

THE USE OF FAIR VALUE ACCOUNTING, BUSINESS OUTCOMES, AND INVESTOR CONFIDENCE FOR SELECTED ROMANIAN AND TURKISH FIRMS

Ibrahim Mert, “Alexandru Ioan Cuza” University, Iasi, Romania

ABSTRACT. The purpose of this quantitative, correlative, and survey-based study was to determine whether the use of fair value accounting by publicly-listed companies in Turkey and Romania was associated with significant variation in investors’ (1) optimism about increases in the company’s stock price, (2) likelihood of buying more stock, and (3) evaluation of the company’s transparency. After controlling for company size, industry, and geographic location, it was found that the use of fair value accounting is associated with higher investor optimism about stock prices and increased likelihood of investors buying more stock. Investors’ evaluations of company transparency did not vary according to whether the company used fair value accounting. Furthermore, based on country-specific analysis, it was concluded that Turkey is justified in its more aggressive adoption of fair value accounting whereas Romania ought to move towards both IFRS in general and fair value accounting in particular. This conclusion was justified by data analysis revealing that Turkish companies are larger are more profitable than Romanian companies in the same industries.

Keywords: Fair value accounting, Turkish accounting, Romanian accounting

JEL codes: M41