

# An Examination of the Effect of IT Investments on Firm Value: The Case of Y2K-Compliance Costs

Gopal V. Krishnan; Ram S. Sriram

[+ Author & Article Information](#)

*Journal of Information Systems* (2000) 14 (2): 95-108.

<https://doi.org/10.2308/jis.2000.14.2.95>

Share 

Tools 

Cite 

In this study, using the recent Y2-compliance expenditures as an example, we examine whether disclosures relating to investments in information technology (IT) were relevant to investors in assessing the market value of equity. We use a sample of 190 firms that disclosed estimates of total Y2K-compliance costs in their 1997 annual reports to examine the association between Y2K-compliance costs and share prices. We test the joint hypothesis that Y2K-compliance costs were relevant to equity valuation of firms that chose to become Y2K-compliant and that these costs were sufficiently reliable to be reflected in share prices. We find that estimates of Y2K-compliance costs were positively and significantly related to share prices after controlling for earnings, book value of equity, and other factors. We find that the stock market is not shortsighted, and consider investments in Y2K-remediation efforts a significant and value-increasing activity for the average firm.

This content is only available via PDF.

American Accounting Association

You do not currently have access to this content.

**Sign in**

Don't already have an account? [Register](#)

**Member Login**

Log in

[Skip to Main Content](#)

Pay-Per-View Access

\$25.00

**AAA Members: Please log in for free access to content. Note, Teaching Notes are a full member benefit and are not available to student members.**

 [Buy This Article](#)



[View Metrics](#)

### **Citing Articles Via**

Google Scholar

CrossRef (17)

### **Email Alerts**

Article Activity Alert

Publish Ahead of Print Alert

New Issue Alert



**Online ISSN:** 1558-7959    **Print ISSN:** 0888-7985

[Skip to Main Content](#)

[Information for Authors](#)

[Authorship Policy](#)

[Plagiarism Policy](#)

[Data Integrity Policy](#)

[Citing Corrected Articles Policy](#)

[Minimizing Overlapping Decision Rights Policy](#)

[Prior Publication Policy](#)



---

[Cookie Policy](#) [Accessibility](#) [Terms & Conditions](#) [Get Adobe Acrobat Reader](#)  
© Copyright 1998 - 2025 American Accounting Association. All rights reserved.

## Gift article access

As a benefit of your subscription, you can share temporary access to restricted articles.

Each link will stop working after 30 days or 10 uses. You may create up to 10 links in a 30 day period.

Please sign in to your personal account to gift article access.

[Sign in >](#) [Register](#)

## Gift article access

As a benefit of your subscription, you can share temporary access to restricted articles.

Each link will stop working after 30 days or 10 uses. You may create up to 10 links in a 30 day period.

Gift articles remaining: --

[Create gift link](#)

## Gift article access

As a benefit of your subscription, you can share temporary access to restricted articles.

Each link will stop working after 30 days or 10 uses.

[Skip to Main Content](#)

You have reached the limit of 10 links within a 30 day period.

# Sharing Unavailable

Sharing content requires targeting cookies to be enabled. Please update your cookie preferences to use this feature.

[Update Cookie Preferences](#)

[Cancel](#)