

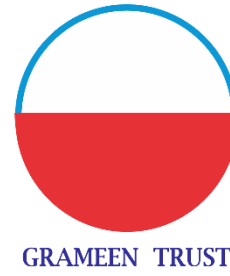
## ACCOUNTING POLICY

### Turkish Grameen Microfinance Program

- TGMP Accounting policies are determined within the framework of certain principles, principles, traditions, rules and practices used in the preparation and presentation of financial statements.
- The accounting policies applied in TGMP are the basic concepts of accounting functions and accounting that ensure registration in accordance with Generally Accepted Accounting Standards.
- Accounting policies should be determined for the purpose of accurate and realistic presentation of financial statements and prepared in accordance with Generally Accepted Accounting Standards.
- TGMP Sustainability financial statements and Analysis; microcredit activities in order to ensure the sustainability of existing and potential donors, funders, and the other lender parties, the fund should provide financial information that will be useful when making decisions.
- TGMP Financial Statements and Sustainability Analyses should be “In Accordance with the Needs” of information users and “In Accordance with Reality”.
- Non-profit organizations that provide services for the benefit of society and carry out microcredit activities to reduce poverty are registered according to the accounting policies set out in the TGMP, and the reports reflect the necessary and fair data in accordance with the records made.
- Accounting records transactions and events of a financial nature expressed in money, classifies them, summarizes and reports them, and interprets and analyzes their results.
- TGMP, corporate tax payer in terms of revenue, although the uniform accounting plan, according to the accounting records are made in order to reduce poverty and social responsibility in the context of the Turkish foundation for waste reduction (TISVA) microcredit continues its activities as an integral whole.
- Tgmp accounting policies applied in the formation of assets and resources, they are used format, mandatory expenditures on assets and resources for the sustainability of microcredit activities to examine the effects of tgmp, TGMP financial status report, prepared reports, and to share information with relevant individuals and organisations with a system generated consists of.

### Functions of TGMP Accounting

In TGMP, the functions of accounting are grouped into four main groups as recording, classification, summarizing and reporting.



**Saving Function:** The formation of assets and resources realized in the TGMP, the way they are used, expenses that are mandatory for the sustainability of microcredit activities are recorded in accordance with Generally Accepted Accounting Standards based on depository documents.

**Classification Function:** Transactions related to changes in assets and resources in the TGMP are recorded daily, classified and recorded in the journal book within the accounting system, and financial statements are prepared on large ledgers (kebir). The financial statements and sustainability analyses prepared in accordance with the accounting data obtained from the large ledger records are shared with the management on a monthly basis, but it is also ensured that they are shared with the relevant persons and institutions.

**Summarizing Function:** The classified transactions are collected at the end of the semester and summarized to make it easier to draw conclusions and to control the records made. In the accounting system, the summarization function is performed using the layout of the accounting statements.

**Reporting Function:** Transactions recorded, classified and summarized in the accounting system are brought to the final stage through the financial statements and reporting is carried out. Reporting is the last stage of the accounting system and the stage of making comments. At the reporting stage, accounting tables are used, and the most important of these tables are the balance sheet, income and cash flow statement. Thanks to the prepared financial statements and sustainability analyses, TGMP makes important decisions in managing its assets and resources and at a realizable level.

The accounting functions, respectively conclusions about the financial operations of fulfilling tgmp, we first TGMP the management and employees, size of tax in the state, finally, is to inform donors and funding agencies.

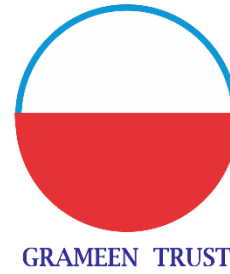
## **Basic Concepts of TGMP Accounting**

### **The Concept of Social Responsibility**

Tgmp the organization of accounting in the preparation and presentation of financial statements and accounting practices in the conduct; of donors who support the sustainability of microcredit mikrogirisimci activities, funding all of the private, public institutions and organizations to promote the interests of the state, and therefore the production of information in a fair, unbiased and honest refers to the need to act.

### **The Concept of Personality**

Although TGMP does not have a legal entity, it continues its microcredit activities as an affiliate of the Turkish Foundation for the Prevention of Waste. For this reason, TGMP accounting operations are carried out on behalf of both the economic entity and the



foundation. According to the concept of personality, TGMP is responsible for the return of funds transferred from public institutions and organizations to the Foundation indefinitely as long as microcredit activities continue.

### **The Concept of Business Continuity**

TGMP will continue to carry out its microcredit activities as an economic enterprise affiliated to TISVA in order to reduce poverty.

### **The Concept of Periodicity**

In accordance with the concept of continuity of TGMP, its unlimited life span is divided into certain periods and the results of the activities of each period are determined independently of other periods. Accounting for income and expenses on an accrual basis, comparing revenue, income and profits with costs, expenses and losses for the same period is a requirement of this concept. Insurance expenses paid in accordance with the principle of periodicity for annual rents paid in TGMP and vehicles used for the sustainability of microcredit activities are recorded on an accrual basis and fixed in the relevant periods. Tangible fixed assets registered in TGMP assets are recorded as expenses through depreciation in accordance with the principle of periodicity, and for passenger cars registered in the asset, it uses the criterion depreciation method.

### **The Concept of Measuring Money**

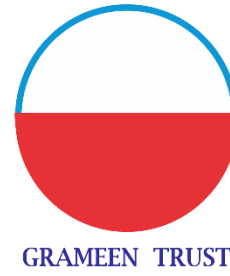
In TGMP, it refers to the reflection of economic events and transactions that can be measured in money in currency as a common measure in accounting. Accounting operations are carried out according to the national currency. For transactions carried out in foreign currency, the CBRT is recorded in accordance with the national currency by making a valuation at daily exchange purchase rates.

### **The Concept of Cost Basis**

The presence of money in the TGMP implies the need to take into account the costs of obtaining them in accounting for assets and services acquired by the enterprise, excluding receivables and other items for which it is impossible or inappropriate to determine the cost, as well as for accounting for assets and services acquired by the enterprise. TGMP has determined the cost policy according to option 7/A in the single layout account plan.

### **The Concept of Impartiality and Certification**

TGMP acts impartially and without prejudice to the basing of accounting records on objective documents reflecting the real situation and duly regulated, and to the selection of methods to be based on accounting records.



### **The Concept of Consistency**

The accounting policies selected for accounting practices in TGMP are applied in consecutive periods without changing them. The fact that the financial position of the TGMP, the results of its activities and the comments on them are comparable constitutes the purpose of this concept. The concept of consistency presupposes the invariance of registration schemes and valuation measures in similar events and transactions, as well as a single order in terms of format and content in the financial statements. In cases where there are valid reasons, TGMP may change the accounting policies it applies. However, it is mandatory that these changes and their monetary effects are disclosed in the footnotes of the financial statements.

### **The Concept of Full Disclosure**

The financial statements and sustainability analyses prepared for TGMP should be sufficient, clear and understandable to help the people and organizations that will benefit from these statements make the right decision.

In addition to the full disclosure of financial information in the financial statements, it is also necessary for this concept to include events that are not included in the scope of the financial statement items, but that may affect the decisions to be made, and that are likely to occur.

### **The Concept of Prudence**

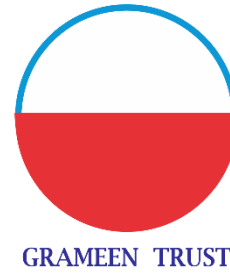
This concept implies the need to act cautiously in accounting events and take into account the risks that the enterprise may face. As a result of this concept, TGMP allocates provisions for possible expenses and losses, and they do not perform any accounting operations for possible income and profits until the realization periods. However, this concept cannot justify the allocation of hidden reserves or more than necessary provisions.

### **The Concept of Materiality**

When accounting for TGMP business and transactions, significant account amounts should be shown even if the numerical result is too small. If the table cannot be interpreted correctly when no information is provided, this information is important.

### **The Concept of the Primacy of the Essence**

When making TGMP accounting records, it is necessary to take into account its financial characteristics and the importance it expresses for the enterprise more than the figure. In general, the shape and essence are parallel. However, if there is a difference between them, self-dec is a priority. For example, when a receivable cannot be collected on time, it is considered to be in essence suspicious. Even if the enterprise is sure that the borrower will pay, it is obliged to make a record that the receivable has fallen into a suspicious situation. All

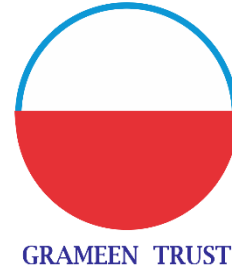


cash inflows and outflows made in the TGMP are tracked by transferring them to the relevant accounting code allowed in the account plan.

### **Disclosure of Accounting Policies**

It consists of decisions on the implementation of the accounting system. Explanations related to the Accounting Policies used are available in case of changes to these policies.

- 1) If the financial statements are prepared based on the concepts of Business Continuity, Consistency and Periodicity, they are not required to be disclosed. However, if there are deviations from these concepts, they should be explained together with the reasons in the footnotes of the financial statements.
- 2) The concepts of Prudence, Priority of Essence and Materiality should guide the selection and implementation of accounting policies.
- 3) All important accounting policies contained in the Financial Statements should be explained clearly and concisely.
- 4) Explanations related to the accounting policies used constitute the integrity of the financial statements.
- 5) Incorrect or non-fair transactions in the Balance Sheet and Income Statement and other statements cannot be corrected by disclosing accounting policies or specifying them in footnotes. However, the correction is made in accordance with the Basic Accounting record and technique and is reflected in the financial statements.
- 6) The Financial Statements should be comparable in terms of periods.
- 7) If a change has been made in financial policies that has or may have a significant impact on the current period or future periods, it should be explained together with the reasons for the situation and its effects on the financial statements are shown.



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