

**ANALYSIS OF BALANCE SHEET AND EQUIVALENT DOCUMENTS IN ASSESSING  
FINANCIAL PERFORMANCES OF THE COMPANIES JOINING IN TURKISH PUBLIC  
TENDERS**

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**Abstract**

*This study aims to analyze financial performance analysis method of companies used in assessing the companies, which join bids according to the existing public procurement system in Turkey, and to offer new solutions that can be used in financial performance assessment of companies. According to the existing public procurement law, three main ratios are considered in analyzing the performances of public procurement supplier companies. These ratios are used for all companies and periodical differences are not taken into account. While the current study examines the functionality of these ratios used in financial analysis, it looks into the effect of periodical differences on company estimation on the other hand. In addition, the study sheds light on practice in financial performance assessment and ratio. When the assessments of the companies who join public procurement bids was examined, it was seen that a large number of the companies listed in Public Disclosure Platform satisfy the three main prerequisite ratios easily. On the other hand, the analyses carried out for small-scale companies revealed that these ratios were not fulfilled sufficiently. Another result obtained from the study was that different analyses should be carried out according to the structure of the sector. Other results are given in the results section of the article.*

*Keywords: Balance Sheet, Income Statement, Financial Analysis, Ratio, Firm Qualification*

**INTRODUCTION**

The increase in public procurement today led to an increased importance in bidding for these procurements and the qualification criteria for the companies to attend to these bids. In this respect, the bidding regulations and criteria should have the qualification to measure the

adequacies. Carrying out public procurements in a more transparent procedure is closely related to whether the participant can easily access the bidding conditions and relevant information. In addition, it is necessary that the companies joining the bids should satisfy the bidding conditions at a sufficient level. The financial performances of the companies joining public procurements are analyzed via theoretical and applied studies both in Turkey and abroad. The reason behind that is that the public procurements have a significant share in gross national product (GNP). According to OECD (2007) data, an important amount of public spendings and 15-20% of the gross national product of developed countries is reserved for public procurements. While the ratio of public procurements in GNP in Turkey is 11%, the same ratio is 6% for Switzerland, 11% for the USA and 21% for the Netherlands. The increasing importance of public procurements is not only because of the increase that the public sector attaches to the procurements but also because of the fact that the procurements are considered to be important elements in providing cost advantage to the public (Bedri et al., 2008).

The increase in privatization in Turkey necessitated the public sector to turn towards private procurements in goods and service procurements. Likewise, the practices of TOKİ (Housing Development Administration of Turkey) which has a significant share in housing development in recent years, and the urban transformation projects raised the importance of public procurements. Despite the increasing importance of public procurements, the issue has not been discussed adequately in theoretical terms. The main reason behind this is that the access to data sets covering the whole economy is limited (Kamil and Taş, 2011). Although the issue has not been emphasized much in theoretical terms, public procurements has gained significant importance in practice in recent years.

According to the Public Procurement Monitoring Report (2011) of Public Procurement Agency, when the classification of the bids of the Public Procurements carried out in accordance with the tendering procedures identified within the Law no 1.3.1 4734 is made, in 2011 the 44,61% (44.720.000 TL) of the bids within the scope of the law no 4734 belonged to product purchase while 33,60% (33.685.000 TL) belonged to service procurement and 21,79% (21.841.000 TL) belonged to works. According to the same report, 76,96% of the bids (in terms of the number) sent to the Public Procurement Agency in 2011 and carried out within the scope of the Law no 4734 were carried out via open tender procedure while 22,42% were carried out via negotiated tendering and 0,61% were carried out via tendering procedure among certain participants. In Table 1 public procurements carried out within the scope of the Law no 4734 are classified according to the financial resource of the bid. The results show that in the first 6 months of 2012, 26,73% of the bids whose contract information was delivered to the Agency were supplied from the municipality budget, while 12,52% were supplied from the general budget and 9,84% were supplied from the circulating capital budget.

Table 1. Conducting auctions of administration expenditure breakdown by his sources of funding

Spending source of the administration	Number of Public Procurements	%	Amount of Public Procurements (1000TL)	%
Municipality Budget	11.517	26,67	10.840.540	26,73
General Budget	9.535	22,08	5.079.447	12,52
Circulating Capital Budget	9.701	22,46	3.992.034	9,84
Other Budget	3.849	8,91	6.682.650	16,48
Special Budget	3.310	7,66	7.319.210	18,05
Special Provincial Directorate Budget	2.823	6,54	1.232.369	3,04
State Economic Enterprise Budget	1.512	3,50	4.150.964	10,23
Municipality-controlled Enterprise Budgets	451	1,04	1.107.363	2,73
Social Security Institution Budget	241	0,56	74.337	0,18
Local Administration Budget	208	0,48	59.148	0,15
Regulatory Authority	44	0,10	20.872	0,05
Total	43.191	100	40.558.935	100

According to the most recent data of Public Procurement Agency within the scope of the information collected from the Public Procurement Monitoring Report for 1 January- 30 September 2012 period, 11 thousand 944 public institutions organized 92 thousand 343 tenders using Public Procurement Platform and Electronic Public Procurement Platform. In these tenders, a total number of 131 thousand 188 contracts were signed with 41 thousand 693 contractors for service or goods procurement and works. The amount of public purchasing in the tenders organized increased by 23% compared to the same period of the previous year and rose up to 73 billion 850 million 492 thousand liras. While 60,4 billion liras of this amount belonged to the purchases made within the scope of tendering procedures stated in the law, 4,9 billion liras belonged to the purchases within the scope of exceptions and 8,5 billion liras were recorded related to the purchases within the scope of tendering procedures stated in the law.

As it is seen above, public procurements form substantial amounts. In this respect, companies need to have sufficient amount of financial sources when joining public procurements. According to the Public Procurement Law companies to join the public procurement tenders are required to have sufficient financial sources and to prove this qualification based on concrete data. Otherwise, the companies will have difficulty in completing the business. Therefore, increasing the number of participants effects the price formation (Kamil and Taş, 2011). As Pavel and Kubík says the efficiency of public spendinds depends on adequate competition. Wihardja (2010), on the other hand, states that competition-based public procurements will be effective in terms of cost however, that will not mean purchasing a high-quality service. According to the same study, high participation in public procurements will be efficient in terms of cost. In another study, it is stated that there are two important criteria in assessing the participants: one is price and the other is time (Mateus et al., 2010). In a different study express, that past experience and reputation of the firm is said to be effective in the

choice of company (Watt vd, 2009). While the Law no 4734 instructs to choose the company that offers the best price in financial and economic terms while assessing the offers in bids, it also looks for quality among the bidders (Gencer, 2003). Public Procurement Legislation accepts the rejection of offers excessively lower than the approximate cost. Within this framework, it is possible to choose suppliers considering not only price factors but also other factors. At this stage, using subjective statements reflects as stain on procurements and results with the complaints of those companies offering the lowest price (Gencer, 2003).

In this study, periodical differences in the assessments of companies joining public procurements will be discussed. Besides, the functionality of the financial analyses ratios which are grounded on the assessments will be examined and new suggestions will be made. The existing analysis method will be looked into in order to measure the business adequacies of the companies that will take public procurements. To do that, first of all, a general literature review will be made and the legal structure important in public procurements will be discussed. Later, the ratios and documents used in company assessments in public procurements will be searched and their features will be revealed. And in the last section, current situation will be analyzed and a model will be suggested.

## **GENERAL FRAMEWORK**

State Bidding Law no 2886 that entered into force in 1984 in Turkey was replaced with Public Procurement Law no 4734 as of 22.1.2002. In the following year, many laws that made change in this law have been passed. These are the law no 4761 in 2002, law no 4964 and 5020 in 2003, law no 5148, 5226 and 5255 in 2004, law no 5312 and 5436 in 2005, law no 5583, 5615, 5625 and 5680 in 2007, law no 5726, 5737, 5763, 5784 and 5812 in 2008, law no 5917 in 2009 and law no 6093 in 2010. And finally in 2011, changes were made with the decree law no 6111 –The general clauses of Public Procurement Law With the Public Procurement Contracts Law no 4735 which was enacted.

The increase in public procurement today and thus, (e.g. Kaplan, 2012 ; Kuruoğlu at all., 2003; Blome et all., 2014) effects on supplier performance, (Tai et all., 2010) performance of implementing procurement systems, (Haruvy & Jap, 2013) behavior in procurement auctions, (Weisheng et all., 2013) procurement innovation for public construction projects, (Prince et all., 2013) procurement allocation planning (Nelson et all., 2014) Governments procurement, (Tai, 2013) procurement management capabilities have become an attractive and focused issue in literature.

Changes in laws is made both in order to remove the problems that the existing laws have in practice (Gencer, 2003) and to adapt to the changing and globalizing world. However, despite some certain innovations, Public Procurement Law did not remove certain existing problems and brought new problems in practice (Gencer, 2003).

Along with the above-mentioned laws, Public Procurement General Comminique dated 2009 and numbered 27327, Comminique on the Applications to Tenders dated 2009 and numbered 27124, Comminique no.1 on the Utilization of Electronic Public Procurement Platform dated 2010 and numbered 27788 were passed. In addition, in order to regulate the service, good and work tenders, Goods Procurement Tender Application Regulation dated 2009 and numbered 27159, Service Procurement Tender Application Regulation dated 2009 and numbered 27159, Works Procurement Tender Application Regulation dated 2009 and numbered 27159, Consultancy Services Procurement Tender Application Regulation dated 2009 and numbered 27159 were enacted.

Also, the Public Procurement Board Decisions and Profession Ethics to be followed by Public Procurement Agency Staff were published. Application Regulations and its annexes (goods, service, works, consultancy), Regulation on the Applications to Tenders, Regulations on Examination and acceptance procedures, Decision of the Council of Ministers that regulates the basics to be followed in price difference (goods, services, works), General Comminique of Public Procurement, Comminique on the Applications to Tenders, Public Procurement Agency Regulatory Decisions regulate tender phases and practices.

As stated in the first article, the purpose of Public Procurement Law no 4734 is to establish the principles and procedures to be applied in any procurement held by public authorities and institutions governed by public law or under public control or using public funds. With this Law, Public Procurement Agency which has public entity status has administrative and financial autonomy was established in order to fulfil given duties. Public Procurement agency is responsible for and authorized to implement the basis, procedures and operations stated in the Law.

As it is stated in the second article of this Law, the law includes public administrations included in the general budget, administrations with special budget, special provincial administrations and municipalities and their related revolving funds organizations, associations (except those operating as professional organizations and their supreme institutions), legal persons, state economic enterprises, consisting of public corporations and state economic establishments. On the other hand, the same law states the exceptions to Public Procurement Law. The outstanding exceptions in the Law can be listed as below:

Procurements to be made from development cooperatives of forest villages and from villagers; goods, services and works procurement which are decided by the relevant ministry that these are related to the defence, security or intelligence or that these require to be treated confidentially, or procurements requiring special security measures during the performance of the contract pursuant to related legislation or those concerning the cases in which the basic interests of the state's security needs to be protected; procurements of goods, services or

works, which are to be realized with foreign financing pursuant to international agreements; goods or services procurements which necessarily to be made in place for means of transport during their presence in foreign countries; and procurements of technological goods of some social security institutions and punishment execution institutions. In addition, it is implemented in tenders to be made in order to cover the needs relating directly to production of goods and services or to their principal activities.

Within the scope of Ministerial Decrees concerning the Coal Aid for the Poor Families, regardless of who the operator is, the goods and services procurements by the General Directorate of Turkish Coal Enterprises from coal fields belong to itself or its subsidiaries or affiliates shall not be governed by this Law except prohibition and criminal provisions.

Public procurements is divided into three as goods, services and works. According to Public Procurement Law article 18, one of the following procedures shall be applied in procurement of goods, services and works by contracting authorities;

- a) Open procedure,
- b) Restricted procedure.
- c) Negotiated procedure.

Public Procurement Law defines tender as the price offer with the document and/or information submitted by a tender to a contracting authority for the procurement carried out pursuant to the provisions of this Law. Pursuant to the 5th article of the Public Procurement Law, contracting authorities are liable for ensuring efficient use of resources. In this respect, tenders that will put economic and financial burden on contraction authorities should not be joined.

## **ECONOMIC AND FINANCIAL CAPABILITY CRITERIA IN COMPANY ASSESSMENT**

Economic and financial qualification criteria asked from the participating companies for the goods, services and works tenders by public agency and institutions are stated in the relevant tender regulations in detail. These issues are stated in the tender document by the agencies and institutions calling for tenders and the participating companies to the tenders are expected to prepare their tender files accordingly. The latest versions of the regulations relating to the methods to be implemented in goods, services and works tenders are published online at Public Procurement Agency's website, [www.ihale.gov.tr](http://www.ihale.gov.tr). Thus, both the agencies and institutions that call for tenders and the companies which will join these tenders can reach the updated regulation on this website. The issues to be considered in determining the participant qualification are given in the 26th article of the Goods Procurement Application Regulation, 28th article of the Service Procurement Application Regulation and 29th article of the Works Procurement Application Regulation.

In the common provisions of the above-stated regulations, it is stated that competition among companies cannot be prevented, that the criteria to be asked from the participating

companies should be stated in the prerequisite specifications and that scoring among the participating companies should be made. In addition, the companies joining to public tenderers are financially adequate is highly important in terms of the completion of the project that is put in a tender. The qualifications for the companies that will participate in tender are stated in the 10th article of the Public Procurement Law. This law no 4734 identified economic, financial and professional qualifications. In line with the aim of this study, we will discuss economic and financial qualifications.

### **Economic and Financial Capability Documents**

Pursuant to the 10th article of the law no 4734 the sub-criteria of economic and financial criteria are as given below:

#### **1. Bank statements relating to the financial standing of the tenderer**

The document that will be taken from the banks to show the financial standing of the tenderer is only the reference letter from the bank. The reference letter should be written after the first announcement or invitation date. The required criteria for tendering can be provided with a letter from the bank. In business partnership, on the other hand, criteria can be ensured by one of the partners. In this scope, tendering companies should be up to 10% of the total tender bids for certification are required to guarantee

#### **2. The Balance Sheet of the Tenderer**

In tenders in which the balance sheet of the tenderer which is obligatory to be published in accordance with the related legislation, or required sections of the balance sheet, if those are not available, equivalent documents, is obligatory; (alttaki cümlelerin başlangıcı)

In short, year-end balance sheet belonging to the previous year or certain sections of the balance sheet, and if those do not exist, equivalent documents are demanded from the tenderers.

2.1. Current ratio; That the current ratio (current assets/ short term debts) which enables the required liquidity for ensuring the cash flow at certain periods and which shows whether the tenderer has the ability to pay debt in short term (one year) is at least 0,75 (while making calculations, construction costs-if any-allocated to years will be reduced from current assets while progress income will be reduced from short-term debts),

$$C.R = \frac{\text{Current Assets} - \text{Construction Costs allocated to years}}{\text{Short term debts} - \text{Progree income}} \geq \text{should be at least } 0,75$$

2.2. That the equity capital ratio (equity capital/ total active) showing how much of the active assets is formed of equity capital should be at least 0,15 (while making calculations, construction costs-if any- allocated to years will be reduced from total actives),

$$E.C.R = \frac{\text{Equity capital}}{\text{Total active} - \text{Construction costs allocated to years}} \geq \text{should be at least } 0,15$$

2.3. The rate of short-term bank debts to equity capital should be smaller than 0,50. In the balance sheets provided, it is obligatory to show construction costs allocated to years and progress income, if there is any.

$$\frac{\text{Short term bank debts}}{\text{Equity capital}} \leq \text{should be smaller than } 0,50$$

Tenderers which do not satisfy the above-given criteria in the last two years can submit their documents belonging to the last two years. In this case, whether they fulfill the criteria is checked according to whether they provide qualification criteria over the monetary amount averages of the last two years.

In tenders whose tendering or deadline for application is in the first four months of the year, those tenderer which do not submit their documents belonging to the previous year could submit the documents belonging to two years before. And those which can not meet the qualification criteria in these documents can submit documents belonging to three years before along with the documents belonging to two years before. In this case, whether the qualification criteria is ensured over the monetary amount averages of the years from which the documents are submitted is checked.

Besides, information and documents that serve as basis to the tenderers' analysis are;

- a. Proforma invoices taken from suppliers or producers,
- b. Price offers,
- c. Announced price tariffs of producers for cement and iron goods,
- d. Announced price tariffs relating to goods and services provided by public agencies and institutions or price offers taken from them
- e. Announced minimum prices by public agencies and institutions relating to the relevant good
- f. Cost/sales amount investigation reports relating to the produced, purchased or sold goods,
- g. Stock investigation reports relating to the goods in stocks,

h. Supplementary analysis in case demanded by the administration etc.

Among the documents listed above, tenderers will provide the documents that are applicable to them within the scope of their explanations. In cases in which it is not actually possible to explain with the above-listed documents and information, an explanation pursuant to the relevant regulation can be made by the tenderer using other documents and information prepared in the last 12 months (Köse, 2011).

Tender committee assesses the tenders given according to the 37th article. The commission determines the tenders that excessively low price offers based on the approximate cost calculated by the administration. Not only the low price offers will be rejected but also the administration has the right to reject all tenders and close the tender upon the decision of the tender committee. According to the 63th article of this Law, in tenders, in which it is stated that price advantage will be ensured in support of domestic tenderers, the most economically advantageous offer is identified and the tender is concluded. In tenders in which the lowest price is considered to be the most advantageous offer economically, if it is determined that the same price is offered by more than one tenderers and that this offered price is the most advantageous price in economical terms, the most advantageous offer is determined and the tender is concluded.

### **3. Statement of the tenderer's overall turnover**

Threshold values to be used considering the approximate cost in the implementation of the 13th and 63rd articles of the Law no 4734 are given below. In tenders in which approximate cost is equal to and over the threshold value, the tendered is obliged to document its statement of income (the total of net sales of the relevant year) showing the overall turnover for the last three years and volume of the work being carried out and completed by the tenderer relating to the subject matter of the procurement proceedings.

In addition, the tenderer is also required to present progress reports if there is any. Self-employed tenderers are required to self-employment earning book summary for their business volume. Prior to the procurement proceedings of goods, services or works, the contracting authority shall conduct all necessary price research and shall determine an estimated cost excluding the value added tax and shall be indicated on a priced bill of quantities with its justifications. Estimated cost shall not be stated in tender or prequalification advertisements and shall not be explained to the tenderers or to the others who do not have any formal relationship with the tender processing.

The criteria relating to the documents showing business volume are determined pursuant to the principals given below:

a) In tenders done via open procedure and in tenders carried out pursuant to the (b) and (c) clauses of the 21<sup>st</sup> article of the Law the total turnover should not be less than 25% of the price offered; and not less than 15% of the actualized part of the ongoing works contracted or of the monetary amount of the work completed. Tenderer fulfilling one of these criteria and submitting the relevant document related to the criteria shall be considered adequate.

b) In the pre-qualification phase of the tenders carried out via tendering procedure among certain tenderers and in the qualification phase of the tenders carried out according to the (a), (d) and (e) clauses of the 21<sup>st</sup> article of the Law, monetary amount set by contacting authority that is between 25% to 35% of the approximate cost is estimated to be minimum qualification criteria for the total turnover; while 15% to 25% of the approximate cost for the ongoing works contracted or the work completed. Candidate or tenderer which satisfy one of these criteria and present the relevant document related to the criteria shall be considered adequate. In special cases, for the balance sheets of candidates and tenderers for whom a different accounting period that is different from the calendar year is determined pursuant to the 174<sup>th</sup> article of Tax Procedural Law, this accounting period is based upon. According to the regulation the balance sheet shall be approved by a certified public accountant or independent accountant and financial advisor or by the tax authority. According to the 61<sup>st</sup> article of the Public Procurement Law, considering the subject matter of the work in tender, such factors as company and maintenance cost, cost efficiency, productivity, quality and technical value can be set as non-price factors. In tenders in which economically the most advantageous offer can be determined considering not only price but also non-price factors, the monetary values of non-price elements or their relative weights and calculation method and documents to be submitted required for making assessments about these elements shall be clearly stated in the administrative specifications.

## **QUALIFICATION CRITERIA IN ASSESSING THE FINANCIAL PERFORMANCE OF A COMPANY AND PERIODICAL DIFFERENCE ANALYSIS**

While assessing the qualification of a company in joining public tenders, the main financial data given above are taken into account. Current ratio shows the ability of a company to cover its current expenses. Because all current assets are included in the calculation, it does not exactly show the ability to pay short-term debts. Instead of using this ratio, the use of acid-test ratio, which is obtained by deducting stocks from current assets and dividing it by short-term foreign resources, could be more functional. On the other hand, equity capitals should be at least as much as tangible assets. This ratio should be used particularly in long-term and extensive works tenders.

$$\frac{\text{Equity capitals}}{\text{Tangible assets}} \text{ ratio is expected to be } 1/1.$$

Besides, long-term debt state should be checked in building-construction work tenders. In addition to short-term responsibilities, long-term debts also closely effect the ability of a company to contract a business and to complete it. In this respect, as it is given below, the amount of tangible assets should be more than long-term debts.

*Tangible assets*  
*Long – term foreign resources*    *the ratio is expected to be bigger than 1.*

This study examines the functionality of the ratios used in financial analysis, on the one hand, and looks into the effect of periodical differences on company assessment on the other hand. In addition, the study sheds light on implementations in assessing and measuring the financial performance of a company. In assessing the companies which join public tenders, it is seen that most of the companies listed in Public Disclosure Platform provided three main ratios easily. In analysis carried out for smaller companies, on the other hand, it is seen that this ratio can not be adequately provided. Another result of the study is that different analysis should be made considering the sectoral structure. Other results are given in the results section of the study.

## **IMPLEMENTATION**

With the presumptive and accessible real data given below, it is presumed that a “Textiles Goods Tender” is carried out via Open Procedure. In order to make the implementation easily understandable, it is presumed that three (3) companies joined the tender. And the next implementation processes are carried out and analyzed using these data.

The companies that join public tenders are obliged to buy “Tender File” within the scope of the tender advertisement. This file includes documents related to the tender. The companies that will join the tender will prepare the required documents within the scope of these documents. This “Tender File” shall be returned to the address that the contracting authority advertised no later than the date and hour specified in the tender documents.

### **The Relationship between Tender and Letter of Guarantee**

According to the 34th article of the Public Procurement Law no 4734 the values accepted as tender security are as follows:

- The current Turkish Lira,
- Letters of guarantee from banks and special financing institutions,
- Domestic Borrowing Bills issued by the Undersecretariat of Treasury and documents arranged for replacing these bills,

The bonds required in tenders are divided into two groups: preliminary letter of guarantee and performance bonds. Within this scope, it is stated in the 33rd article of the Public Procurement

Law that in procurements, a tender security shall be given in amount determined by the tenderer, not being less than 3 % of the tender price. Also, in the 43rd article of the law, it is stated that a performance bond is a bond, calculated as 6 % of the contract value and taken from the successful tenderer prior to the signing of the contract, in order to ensure that the commitment is carried out in accordance with the provisions of the contract and tender documents.

Letters of guarantee are guarantee agreements issued by banks to addressee organizations in favor of local or oversea natural or legal persons under an obligation to deliver some goods, perform any work, complete any project or pay any debt, etc., and containing a warranty that the bank will conditionally or unconditionally pay the amount of the guarantee if the obligation is not performed. Companies that will join tenders within the scope of public tenders are obliged to provide Preliminary Letter of Guarantee, Performance Bond and Advance Payment Guarantee. In letters of guarantee prepared by banks for the companies that will join the tender, “addressee” represents the party to which guarantee is provided and “beneficiary” represents the bank customer for whom letter of guarantee is provided (Kaya, 2010).

### **Exchange Differences in Tenders**

In case there is an option in tender documents for providing an offer with foreign currency, tenderers can give price offers in different foreign exchanges. In case a company offering a tender with foreign exchange gets the tender, the contract will be signed over the foreign currency. Each pricing within the scope of each progress will be invoiced in TL that corresponds to the foreign exchange. The exchange differences that might arise for and against will be recognized in the relevant account records. Especially during inflationary periods exchange differences will effect the parties. In this respect, the exchange difference for companies and sectors using input in foreign exchange will remove the foreign exchange risk of the subject matter work of the tender. This should be stated in detail in the tender file.

### **Accounting records of the tender processes**

The companies that will join the tender was assumed to be Bışař Textiles Industry and Trade Inc., Diriteks Diriliř Textiles Industry and Trade Inc. and Lüks Kadife Industry and Trade Inc. within the scope of BİST SME INDUSTRY Index on [www.kap.gov.tr](http://www.kap.gov.tr) All tender assessment and accounting records are carried out within this framework. In addition, because it was not possible to access the financial statements regarding the Pecuniary Guarantee and Non-cash Guarantee Credits of these companies, these values for these three companies were accepted to be equal. The financial data for 2012 and 2013 for these companies were accessed from [www.kap.gov.tr](http://www.kap.gov.tr)

#### **5.1.1. Recognition of tender file sales**



As a result of the examination of financial statements of the companies in the tender by contracting authority, Bışaş Textiles Industry and Trade Inc.'s current ratio average for the last two years does not meet 0,75 criteria. However, because only the current ratio for 2013 is taken into account, which is 0,79 for this company, the current ratio meets the qualification criteria. It is also found that the financial ratios of the other two companies for 2012-2013 value averages meet the qualification criteria. Among the companies that gave an offer in the tender Diriteks Diriliş Textiles Industry and Trade Inc. was determined to provide the qualification criteria and to offer the lowest price and therefore, the company secured the tender. Accounting procedures related to the goods delivery is considered to take place between Diriteks Diriliş Textiles Industry and Trade Inc. and the relevant institution.

***Recognition of the preliminary guarantee letter both for the companies that lost the tender and secured the tender***

Because Bışaş Textiles Industry and Trade Inc., and Lüks Kadife Industry and Trade Inc. lost the tender their preliminary guarantee letters were returned. And since Diriteks Diriliş Textiles Industry and Trade Inc. secured the tender, its preliminary guarantee letter was returned because the company was asked to bring performance bond.

<p>903 OFF-BALANCE SHEET PROVISIONAL RECEIVED LETTERS OF GUARANTEE</p> <p>BİSAŞ TEXTILE INDUSTRY AND TRADE INC. 77.400 DIRİTEKS DİRİLİŞ TEXTİLE INDUSTRY AND TRADE INC. 70.950 LÜKS KADİFE INDUSTRY AND TRADE INC. 67.725</p>	216.075			Recognition of the
<p>902 OFF-BALANCE SHEET PROVISIONAL RECEIVED LETTERS OF GUARANTEE</p> <p>BİSAŞ TEXTILE INDUSTRY AND TRADE INC. 77.400 DIRİTEKS DİRİLİŞ TEXTİLE INDUSTRY AND TRADE INC. 70.950 LÜKS KADİFE INDUSTRY AND TRADE INC. 67.725</p>	216.075			

return of tender guarantees

<p>903 OFF-BALANCE SHEET PROVISIONAL RECEIVED LETTERS OF GUARANTEE</p> <p>BİSAŞ TEXTILE INDUSTRY AND TRADE INC. 77.400 DIRİTEKS DİRİLİŞ TEXTİLE INDUSTRY AND TRADE INC. 70.950 LÜKS KADİFE INDUSTRY AND TRADE INC. 67.725</p>	216.075		
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***Signing of the contract and recognition of performance bond***

Diriliş Textiles Industry and Trading Inc., which won the tender, presented 141.900 TL amounting Performance Bond and signed the contract.

903 OFF-BALANCE SHEET PROVISIONAL RECEIVED LETTERS OF GUARANTEE DİRİTEKS DİRİLİŞ TEXTILE INDUSTRY AND TRADE INC. 141.900	141.900	
902 OFF-BALANCE SHEET PROVISIONAL RECEIVED LETTERS OF GUARANTEE DİRİTEKS DİRİLİŞ TEXTILE INDUSTRY AND TRADE INC. 141.900		141.900

***Delivery of the goods that are the subject of the tender and recognition of the payment transaction***

The textiles products within the scope of the tender amounting 1.100.000-USD+ VAT were delivered on 1 February 2014.

154 INVENTORIES Textile Products 2.420.000	2.420.000	
191 DEDUCTIBLE VAT 100 CASH	435.600	2.855.600

***Recognition of exchange difference***

While 1 USD=2,15 TL was during the tender date, it was 1 USD=2,2 TL on the delivery date.

100 CASH 656 LOSS ON FOREIGN CURRENCY EXCHANGE 100 CASH	2.800.600	
	55000	2.855.600

***Foreign exchange differences to be transferred to the account of the period***

690 INCOME OR LOSS FOR THE PERIOD 656 LOSS ON FOREIGN CURRENCY EXCHANGE	55.000	
		55.000

***Recognition of textiles products as expense***

Textiles products were taken out of the stocks and recognized as expense on 31.03.2014

770 GENERAL ADMINISTRATION EXPENSES Textile Products 2.420.000	2.420.000	
154 INVENTORIES		2.420.000

***Recognition of the Return of Performance Bond***

Diriteks Diriliş Textiles Industry and Trade Inc.'s products within the scope of the tender

902 OFF-BALANCE SHEET PROVISIONAL RECEIVED LETTERS OF GUARANTEE  DIRITEKS DIRILİŞ TEXTILE INDUSTRY AND TRADE INC.	141.900	
903 OFF-BALANCE SHEET PROVISIONAL RECEIVED LETTERS OF GUARANTEE  DIRITEKS DIRILİŞ TEXTILE INDUSTRY AND TRADE INC.		141.900

Within this framework, performance bond was returned to the company.

### ***Recognition of period-end procedures of the textile products within the scope of tender***

Expense recording on 31.12.2014

771 REFLECTED GENERAL AND ADMINISTRATIVE EXPENSES ACCOUNT <small>Textile Products</small>	2.420.000	
770 GENERAL ADMINISTRATION EXPENSES <small>Textile Products</small>		2.420.000
690 INCOME OR LOSS FOR THE PERIOD	2.420.000	
771 REFLECTED GENERAL AND ADMINISTRATIVE EXPENSES ACCOUNT		2.420.000

## **RESULTS AND EVALUATION**

The same ratios are used for all periods within the year in analyzing the financial statements of the companies applying to public tenders. This could be a problem for both the companies and the public section. In other words, fluctuations in periodical differences could increase or decrease the level of the ratios. This case could have a negative impact on the companies applying to the tenders. In addition, the current ratio, equity capital ratio and equities ratio required from the companies that will enter the tenders are not enough to reflect the performance of the company. Because among the given ratios, especially current ratio is inconstant. The ratio could be high because the company borrowed a loan, or could be low due to periodical payments. Therefore, ratio analysis expanding to periods should be carried out in order to learn the current state of the company. Qualification criteria mentioned are considered as main assessment both in big companies and in small ones classified as SMEs. This can be seen as an instability. In company assessment, on the other hand, there is no differentiation.

There is no such differentiation as production company or trading company. Therefore, proportional differences should be projected. In the analysis and field study, it is seen that the companies which secured a tender also attends to one or even five other tenders and won those tenders as well. It is found that the company examined did not fulfil the tender conditions and disrupted the flow of the business. In this respect, this condition should be considered while

assessing the capacity of the company in tenders. Companies which already secured many other tenders should not be given a new tender. Supporting and encouraging SMEs, which have development potential in sectors strategic for the country's economy, for participating in tenders is important. The development levels of these companies should be determined according to the sector. In addition, supporting companies accredited by or supported by such institutions as KOSGEB will ensure coordination among institutions and thus, create a synergy for the development of the country. Thus, these companies with a big potential will be supported to grow and as a result, it will be a breakthrough in forming added value.

As a result of this study, it is found that most of the companies listed in Public Disclosure Platform can easily meet the preliminary qualification of tenders. In analysis for small companies, on the other hand, it is found that these ratios could not be provided at adequate level. In this respect, it is not only the transaction volume and size of the companies that is effective in participation in company assessments but also the sector they are active in. To remove these limitations, ratio implementation at sectoral level and carrying out different analysis according to the structure is necessary.

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