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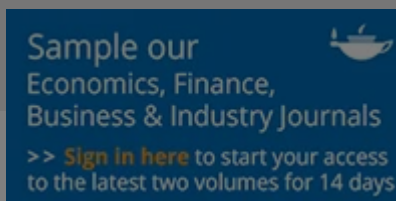
Do Macro-economic Crises Determine Accounting Value Relevance?

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Abstract

We investigate whether the value relevance of earnings and book values in Turkey significantly differs from the main findings of prior research. We find that the ‘quality’ of earnings is lower in Turkey, and that the value relevance of earnings is lower in Turkey than in the US. These findings are consistent with the shifts from accrual accounting to cash accounting after IFRS adoption. Our findings have implications for the diminished value relevance of earnings in emerging economies and the importance of earnings quality for value relevance.

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Notes

- 1 For example, earlier studies show that the association is affected by firm earnings persistence, net book values and systematic risk (Collins & Kothari, [1989](#); Easton & Zmijewski, [1989](#); Kormendi & Lipe, [1987](#)), the presence of losses (Hayn, [1995](#)), and firm size (Easton & Zmijewski, [1989](#)). Later research focuses on value relevance after firm adoption of IFRS (see review by Brüggemann et al., [2013](#)).
- 2 Hugo Stinnes ... 'grew rich during inflation by going into debt and having the debt virtually wiped out by that inflation.' (Fisher, [1928](#), p. 7).
- 3 Whittington, Saporta, and Singh ([1997](#)), noting the high levels of Turkish hyper-inflation, illustrate the impact of inflation adjustments on listed firms. They find decreases in mean net assets growth from 57.7% to 28.8%, sales growth from 56.2% to 3.2%, earnings before tax/net assets ratio from 32.4% to 12.3%, and earnings after tax/net worth from 25.5% to 9.4%.
- 4 Resulting from incompliance with IMKB listing rules.
- 5 Up until 2009 Q2, financial statements were announced to the public by means of IMKB Daily Bulletins after the second trading session ended and then disclosed on the IMKB website. Since the financial statements are effectively disclosed to the public with a one day lag, the price impact is adjusted to take this into account.
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the European Union, under the oversight of the Turkish Accounting Standards Board (TASB).

8 An interesting alternative perspective is that the main objective of financial reporting is to maintain financial stability in markets, rather than provide information to investors. This issue and the political role that the European Commission played in lobbying for reclassification under IAS39 during the GFC are discussed in André, Cazavan-Jeny, Dick, Richard, and Walton ([2009](#)).

Additional information

Funding

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