



Impact of Inflation Accounting Application on Key Financial Ratios

Aydın KARAPINAR
Gazi University
aydink@gazi.edu.tr

Figen ZAFİF
Gazi University
figena@gazi.edu.tr

Rıdvan BAYIRLI
Gazi University
rbayirli@gazi.edu.tr

Abstract

This paper investigates the impact of inflation accounting on key financial ratios. To this end, the financial statements of 132 companies listed in the Istanbul Stock Exchange (ISE) are studied. An analysis of paired samples t test has been conducted on the financial ratios of the companies. The results show that a significant difference between adjusted cost based financial ratios and historical cost based financial ratios occurs only for current, ratios, equity ratios and noncurrent turnover ratios. The study does not cover companies operating in the financial sector. The companies reporting in accordance with IFRS for the studied periods that spans 2001-2004 are not included in the study either. The study offers valuable information as to analysing companies operating in hiper inflation economies.

Keywords: inflation accounting, adjusted financial statements, Turkey, adjusted financial ratios, Istanbul Stock Exchange (ISE)