

# Accounting Process for Government Grants in Hazelnut Production within the Framework of International Accounting Standards: Turkey Sample

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**Abstract** *The subject of the study is the accounting of government grants for agricultural activities according to International Accounting Standards (IAS). In this context, IAS examines the government grants for agriculture under two standards. These standards are "IAS 41 Agriculture" and "IAS 20 Accounting for Government Grants and Disclosure of Government Assistance". If a government grant related to a biological asset measured at its fair value less costs to sell to be recognized in profit or loss IAS 41 is applied but if a government grant relates to a biological asset measured at its cost less any accumulated depreciation and any accumulated impairment losses, IAS 20 is applied. The aim of this study is explaining the way for the accounting of government grants like "field-based income support" and "agricultural production support" for multi-stemmed shrubs (hazelnut trees) which are considered as a bearer plant. With this aim case study method was used and the subject of the study was illustrated by examining journal entries of government grants for hazelnut orchards of one of the leading companies in hazelnut industry in Turkey. Also, a diagram was developed for business which makes easier to decide to choice standard for accounting of any government grants for agriculture.*

**Key words** International Accounting Standards, Agricultural Accounting, Government Grants, Bearer Plant, Hazelnut Production

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## 1. Introduction

Regional developmental differences in Turkey as well as the inequalities in economical distribution of resources result in various social, political and cultural problems. Grants transferred directly to the economy are used as an important tool in overcoming these inequalities. Grants in Turkey are given because of problems such as regional differences, insufficiency of capital, unemployment, imperfect competition etc. The first legal framework regarding grants in Turkey started with the Law for the Encouragement of Industry in 1913. Grants had been given to develop the private sector during 1950-60, whereas were given to support the exportation and investments after 1980. The grants after 1990 have been applied to eliminate the regional inequalities. Special importance has been given to these grants especially in development plans. As an example, grants have been provided in the (2007-2012) Development Plan in order to provide the environment suitable for the advancement of intrinsic growth and local entrepreneurship as well as the production of goods that can compete internationally. Grants are generally applied for policies aimed at education, research and development, increasing of labor quality, technology and innovation in Turkey. However, in developed countries they are used for new industrial policies, policies that aim to increase education and labor quality, research and development investments aimed at innovation and creativity as well as employment (Okutmuş *et al.*, 2015: 64). The means with which government grants are provided as well as the reasons for giving out these grants are important issues, however it is also very important for accounting literature and the implementers that these grants are evaluated with regard to accounting applications.

Accounting procedures related with government grants is an issue handled within the scope of the IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance". However, agricultural government grants are an exception to this.

Agriculture is among the sectors that receive the most government grants. Since the sector caters the nutritional demands of people and provides input to other sectors and creates employment opportunities thus supporting the development of the country economy (Mateş and Grosu, 2008: 457), it has been important in every period of time. In this regard, various agricultural grants are applied in Turkey just like in other countries in order to increase and diversify agricultural production. As an exception to the evaluation of government grants within the scope of IAS 20, agricultural government grants are arranged as part of the IAS 41 "Agriculture". In addition, the concept of "bearer plants" was added to IAS 41 with changing the standard in 2014 and a reference was made to IAS 20 for the accounting of government grants related with bearer plants. Hence, the accounting process for agricultural government grants varies according to the types of agricultural assets. In this regard, the aim of this study was to put forth the accounting process for agricultural government grants specific to grants related bearer plants. In line with this purpose, case study method was adopted in the study and the application of the subject was carried out based on the example of a company active in the hazelnut production sector in Turkey by examining the accounting records related with the Field-Based Income Support and Agricultural Production Support received from the government in 2015. In the study firstly, the general properties of government grants and the evaluation of the agricultural grants were described in terms of accounting standards, secondly the case study application was explained.

## 2. General Properties of Government Grants

There is not a single de facto definition of grant concept in literature but rather there are many different definitions all with similar meanings. According to Sergeeva (2015), grants are government supports that result in the company attaining economic benefit as a result of the increase in the income of a company through its assets (Sergeeva, 2015: 144). According to another definition, government grants are various resource transfers by the government to companies in case they meet certain criteria (Monea *et al.*, 2010: 1). A more comprehensive definition can be given as such: a grant can be defined as monetary and tangible support, help and encouragements provided by the government via various methods in order to ensure that certain economic activities develop faster and more in comparison with others. The principal of grants is directing them to fields that are more beneficial with regard to the country economy. The important issue here is to determine what should be obtained with grants; that is what the goals are as well as the compromises that will be made in return. Even though the objectives of government grants' aim change according to the applied economical order (Sönmez, 2005: 126), generally it is to encourage a company towards a certain business activity that the company would not otherwise have ventured in (Monea *et al.*, 2010: 1). Within the framework of this general objective, the underlying objectives of government grants can be listed as; increasing the total investment volume, ensuring that the investments are made in productive fields, that equities are increased as part of the total investments, that the difference between the regions with regard to advancement is minimized by encouraging investments in underdeveloped regions, adaptation to technological developments and increasing resistance to foreign competition (Sönmez, 2005: 126), economic growth, development of employment opportunities, attracting foreign capital to the country (Yilmaz, 2014: 60), saving companies in difficult situations, giving support for transaction costs (Gökgöz, 2012: 43), supporting investments in environmental protection and research and development activities (Kara and Öztopçu, 2015: 12).

Government grants that are also called subvention, support, premium, aid (Monea *et al.*, 2010: 2; Yilmaz, 2014: 59; Gökgöz, 2012: 43) vary with regard to their properties and conditions. Government grants can be classified in five groups as monetary, tangible, income related, expenses and losses related and asset related grants. Monetary government grants are those that are carried out by transferring cash or cash assets to the companies. Tangible government grants are lands or other resources provided to the company for use. Income related grants are supports that are provided to meet the expenses that the companies have tolerated to acquire income. Grants provided for the compensation of expenses and losses are supports made to meet the costs that the companies have tolerated in order to produce a certain product. Finally, asset related grants are the acquisition of tangible assets required to continue their business activities in accordance with conditions specified by the government (Teşken, 2010: 433). Grant types can also be expressed on a sectoral basis. Industrial, commercial or agricultural grants are such

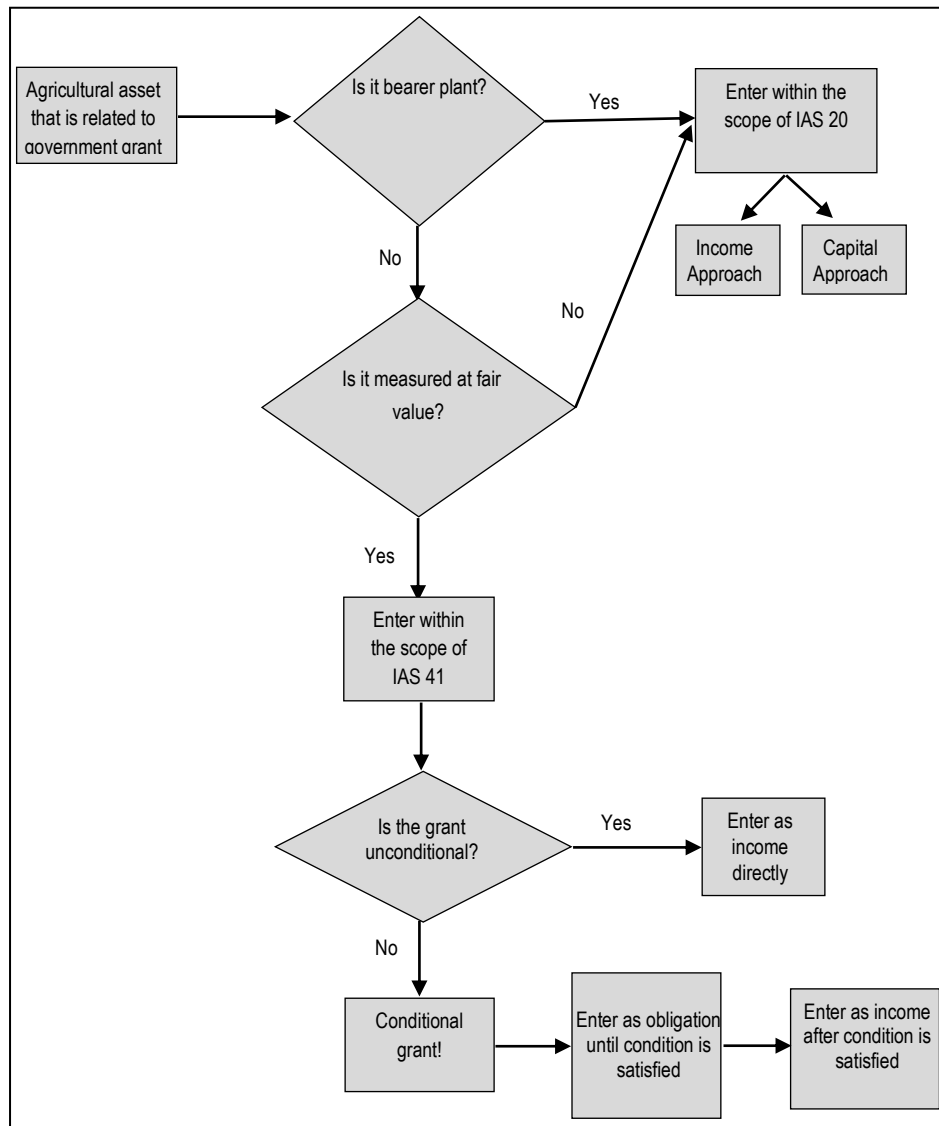
examples. The subject of this study is related with “monetary” grants according to the first classification and “agricultural” grants according to the sectoral classification. More clearly, it was examined what the accounting procedure would be with regard to IAS for the government grants provided as the transfer of cash or cash assets to the companies that are active in the agricultural sector in Turkey. Therefore, theoretical justifications should first be disclosed prior to the case study.

### **3. Points to Consider with Regard to the Accounting Process of Agricultural Government Grants within the Scope of IAS**

In the International Accounting Standards, government grants apart from those related with agricultural activities have been organized under the IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. Hereunder, government grants related with agricultural activities have been excluded from the scope of this standard and they were included in IAS 41 Agriculture (IAS 20, paragraph 2). Thus, government grants related with agricultural activities should be accounted for within the scope of IAS 41. When IAS 41 is examined, two exceptions to this case can be seen. The first is; government grants related with a biological asset measured at its cost less any accumulated depreciation and any accumulated impairment losses. Such assets are accounted for in accordance with IAS 20 standards (IAS 41, paragraph 37). Whereas the second is; government grants related with bearer plants. Similarly, if the agricultural asset that is the topic of the grant is a bearer plant in accordance with the provisions of IAS 41, government grants related with these assets is accounted for within the scope of IAS 20 too (IAS 41, paragraph 2). In this case, government grants related with agricultural activities that will be evaluated within the scope of IAS 41 consist of grants provided for biological assets measured at its fair value less cost to sell and these are classified as unconditional and conditional government grants. Whereas the unconditional government grants shall be accounted for in profit or loss when, and only when the government grant becomes receivable, conditional government grants are accounted for in profit or loss when, and only when, the conditions attaching to the government grant are met (IAS 41, paragraphs 34, 35).

There are two approaches related with the accounting of an agricultural government grant within the scope of IAS 20. These are; the “capital approach” under which the grant is accounted for outside profit or loss and the “income approach” under which it is accounted for in profit or loss over one or more periods (IAS 20, paragraph 13). Justifications that the capital approach is based on are; no repayment is expected, they are not earned but represent a grant provided by the government without any costs. Whereas the justifications that the income approach is based on are; government grants are receipts from a source other than the shareholders, they are rarely gratuitous and are earned only through compliance with predetermined conditions (IAS 20, paragraphs 14, 15). In this case, capital approach can be adopted if the grant will increase the capital of the company such as for machinery or land purchases. In capital approach, the journal entry for the received grant is not made as income but is monitored under an account group in the “shareholder’s equity” class in the balance sheet. However, income approach can be adopted if the received grant does not directly strengthen the capital but has an income increasing attribute such as support purchases. In the income approach, the journal entry for the grant is made directly as income when it becomes receivable. Figure 1 shows a diagram which summarizes the aforementioned procedure for deciding which standard to apply for the accounting process of an agricultural government grant. Thus, it is thought that the accounting standard that government grants given for different agricultural assets can be determined easily.

As can be seen in Figure 1, the first question to ask when accounting for an agricultural grant is for which asset the grant is given. If the grant has been given for a bearer plant, provisions of IAS 20 are applied without any further questions. If the grant has been given for a biological asset, in that case the question to ask is how that biological asset is assessed. Therefore, the standard with which the grant given for hazelnut agriculture and multi-stemmed shrubs shall be evaluated depends on whether multi-stemmed shrubs are bearer plants or biological assets. This distinction will be explained in the case study section of the study. Before that, similar studies in literature will be summarized.



Source: Adopted from Yilmaz (2014:65)

Figure 1. The decision steps that will track for Accounting of Agricultural Government Grants

#### 4. Literature review

Studies in literature related with the process of accounting for government grants are classified into two as the accounting of agricultural and non-agricultural government grants. Whereas in previous studies government grants that are not related with an agricultural activity were handled within the scope of IAS 20, government grants given for agricultural activities were evaluated within the scope of IAS 41 or IAS 20 depending on the measurement method of the agricultural asset in question. There are many national and international studies (Sönmez, 2005; Ulasan, 2008; Teşken, 2010; Bozdemir, 2010; Monea *et al.*, 2010; Akdoğan, 2011; Dorel *et al.*, 2013; Kara and Öztöpcü, 2015; Okutmuş *et al.*, 2015) in literature which explain how government grants that are not related with agricultural activities should be accounted for within the scope of IAS 20. The common property of these studies is that they evaluate government grants in two approaches as “capital” or “income”. The authors have made the journal entry for the related government grant directly as shareholder’s equity under either “Special Reserves” or “Impact of Deferred Taxes” accounts in the capital approach, whereas in the income approach, they have carried out the accounting procedure for them in one or more periods in the income statement under an account they suggest as part of the “Income and Profit from Other Operations” account group.

When we consider the studies that are related with agricultural government grants in parallel with the topic of this study, it can be seen that there are no studies in international literature and that there are

only two studies in national (Turkish) literature. Both of these studies have considered the accounting process for government grants under the headings of unconditional and conditional agricultural government grants within the scope of IAS 41 and under the agricultural government grants heading within the scope of IAS 20. Bearer plant concept was mentioned in neither of the two studies, agricultural government grants within the scope of IAS 20 were only exemplified with the biological assets dimension that is measured by its cost less accumulated depreciation and accumulated impairment losses. In both studies, these examples appear in the form as specified in IAS 20 and have been explained in terms of capital approach. In the first study, Gökgöz (2012) stated that the journal entry for the unconditional government grants should be made under “Government Grant Incomes” account and conditional government grants should be made under “Received Government Grants” account. Also, it is suggested in the study that the agricultural government grants within the scope of IAS 20 are accounted for under the “Government Grant Incomes” account according to the capital approach whereas they should be accounted for under the “Received Government Grants” account according to the income approach. Similarly, in the other study Yilmaz (2014) suggested that unconditional government grants should be accounted for under “Government Grant Incomes” account and that the conditional government grants should be accounted for under the “Received Government Grants and Support” accounts, whereas the agricultural government grants within the scope of IAS 20 should be accounted for under the “Government Grant Incomes” according to the income approach and according to either “Impact of Deferred Taxes” or under “Special Reserves” accounts according to the capital approach.

As is seen, none of the studies related with the accounting procedure for agricultural government grants with regard to IAS have considered whether the agricultural asset in question is a bearer plant or not. However, the related government grant should necessarily be accounted for within the scope of IAS 20 in case the asset that is the subject of the grant falls under the category of bearer plant as specified in IAS 41 due to reasons that have been clearly stated above. The fact that there is no previous study that has taken into consideration this issue, it is thought that this study will provide a significant contribution to gap in literature.

## **5. Case Study**

In this section of the study, examples have been given related with the accounting procedure for the agricultural government grant. In this direction, a case study was performed in a company which is active in the Turkish hazelnut production sector and was received government grant for its hazelnut orchards in 2015.

### ***5.1. The Aim of the Study and the Introduction of the Sample Company***

The companies that are active in Turkey carry out the accounting procedure for their financial transactions via the Uniform Chart of Accounts (UCOA) within the framework of the Uniform Accounting System. The fundamental problem of the study emerges at this point. That is to say, how should companies active in the agricultural sector in Turkey accounted for the government grants related with agricultural activities in accordance with IAS as well as within the framework of UCOA? Starting from this point, the main aim of the study is to put forth how companies in Turkey active in growing and cultivating hazelnut which is a type of agricultural activity should account for the grants they receive from the government related with their hazelnut orchards in accordance with IAS.

Case study method was adopted in accordance with the aim of the study and examples were given from the hazelnut orchards related accounting records of Durak Hazelnut Inc. which is one of the leading companies in the hazelnut sector in Turkey. Thus, it was ensured that the issue has been discussed based on the records of one of the largest companies in the hazelnut sector instead of putting forth the issue via imaginary accounting records. At this point, it would be beneficial to briefly introduce the company that has been included as the case study.

Durak Hazelnut Inc. was established as a family company in 1960 at the Ünye district of the city of Ordu/Turkey. The company that put forth a consistent tendency for growth by increasing its operating volume over the years has today succeeded in becoming one of the leading companies in the sector with a total of about thousand employees as well as many hazelnut cracking and integrated production facilities at

various cities and districts in Turkey. The basic activities of the company are hazelnut cracking, roasting, dicing and paste making. The products that are sold as a result of these activities are raw (natural kernel) hazelnut, roasted whole and diced hazelnut, organic hazelnut and hazelnut paste. Among these products, raw hazelnut is mostly sold in the domestic market, whereas others are sold mostly to foreign markets. The company supplies majority of its shelled hazelnut demand from various intermediaries while also using the hazelnuts grown at its own orchards in their production facilities. This is the reason why Durak Hazelnut Inc. was selected for the application section of the study. No other company was found in the Central Black Sea region of Turkey during the pre-study carried out for selecting the sample company which have hazelnut gardens among their assets and which are actively engaged in hazelnut cultivation.

Face to face interview was carried out within the scope of the study with the financial affairs manager of Durak Hazelnut Inc. and it was determined that the company has in total 50 decare of hazelnut orchard with varying sizes. The study has focused on data related with the government grant that the company received for these orchards in 2015. The findings of the study have been presented first by putting forth the journal entries of the company after which these entries have been evaluated with regard to IAS and finally the proper entries with regard to IAS have been suggested.

### **5.2. Evaluation of the Journal Entries of the Sample Company with Regard to IAS**

Field-Based Income Support payment was made in Turkey as 170 Turkish Liras (TL)/decare for 2015 year crop to real and legal entities with hazelnut producer certificate carrying out hazelnut cultivation at licensed areas determined in accordance with the Decree on Determination of Hazelnut Areas which was put into effect as a result of the decision by the Council of Minister numbered 2001/3267 and dated 22/11/2001 (Ministry of Food, Agriculture and Livestock, 2015a, article 5). In addition, fuel and fertilizer support payment was also made to the farmers during the production year depending on the agricultural land area in order to increase agricultural production, ensure sustainability and enhance alternative agriculture methods that are sensitive to the environment (Ministry of Food, Agriculture and Livestock, 2015b, article 1,8). A total of 11,45 TL/decare Agricultural Production Support was given to hazelnut cultivation in 2015 with 4,85 TL/decare fuel support and 6,60 TL/decare fertilizer support. Field-Based Income Support and Agricultural Production Support are monetary (cash) government grants given to support hazelnut agriculture in Turkey.

During the interview with the financial affairs manager of Durak Hazelnut Inc. carried out within the scope of the study, firstly it was asked whether the company benefited from these grants as a result of which it was learned that the company benefited from Field Based Income Support and Agricultural Production Support given to hazelnut producers in 2015 as was the case in previous years. It was therewith asked how the companies accounting for these grant amounts and which accounting standard was used. It was learned that since the government grants were given for an agricultural activity, they were evaluated within the scope of IAS 41 and it was determined that the following journal entry was made for the net 8.483 TL Field-Based Income Support taken in 2015 for 50 decare hazelnut orchard and the 572,5 TL Agricultural Production Support.

<div style="border: 1px solid black; padding: 5px;"> <p>BANKS - Bank of Ziraat</p> <p>OTHER SALES - Subvention and Support Incomes</p> <p>- Field-based income and agricultural production support of 2015</p> </div>	9.055,5	9.055,5
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Two issues should be pointed out when evaluations are carried out within the scope of IAS for the accounting policy that the company adopted for the agricultural grants received from the government for 50 decare of hazelnut orchard registered as company assets in 2015 as well as the journal entry given above. The first is how the applied accounting standard has been selected, whereas the second is which the accounts has been used for the journal entry and the justifications for their respective amounts.

The sample company has carried out the accounting procedures in accordance with the IAS 41 standard due to the fact that the received grants are related with agricultural activities. Indeed, it can be understood from the first paragraph of IAS 41 that the agricultural government grants fall into the scope of this standard. However, the standard leaves bearer plants outside its scope in the second paragraph and refers to the provisions of IAS 20. That is why, it should be determined precisely the conditions and reasons of receiving government grants before deciding which standard to apply.

Field Based Income Support and Agricultural Production Support, forming subject of this discussion, are grants that are given to hazelnut producers in Turkey in consideration of the size of their hazelnut orchards. In other words, these grants are given not to the harvested hazelnut during the year but to multi-stemmed shrubs (hazelnut plants) on a certain plot of land. A company will earn the right to benefit from these grants in proportion with the size of the orchard even though if the company does not harvest during the year. In this case, as shown in Figure 1, it should be decided whether the multi-stemmed shrubs are biological assets or bearer plants when deciding on which accounting standard will use. This distinction is very clear in IAS 41. Namely, “biological assets” are defined in the standard as a living animal or plant, whereas “agricultural produce” is the harvested product of the entity’s biological assets (IAS 41, paragraph 5). Whereas the concept of “bearer plant” was first placed into the accounting regulation as a result of the change made in the IAS 41 in 2014. Standard defined a living plant that has following characteristics as “bearer plant” (IAS 41, paragraph 5):

- a) It is used in the production or supply of agricultural products.
- b) It is expected to bear produce for more than one period; and
- c) It has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Based on the definition, bearer plant is an asset that is not an agricultural produce but is used in the production of an agricultural produce and which also does not enter the classification of biological asset as defined by the standard and which is expected to bear produce for more than one period. Livestock from which milk is produced as well as fruit trees from which fruits are harvested can be given as examples for this. Bearer biological assets are not agricultural produce, but, rather, are held to bear produce (IAS 41, paragraph 44). In this regard, the following results are obtained when multi-stemmed shrub that forms the basis of the government grants is evaluated in accordance with the bearer plant criteria:

- a) Multi-stemmed shrub is used to bear hazelnut as an agricultural produce
- b) It is expected to bear produce for an average of 25-30 years
- c) It cannot be sold as agricultural produce other than incidental scrap sales (wood for burning)
- d) It is not grown solely for harvesting as an agricultural produce

As can be seen, multi-stemmed shrubs have all the required properties of bearer plants as specified in IAS 41. Hence, it would be a more correct approach to apply the provisions of IAS 20 for the accounting procedure of government grants given to multi-stemmed shrubs.

The second evaluation regarding the journal entry of the sample company should be related with the accounts used in making the journal entry and their amounts. The company has evaluated the government grants as income according to IAS 41 and made the journal entry under the “Other Sales” account. At this point, even though making the journal entry for the grants as income is the right approach, the account used is wrong from the point of view of the Turkish Accounting System. Because, Other Sales account is located under the “Gross Sales Profit” section of the Statement of Income. This section puts forth the income of the company related with its major activities. Government grants are supports provided from outside not in relation with the major activities of the company. Hence, it will be better to use “Other Income and Profit from Operations Account”. As was stated in the theoretical section of the study, the Field-Based Income Support provided for hazel in Turkey in 2015 was 170 TL per 1 decare, whereas the Agricultural Production Support was 11,45 TL. The total hazelnut orchards of the sample company that are the subject of the aforementioned journal entry are 50 decares. In this case, the company should receive a Field-Based Income Support of 8.500 TL in 2015 and an Agricultural Production Support of 572,5 TL for a total agricultural grant of 9.072,5 TL. However, when we examine the journal entry, the total amount is observed to be 9.055,5 TL. The reason for the 17 TL difference is the 0,2 % service commission fee that the bank gets. Indeed, it is written in the ninth article of the related notification that, “*Field-Based Income Support payment is made from the related expenditure allocation of the Central Management Budget. Payments to be made to the producers are made via TR Ziraat Bank Inc. within the scope of the decision. 0,2*

% of the amount paid to the producer is paid to TR Ziraat Bank Inc. as service fee commission” (Ministry of Food, Agriculture and Livestock, 2015a, article 9). The drawback in the journal entry is that this amount is not seen in any account. It will be better to use the “Commission Expenses” account for this purpose.

Under the light of all these evaluations, two different approaches are suggested for the accounting process of the government grants received by the sample company in 2015 for its hazelnut orchards. These are the Income and Capital approaches put forth in IAS 20. The main justification of this suggestion is the fact that multi-stemmed shrubs are bearer plants and that government grants related with bearer plants should be accounted for within the scope of IAS 20. Accordingly, the suggested journal entry for the sample company is as follows in case the income approach is adopted.

BANKS	9.055,50		
- Bank of Ziraat			
COMMISSION EXPENSES	17,00		
OTHER INCOME AND PROFIT FROM OPERATIONS		9.072,50	
- Field-based income support 8.500,00			
- Agricultural production support 572,50			
- Field-based income and agricultural production support of 2015			

As was mentioned in the literature section of the study, various different accounts have been suggested in previous studies for the accounting process of the government grants within the scope of IAS 20 according to the capital approach. For example, whereas some authors have stated that the journal entry can be made under the “Special Reserves” account, some have suggested new capital accounts that are not included in the Uniform Chart of Accounts such as “Impact of Deferred Taxes” or “Received Government Grants”. We are of the opinion that the journal entry can be made under either of these accounts. Because, what is important in the capital approach is not the account under which the journal entry is made for the grant, but that the account should be a capital account. In this way, the goal of the approach will have been met and the related grant will have been reflected in the balance sheet. Accordingly, the suggested journal entry for the sample company is as follows in case the capital approach is adopted.

BANKS	9.055,50		
- Bank of Ziraat			
COMMISSION EXPENSES	17,00		
SPECIAL RESERVES		9.072,50	
- Field-based income support 8.500,00			
- Agricultural production support 572,50			
- Field-based income and agricultural production support of 2015			

## 6. Conclusions

The objective of this study was to carry out the accounting process of agricultural government grants within the scope of IAS. Grants given by the government to provide economic support to companies active in the agricultural sector are classified under two groups according to the properties of the related agricultural asset. These are grants given for “biological assets” and “bearer plants” as has been defined clearly in IAS 41. According to IAS, government grants should be evaluated within the scope of IAS 20. However, agricultural grants have not been subject to this provision and have been included within the scope of IAS 41. When IAS 41 is examined, it can be observed that it regulates only the government grants related with biological assets while excluding the grants related with bearer plants thus directing them to

IAS 20. In fact, it takes into account only the biological assets which are measured by their fair value less their sales cost. Whereas government grants related with biological assets measured by their cost less accumulated depreciation and accumulated impairment losses are also handled within the scope of IAS 20 as is the case for bearer plants. That is why; initially a diagram was developed within the scope of the study that will ease the process for deciding which standard will be used in handling any given agricultural grant. Accordingly, the first issue that should be decided on is whether the agricultural asset for which the grant is given is a bearer plant or a biological asset. This approach was carried out in the case study section as well. Namely, the category of the multi-stemmed shrubs which are the subjects of the study and government grants given in Turkey for hazelnut agriculture was determined.

The government grants given in Turkey for hazelnut agriculture are classified in two groups as Field-Based Income Support and Agricultural Production Support which is made up of fuel and fertilizer supports. Both grants are given to real and legal entities who has hazelnut orchards according to its size regardless of any condition. This means that the grant is given for the multi-stemmed shrubs not for the hazelnut. Multi-stemmed shrubs according to IAS 41 have the properties of a bearer plant.

Case study method was used in the study and various evaluations have been made related with the grant that a company active in the hazelnut sector in Turkey received in 2015 for its hazelnut orchards with total area of 50 decares. It was initially observed that the sample company carried out the accounting process in accordance with IAS 41 without making any bearer plant-biological asset distinction. However, the multi-stemmed shrubs subject to government grants are considered as bearer plants according to the IAS 41. Hence, the Grant that the sample company received in 2015 should be accounted for within the scope of IAS 20. Two approaches have been suggested for such an accounting process. These are the income and capital approaches explained in IAS 20. It was put forth that it would be better to carry out the accounting process for the 2015 year grant amount under the "Other Income and Profit From Operations" account in case the sample company adapts the income approach and that a suitable capital account should be used in case the capital approach is preferred. What is important in the capital approach is that the received government grant should be reflected in the balance sheet.

Finally, the accounting process for conditional grants was not included in this study since the grants given for hazelnut agriculture in Turkey are unconditional and cash grants. The accounting process for conditional government grants given for an agricultural asset that has the characteristics of a bearer plant may be the starting point for future studies.

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