, and establishing new Special Economic Zones (UNCTAD, 2018).

3. TMS 19 in Accounting
Turkish Accounting and Financial Reporting Standards are published by the Public Auditing, Accounting and Auditing Standards Agency (Public Auditing Institution - UPS); 42 standards have been published so far. These standards have been published with the code IAS 28 Total (Turkish Accounting Standards) IFRS (Turkish Financial Reporting Standards) 14. TMS Code Standards are translations of International Accounting Standards (IAS) codes and consist of standards published by IASB (formerly IASC) before 2000. TFRS coded standards are translations of IFRS (International Financial Reporting Standards) codes. 2000. These standards are designed to ensure that accounting practices and financial statements are accurate, reliable, comparable, clear, understandable, appropriate, and transparent and that financial statements are reflected and evaluated in financial statements (Oğuz, 2016).

In principle, IAS 19 provides for reporting on retirement plans as defined in the balance sheet and explains how to establish the relevant liabilities. The presentation of benefit plans in the income statement depends on the development of liabilities under defined benefit plans in the balance sheet. In fact, the complexity of transactions under a defined benefit plan requires a more detailed examination of the balance sheet components and the income statement during the approach (Durgut and Kaya, 2013).
Interest, dividends, and realized and unrealized gains on plan assets and gains and losses from these investments, other income from these, costs of administering the plan, and amounts resulting from the deduction of the plan from taxes. The difference between actuarial assumptions and actuarial assumptions consists of the effects of changes in actuarial assumptions. For example, actuarial losses and profits occur when an employee whose severance pay is calculated leaves the job without paying his/her wages (Karabınar, 2019).

Actuarial gains and losses are the difference between actual assumptions and estimated assumptions. Changes in assumptions are the present value of the increased and decreased debts. These changes are due to profits and losses arising from demographic assumptions, gains and losses arising from macroeconomic assumptions, and losses and gains of the change and redundancy hypothesis (Akbaba, 2015).

4. IFRS and International Standards
With the emergence of IAS/IFRS, two accounting models were recognized in the late 17th century. The first form, published in 1673 in Continental Europe, required fair value disclosures about the financial situation of individual companies to protect

economies from potential threats. Significantly, this accounting standard was renewed by Germany, whereby fair values were replaced by acquisition costs and depreciation in 1870. It was later used to assess corporate tax in the early years of the 20th century. In short, the main focus of this accounting model is to strengthen the relationship between governments and companies, to make tax assessments and to balance economies (Dinh, 2014).

The long-standing convergence between the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) has narrowed the scope of specific differences between IFRS and GAAP. However, depending on the industry and individual circumstances, significant differences remain. Differences exist between IFRS and GAAP values of other countries that affect how financial measures are calculated. For example, IFRS does not rigorously define income and allows companies to report sales earlier. As a result, a balance sheet under this system may show a higher revenue stream. IFRS also has other requirements for expenditures; for example, when a company spends money on development or investment in the future, this does not necessarily have to be recouped (Ismail, 2017).

IFRS 3 was the result of a joint project between the Board and the U.S. Financial Accounting Standards Board (FASB) and included the same definition of a transaction as the definition in US GAAP. However, the PIRs from IFRS 3 and this aspect of US GAAP were considered to cover a broader range of US GAAP transactions in practice than in IFRS 3. The amendments to IFRS 3 are based on conclusions similar to those made in the FASB's 2017 amendments, although the two amendments differ in some respects. The Board expects the amendments to result in greater consistency in the definition of a business between firms applying IFRS standards and firms using US GAAP (IASB, 2018).

IFRSs do not prohibit the application of personal judgment accounting practices in the preparation of financial statements, including the balance sheet and income statement. For example, Estimating the recoverable amount of receivables, the amount of bad debts, the value of inventories, the useful life of property, plant, and equipment, and the application of depreciation methods etc. This means that the preparation of financial statements must be evaluated by people (Alashi, 2017).

5. Foreign Direct Investment and Taxation

There are several factors that affect FDI flows between countries, and bringing FDI into a country has several benefits: Small economies have been criticized for hiring "contractual abusers," and such a scenario has encouraged countries to develop proposals to counter treaty abuses. Whether FDI inflows into a country is a major determinant is the subject of much research (Digumber et al., 2017).

The tax administration of income from foreign sources can be very complex, making empirical studies difficult. Countries typically treat foreign income in two ways. A "territorial" or source-based approach involves taxing only income from domestic sources. Income from a domestic multinational's operations abroad is essentially exempt from domestic taxation. For companies based in territories, the corporate tax rules set by the host country and related to direct investment apply explicitly. At the other extreme is the "global" approach, where the principle of residence taxation applies. In doing so, the country aims to tax the worldwide income of its own companies and usually offers a credit for income taxes paid on this income abroad. In principle, the income of companies located in countries around the world depends on the tax burden at home since foreign taxes are only offset by credits on home taxes. The essence of the Scholes-Wolfson argument can be expressed this way (Giovannini et al., 1993).

Not only industrialized countries make regulations, but also developing countries create a policy to encourage foreign direct investment. To achieve this goal, they will implement tax incentives, especially tax reduction, tax exemption, tax deduction, and tax instruments. At the same time, tax integration programs have played an important role in attracting foreign direct investment. All investors, including foreign investors, want to increase their profits and consider the tax rate as one of the cost factors. The aim is to increase after-tax earnings (Abidoğlu et al., 2016).

Determining the tax burden on incoming investments, policy makers are advised to consider whether their own countries provide attractive risk/reward opportunities by considering the content of host countries, market characteristics, and the prevalence of field-specific profits. As emphasized in the Tax Section, the host country framework and market characteristics are partly dependent on past and current public expenditures on programs in key areas for investors. This linkage highlights the importance of taxing economic profits, as much as possible, to finance public expenditures that strengthen the host country's foundations and attract foreign direct investment (OECD, 2007).

6. Conclusion

Both TAS 19 and IFDRS systems do not provide sufficient incentives and conveniences for foreign direct investors to turn to employment. Therefore, it is clear that both accounting control systems need to be revised in this direction. On the other hand, when these two systems are compared with each other, it is clear that TAS 19 is more effective in terms of employment-oriented

practices and directing foreign direct investment to employment and that it provides more effective responses than the IFRS system, especially in many areas from employee rights to the legal rights and regulations of investors. Therefore, it should be stated that TAS 19 is more advantageous than the IFRS system in terms of directing foreign investment to employment.

On the other hand, although effective results are obtained in the employment of domestic investments, TAS 19 ultimately includes local or country-oriented regulations. Therefore, it is not as successful as the IFRS system in the integration of foreign investment. In addition, similar problems have been experienced in accounting and auditing systems such as US GAAP and UK GAAP, which were common in the past and are still used regionally today, and IFRS was developed to respond to all of these. However, IFRS cannot adequately direct capital on a regional basis and in terms of employment.

In short, TMS 19 is important in directing domestic investments to employment, while IFRS is important in bringing foreign direct investment to the country in the international arena. However, since capital is directed more to knowledge-intensive or finance-intensive sectors, it can be stated that supporting employment-creating sectors and revising TMS 19 to allow free movement of capital in the international arena, similar to the IFRS system will provide positive contributions to both field applications and the economy by increasing employment.

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