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SUBSEQUENT MEASUREMENT FOR INVESTMENT PROPERTY: FAIR VALUE MODEL

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ABSTRACT

Purpose: This study examines the effect of firm size, leverage, gain from revaluation, and information asymmetry on the possibility of choosing a fair value method of investment property moderated by institutional ownership.

Methodology/approach: The quantitative research method with logistic and moderated regression analysis. The number of samples in this study was 117 companies. The final observation data during the 2018-2022 period was 585 firm years.

Findings: The study's results proved that firm size and gain from revaluation affect the selection of the fair value method of investment property. In comparison, leverage and information asymmetry do not affect the selection of fair-value methods of investment property. In addition, institutional ownership can only moderate the effect of information asymmetry on selecting fair-value methods of investment property.

Practical implications: The small number of companies that do not yet use fair value to measure investment properties can be used as material for consideration by the Financial Accounting Standards Drafting Board to improve regulations related to the use of fair value of investment properties. Companies can take this into account when choosing the best approach to ensure that financial statement readers can utilize them as a foundation for decision-making.

Originality/value: Adding the gain from revaluation as opportunistic motivation as the independent variable and institutional ownership as moderation variables.



Keywords: Fair Value Method; Firm Size; Gain from Revaluation; Information Asymmetry; Leverage.

ABSTRAK

Tujuan penelitian: Penelitian ini bertujuan untuk menguji pengaruh firm size, leverage, keuntungan revaluasi, dan asimetri informasi terhadap kemungkinan pemilihan metode nilai wajar properti investasi yang dimoderasi oleh kepemilikan institusional.

Metode/pendekatan: Metode penelitian yang digunakan adalah kuantitatif dengan analisis regresi logistik dan regresi moderasi. Jumlah sampel dalam penelitian ini sebanyak 117 perusahaan. Total keseluruhan selama periode 2018-2022 sebanyak 585 data observasi.

Hasil: Hasil penelitian membuktikan bahwa firm size dan keuntungan revaluasi berpengaruh terhadap pemilihan metode nilai wajar properti investasi. Sedangkan leverage dan asimetri informasi tidak berpengaruh terhadap pemilihan metode nilai wajar properti investasi. Selain itu, kepemilikan institusional hanya dapat memoderasi pengaruh asimetri informasi terhadap pemilihan metode nilai wajar properti investasi.

Implikasi praktik: Minimnya perusahaan yang belum menggunakan nilai wajar untuk pengukuran properti investasi dapat dijadikan sebagai bahan pertimbangan bagi Dewan Penyusun Standar Akuntansi Keuangan untuk menyempurnakan regulasi terkait dengan penggunaan nilai wajar properti investasi. Bagi perusahaan dapat dijadikan sebagai bahan pertimbangan pemilihan metode yang sesuai agar bermanfaat bagi para pengguna laporan keuangan sebagai dasar pengambilan keputusan..

Orisinalitas/kebaharuan: penambahan variabel keuntungan revaluasi sebagai variabel independen dan kepemilikan institusional sebagai variabel moderasi.

Kata kunci: Asimetri Informasi; Firm Size; Keuntungan Revaluasi; Leverage; Metode Nilai Wajar.

INTRODUCTION

The Indonesian Accounting Association (IAA) continues to follow developments related to the business world and accounting standard practices at home and abroad to produce financial accounting standards quality. The convergence of International Financial Reporting

Standards (IFRS) to the Indonesia Financial Accounting Standards (IFAS) fully implemented by 2012, according to a determination made by IAA in December 2008 ([IAI, 2008](#)). According to previous research ([Mulyanti et al., 2020](#)), the convergence benefits of IFRS are anticipated to lower barriers to investment, boost corporate transparency, lower the cost of creating financial statements, and lower the cost of capital. IFAS 13 (2007) Addressing Investment Property is one of the adjustments made by the Indonesian Financial Accounting Standards Board (IFASB) of the Institute of Indonesia Chartered Accountants regarding the alignment of the IFAS to convergence (IFRS). In line with the ratification of the framework of Indonesian financial reporting standards, IFASB also ratified changes in the numbering of IFAS and Interpretation of Financial Accounting Standards (ISAK) in Indonesian Financial Accounting Standards. Including IFAS 13 concerning investment property, there is a change in numbering to IFAS 240 concerning investment property which is effective as of January 1, 2024 and does not affect the substance of the arrangements in each IFAS and ISAK. The method of asset treatment after initial measurement differs significantly in Indonesia following the convergence process of IFRS to IFAS 240. In IFAS 240, entities are given two additional options for determining the value of investment property: historical costs or fair value. In contrast, in IFAS 13 (1994), entities can only recognize the value of investment property with the historical cost method without depreciation.

After initial recognition, the choice of techniques for measuring investment property underwent substantial changes, which are interesting to investigate since they impact the percentage of financial statements each business reports based on the two options. In addition, there has yet to be much study done in Indonesia on the primary goal of utilizing fair value, which was established by research on the choice of accounting methods following the implementation of IFRS in IFAS 240 ([Mita & Siregar, 2019](#)). There must be conclusive evidence for why different companies choose specific accounting methods. Users of financial accounts need to be made aware of the factors management takes into account when selecting an accounting method ([Kadri et al., 2020](#)). The decision of accounting procedures by entities tends to be difficult to change when corporations are presented with optional options. In other words, businesses frequently choose cost-based accounting method that align with the new norm. However, according to previous research ([Mita & Siregar, 2019](#)), after SAK 240 became effective, several Indonesian public firms decided to choose the fair value method. Several factors influence businesses appraise investment properties using the fair value approach.

According to an empirical study, there are three reasons entities choose the accounting technique contractual, opportunistic, and asset pricing motivation ([Olante & Lassini, 2022](#)). The first justification, the contractual perspective, claims additional pertinent repercussions when choosing between the fair value and cost methods. According to previous research ([Olante & Lassini, 2022](#)), using fair value may result in higher legal and political costs for shareholders. According to prior research ([Hagerman & Zmijewski, 1979](#)), conservative accounting typically reduces political expenses. The company's size significantly impacts the size of political costs. The political costs increase with the company's growth ([Mulyanti et al., 2020](#)). As a result, the business size can indicate the scope of political expenses that may influence the use of accounting techniques. The size of the company has a big impact on whether or not to use the fair value method for investment property ([Pratiwi & Tahar, 2017](#); [Sari et al., 2020](#); [Yennisa et al., 2020](#)). This statement contradicts a study ([Mita & Siregar, 2019](#)), which claims that results related to company size have no bearing on the decision to value investment property using fair value.

Motivation for contractual incentive programs can also come from subpar agency fees. Contractual issues like managerial salaries and debt agreements might be linked to agency expenses. Companies may adopt more cautious accounting practices if their debt contracts prioritise creditor protection ([Olante & Lassini, 2022](#)). This adoption is possible because creditors prefer conservative accounting practices that lower the risk of corporate value distribution ([Pratiwi & Tahar, 2017](#)). This intent can be seen by examining the corporation's amount of debt. The previous research found that debt levels significantly influence the choice of fair value methodologies for investment properties ([Mita & Siregar, 2019](#); [Mulyanti et al., 2020](#); [Sari et al., 2020](#)). Because the cost technique is less volatile than earnings at the end of each period, the corporation tends to adopt it as debt levels increase. Therefore, this circumstance is sufficient to lower the risk of changes in business numbers.

Second, opportunist incentives can be seen in the choice of accounting techniques that can enhance business performance by boosting profits. In addition to market value, fair value measurement also takes into account management's estimation ([Pratiwi & Siswanto, 2018](#)). Opportunities for income management actions are created by fair value evaluation employing management judgment ([Putri & Kholilah, 2023](#)). In this scenario, a higher measurement of the difference in revaluation earnings from investment properties can boost the company's profit over time. This position is consistent with that of ([Feghali et al., 2023](#)), who contend that the use of fair value allows for greater managerial discretion in determining fair value and who discovered that this increased discretion is linked to a better likelihood of earning management. According to research by ([Karl et al., 2008](#)), businesses are more likely to choose the fair value technique for investment property when the reward for revaluing the property is larger. In contrast, a study by ([Pratiwi & Tahar, 2017](#)) found no relationship between the likelihood of selecting a fair value technique for investment property and the profit of fair value revaluation.

Third, concerning the driving force behind asset price, information asymmetry may be a symptom of divergent perspectives on information between managers and investors. Management has access to more information than other parties as a company manager ([Yuliana & Kholilah, 2019](#)). A fair value approach may be necessary to convey the actual state of an investment property asset's value. According to research ([Olante & Lassini, 2022](#)), fair value is more frequently employed since it describes information in financial statements that is more current and pertinent. More pertinent data can also lower information asymmetry and the cost of capital ([Olante & Lassini, 2022](#)). According to ([Mita & Siregar, 2019](#); [Olante & Lassini, 2022](#); [Yennisa et al., 2020](#)), businesses are more likely to choose fair value procedures for investment properties when there is a substantial knowledge asymmetry. Information asymmetry, however, has no bearing on the decision to value investment property using the fair value method, according to ([Sari et al., 2020](#)).

This study has a gap in the results of previous research on the factors that influence the decision to use one accounting technique over another for investment property. This study builds on earlier studies ([Mulyanti et al., 2020](#); [Olante & Lassini, 2022](#)) by including a gain from revaluation-independent variable and institutional ownership as a moderating variable. According to research findings by ([Mulyanti et al., 2020](#)), the factors of company size, leverage, and information asymmetry had a coefficient of determination of 29.41%. Therefore, 70.59% of independent variables still need to be examined in the study, which may influence the decision to use fair value methodologies. In order to better depict the company's opportunist incentive, the researchers attempted to include one additional

independent variable, namely the variable of gain from revaluation. The variable gain from revaluation is based on research (Setijaningsih et al., 2021) that demonstrates how the choice of the fair value technique for investment property is influenced by the variation in gain from revaluation for investment properties.

Previous research demonstrates that institutional ownership can influence the choice of fair value methods of investment property, and this is where the moderation variable is in the form of institutional ownership (Wahyuni et al., 2019). This claim is also supported by other research, which found that institutional ownership spread across companies in Italy, France, Spain, Germany, and Finland favors the likelihood of selecting the fair value method for investment property (Olante & Lassini, 2022). In contrast, it has a detrimental impact on the United Kingdom (United Kingdom). Companies choose conservative accounting procedures with cost-based methods, in contrast to research (Siregar & Utama, 2008) demonstrating that institutional investors in Indonesia do not significantly affect earning management. The author decided to include the institutional ownership variable as a moderating variable due to the discrepancy of earlier research findings. This statement is congruent with research (Vedanti Pratiwi et al., 2018), which claims that when there are discrepancies between the outcomes of different studies, moderation variables can be incorporated into the research model.

This study investigates whether adopting a fair value technique for investment property depends on factors such as business size, leverage, gain from revaluation, and information asymmetry influenced by institutional ownership. Based on the study's objectives, an explanation framework for the relationship between firm size, leverage, revaluation advantages, information asymmetry, institutional ownership, and the option to select fair value methods. It is structurally illustrated in the following figure:

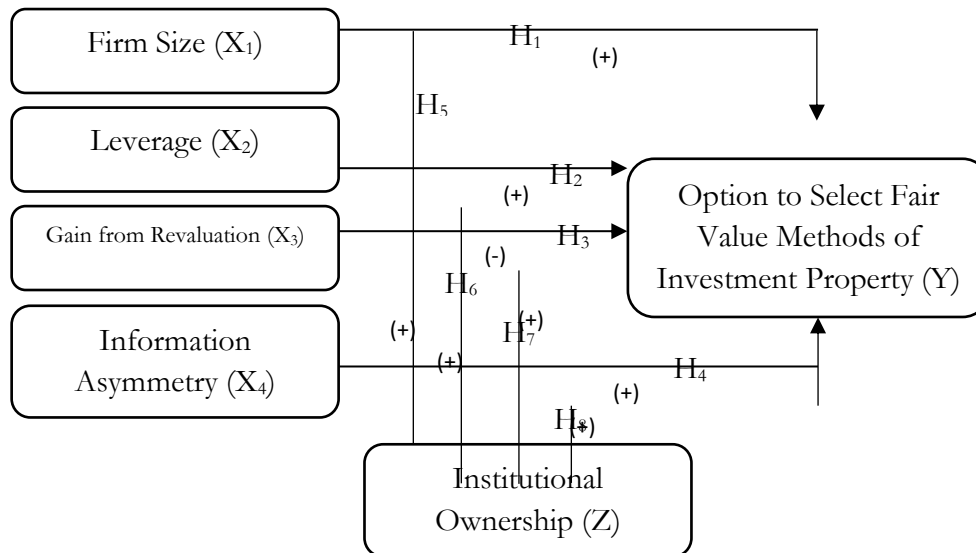


Figure 1. Conceptual Framework

JRAK

14.3 The choice of accounting method can be influenced by firm size as a proxy for evaluating the company's size, which is represented in the company's contractual motivation. It has been demonstrated through previous research (Pratiwi & Tahar, 2017; Sari et al., 2020;

[Yennisa et al., 2020](#)) that company size affects whether or not companies decide to use the fair value method to measure investment property in companies listed on the Indonesia Stock Exchange. Research ([Alves, 2019](#)) that demonstrates how firm size affects the choice of the fair value technique of investment property in companies listed on the Portuguese Exchange supports the same idea. So, the following conclusion can be formed about the first hypothesis:

H1: Firm size has a positive effects on possibility of choosing the fair value method of investment property.

The motivations of contracts are also seen in the debt arrangements between creditors and management. Companies can select more conservative accounting techniques, including the cost method because conservative accounting is more focused on safeguarding creditors. The degree of debt was one of the elements that influenced corporations to opt to utilize the fair value technique, according to research results ([Kadri et al., 2020](#)) testing companies listed on the Malaysian stock exchange. This remark is also supported by research ([Sari et al., 2020](#)) and ([Alves, 2019](#)) showing that leverage can influence whether or not businesses choose fair value procedures for investment property. The following conclusion can be taken about the second hypothesis:

H2: Leverage has a negative effects on possibility of choosing the fair value method of investment property.

Opportunist motive can be shown in the choice of accounting techniques that can enhance business performance by raising profits. The company's profit will rise over time in direct proportion to the size of the difference in investment property revaluation earnings. This claim is consistent with those made by ([Feghali et al., 2023](#); [Muller & Riedl, 2008](#); [Setijaningsih et al., 2021](#)), who contend that using fair value allows for more managerial discretion in fair value measurement. They discovered that this increased discretion is linked to a higher likelihood of earning management. However, some businesses use a more conservative approach to steer clear of external interests, for this reason, applying the cost method is more acceptable. As a result, the third theory is presented as follows:

H3: Gain from revaluation has a negative effects on possibility of choosing the fair value method of investment property.

High information asymmetry can make it more likely for businesses to choose fair value procedures for investment property ([Mita & Siregar, 2019](#)). This choice is possible because using fair value can reflect the actual state of the business and lessen information asymmetry between investors and businesses. Market-to-book value, used as a proxy for information asymmetry, has a considerable negative impact on the likelihood that fair value methods will be selected for investment property, according to ([Olante & Lassini, 2022](#)). Similar findings showed a substantial correlation between information asymmetry and the decision to evaluate investment property using the fair value technique ([Alves, 2019](#)). The following formulation represents the fourth hypothesis:

H4: Information asymmetry has a positive effects on possibility of choosing the fair value method of investment property.

Prior empirical research has not supported the results of examining factors that affect the use of fair value methodologies for investment properties with institutional ownership as a moderating variable. According to research ([Olante & Lassini, 2022](#)), institutional ownership impacts whether or not businesses decide to value investment properties using fair value. This result was achieved after establishing beneficial connections in Italy, Germany, and France. This statement indicates that a large level of institutional ownership may influence management to select a true value accounting approach when, in this instance, a fair value method would be more appropriate. Similarly, research from Indonesia ([Wahyuni et al., 2019](#)) demonstrates that high and low institutional ownership benefits the likelihood of using the fair value technique for investment property. This beneficial influence will likely affect other independent variables, affecting the dependent variable. The following is how the fifth hypothesis is put forth:

H5: Institutional ownership strengthens the relationship between firm size on possibility of choosing the fair value method of investment property.

Research ([Alves, 2019](#)) has demonstrated the beneficial relationship between debt levels and the likelihood of selecting the fair value technique for investment property. Corporate governance and the amount of money a firm derives through debt are strongly tied. Institutional investors, who control a sizable portion of them, are one of them. ([Olante & Lassini, 2022](#)) Furthermore, ([Wahyuni et al., 2019](#)) demonstrate that institutional ownership impacts businesses' decisions to use the fair value technique. According to his research, businesses that operate in nations with more developed capital markets frequently decide to measure investment property using the fair value method. The following is how the sixth hypothesis is put forth:

H6: Institutional ownership strengthens the relationship between leverage on possibility of choosing the fair value method of investment property.

According to research ([Karl et al., 2008](#)), businesses are more likely to choose fair value procedures for investment properties when the return on revaluing the fair worth of the property is higher. When there is a significant discrepancy in gain from revaluation, the corporation decides to use the fair value method, which suggests institutional influence in the policy-making process. Institutional investors may act as a check on management's opportunistic motivations when managing their businesses ([Agustia, 2013](#)). However, according to a study by ([Arlita et al., 2019](#)), large institutional ownership can enhance organisations' earning management. In this instance, one must consider the significant variation in assessing fair value, which might boost profits. According to studies by ([Olante & Lassini, 2022](#); [Wahyuni et al., 2019](#)), institutional ownership impacts whether businesses value investment properties at fair value. As a result, the seventh theory is as follows:

H7: Institutional ownership strengthens the relationship between gain from revaluation on possibility of choosing the fair value method of investment property.

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According to research, information asymmetry may affect whether businesses value investment properties using the fair value technique ([Yennisa et al., 2020](#)). Because fair value approaches give actual information to investors or report users, they can improve the possibility that businesses will choose them. Of course, the high and low institutional ownership that is the supervising party of company managers to achieve corporate goals also

impacts the policy on the choice of accounting methods. Studies by ([Olante & Lassini, 2022](#); [Wahyuni et al., 2019](#)) discovered a favourable relationship between institutional ownership and the likelihood of using the fair value technique for investment property. The following is how the eighth hypothesis is put forth:

H8: Institutional ownership strengthens the relationship between information asymmetry on possibility of choosing the fair value method of investment property.

METHOD

This study employs quantitative research techniques. As of September 2023, will be 888 businesses listed on the Indonesia Stock Exchange, according to statistics taken from the IDX website. The study spans the years 2018 to 2022. The fact that the data is current is the basis for choosing this time frame. Purposive sampling, performed in this study, uses specific factors under the researcher's goals. The following criteria were utilized in the sampling

No	Sample Criteria	Total
1.	Companies listed on the Indonesia Stock Exchange	888
2.	Not publishing full financial statements from 2018-2022	(368)
3.	Do not own investment property.	(398)
4.	Not using the fair value method or cost method in the measurement of investment property	(0)
5.	Has no institutional ownership	(5)
Number of company samples		117
Data Observations		585

Table 1.
Research
Sample Criteria

Source: Data processed by researchers, 2023

Secondary data in the form of quantitative data from the company's financial statements was the type of data used in this study. The www.idx.co.id websites or the websites of each company are employed in this study as data collection methods for documentation approaches. Using the SPSS application, research data processing techniques are carried out. The tests undertaken included logistic regression tests, which comprised testing for the overall model, determination coefficients, and hypotheses, as well as descriptive statistical tests and tests for moderate regression analysis. Firm size, leverage, gain from revaluation, and information asymmetry are examples of the several variables employed in research as independent variables. The dependent variable is the possibility of choosing the fair value method of investment property. The moderation variable is institutional ownership. The measurement of variables in this study can be described in table 2 below:

Variable	Indicator	Operational Definition	Measurement
Firm Size	Total Asset	Classification of the size of the company (Fitriani, 2018)	Size = LN (Total Asset) (M. W. Pratiwi & Tahar, 2017)

Leverage	Debt to Asset Ratio (DAR)	Measure the total assets used to fund the company (Musyafa & Kholilah, 2023)	$\text{DAR} = \frac{\text{Total Debt}}{\text{Total Asset}}$ (Diella & Pakpahan, 2022)
Gain from Revaluation	Revaluation Gain Difference	The difference between fair value and book value	Gain from Revaluation = LN (Revaluation et al.) (Pratiwi & Tahar, 2017)
Information Asymmetry	Market to Book Value (MBV)	Measures a stock's market price when compared to its book value (Nagar et al., 2019)	$\text{MBV} = \frac{\text{Market Price/share}}{\text{Book Value/share}}$ (Olante & Lassini, 2022)
Institutional Ownership	Percentage of Institutional Ownership	Percentage of shareholding rate owned by institutional investors (Sakawa & Watanabel, 2020)	$\text{Institutional Ownership} = \frac{\text{Number of Institutional Shares}}{\text{Number of Shares Outstanding}}$ (Wardhani & Samrotun, 2020)
Possible Selection of Fair Value Method of Investment Property	Selection of Fair Value Measurement Method	Methods used by companies in the measurement of investment properties	1: If using the fair value method 0: If using the cost method (Mulyanti et al., 2020)

Table 2.
Variable Operational Definition

Source: Data processed by researchers, 2023

RESULTS

Up to 585 data can be handled in this study if they match the researchers' criteria. The SPSS Version 26 application is used for data processing. Researchers use a descriptive statistical test as their initial method of analysis. Table 3 displays the descriptive analysis of this research model as follows:

Variable	Minimum	Maximum	Average	Standard Deviation
<i>Firm Size</i>	25,45	33,66	29,37	1,66
<i>Leverage</i>	0,01	1,18	0,46	0,23
Gain from Revaluation	14,21	32,41	26,41	2,74
Information Asymmetry	0,00	1187,50	26,58	99,58

Table 3.
Descriptive
Statistical Test

Selection of Fair Value Method of Investment Property	0	1	0,30	0,49
Institutional Ownership	0,03	99,43	63,89	23,15

Source: SPSS data processing results, 2023

The firm size variable, determined by the sum of the company's assets, ranges from a minimum value of 25.45 to a maximum value of 33.66. The average firm size value is 29.37, which indicates that from 2018 to 2022, the typical company owning investment property increased its total assets, increasing the company size. In comparison, the firm size variable's standard deviation value is 1.66. This number is, at most, the average value, ensuring that there is little range between the minimum and maximum values for this variable.

The debt-to-asset ratio, which measures variable leverage, ranges from a minimum value of 0.01 to a high value of 1.18. The leverage variable's average value is 0.46, which suggests that between 2018 and 2022, the amount of debt the company held as a percentage of its total assets dropped. The variable leverage has a standard deviation of 0.23. The amount of debt does not vary widely, similar to the preceding variable, because the standard deviation value is still below the average value.

The variable revaluation gain ranges from 14.21 to 32.41 as its minimum and maximum values. The average variable value of gain from revaluation is calculated to be 0.46, indicating that the fair value gains and book value of investment property assets are not significantly different. The variable revaluation gain's standard deviation is 2.74. The difference between this variable's minimum and maximum values is wide because the standard deviation is higher than the average.

The market-to-book value ratio has a minimum value of 0.00 and a maximum value of 1187.50 when used to measure information asymmetry. This variable's average value is 26.58. A significantly wide range of values separates the minimum and maximum values because the standard deviation is higher than the average value of 99.58.

A value of 1 for the fair value method and a value of 0 for the cost method are used to measure the choice of the fair value technique for investment property, which is a dummy variable. Therefore, this variable's lowest and maximum values range from 0 to 1. This variable's average value displays a value of 0.30. While the standard deviation is 0.49, the fact that it is greater than the average value indicates a height fluctuation between the minimum and maximum values.

Institutional ownership has a minimum value of 0.03 and a maximum value of 99.43, as determined by the total proportion of shares institutional investors hold. This variable's average value is 63.89, which indicates that from 2018 to 2022, institutional ownership will increase in the sample companies. The standard deviation, however, is 23.15, which is below average and demonstrates a small variance between the minimum and maximum values.

After knowing the description of the sample studied, the researcher tested the feasibility of the model in this study using the Hosmer and Lemeshow test, whose results are shown in Table 4 below:

Step	Chi-square	df	Sig.
1	15.193	8	.055

Table 4.
Hosmer and Lemeshow Test

Source: SPSS data processing results, 2023

In the Hosmer and Lemeshow Test, a Chi-square value of 15.193 and a significance value of 0.055 were obtained, both of which were higher than the threshold of 0.05. Because the regression model in this study can explain the observation data, it is practical to apply and can be tested further. Next, researchers used the overall model fit test to assess the overall model. The overall test results of the fit model can be shown in Tables 5 and 6. The model's overall value can be seen by comparing the -2LogL value in block 0 and the -2LogL value in block 1. The value of -2LogL in block 0 in table 0 shows 688,421. While the value of -2LogL block 1 in Table 6 shows 639.689. This data indicates that the -2LogL value in block 0 is greater than the -2LogL value in block 1. So, the regression model in this study shows a good regression model because there is a decrease between the value of -2LogL block 0 and block 1.

The coefficient of determination test is the next test to see how well the independent variable can account for the dependent variable. The results of this test are determined by examining the Cox & Snell and Nagelkerke R square values shown in Table 7. The Cox and Snell R square value is 0.082, less than the Nagelkerke R square value of 0.117. This figure demonstrates that the business size, leverage, gain from revaluation, and information asymmetry factors have an 11.70% ability to explain the variables of the option of picking the fair value technique of investment property. In contrast, other factors not examined in this study were responsible for the remaining 88.30% of the explanation.

Iteration	-2 Log Likelihood	Coefficients Constant
Step 0	1	688.715
	2	688.421
	3	688.421

Table 5.
Overall Model Fit Blok 0 Test

Source: SPSS data processing results, 2023

Iteration		-2 Log Likelihood	Constant	Coefficients			
				SIZE	LEV	KR	AI
Step 1	1	643.138	-22.985	10.041	.181	-3.562	.039
	2	639.712	-29.998	12.743	.235	-4.236	.049
	3	639.689	-30.672	12.995	.240	-4.292	.050
	4	639.689	-30.672	12.997	.240	-4.293	.050
	5	639.689	-30.672	12.997	.240	-4.293	.050

Table 6.
Overall Model Fit Blok 1 Test

Source: SPSS data processing results, 2023

Step	-2 Log Likelihood	Cox & Snell R Square	Nagelkerke R Square
1	639.689 ^a	.082	.117

Table 7.
Coefficient of Determination Test

Source: SPSS data processing results, 2023

	Observed	Cost Method	Fair Value Method	Percentage Correct		
Table 8. Classification	Step 1	PMNW	Cost Method	380	18	95,5
			Fair Value Method	143	25	14,9
			Overall Percentage			71,6

Source: SPSS data processing results, 2023

The categorization findings used to determine the likelihood of selecting the fair value technique for investment properties are shown in Table 8, along with the logistic regression model predictions made using observational data. 380 businesses were the subject of observations utilizing the cost technique, with a 95.5% accuracy rate. In comparison, 143 observations on businesses that used the fair value method had an accuracy percentage of 14.9%. Only 28.4% of the variables could not be predicted by the model, which had an overall prediction accuracy of 71.6%.

		B	S.E	Wald	df	Sig.	Exp(B)
Table 9. Wald Test	Step 1 ^a						441217.
	SIZE	12.997	2.257	33.148	1	.000	2
	LEV	.240	.151	2.521	1	.112	1.272
	KR	-4.293	1.027	17.477	1	.000	.014
	AI	.050	.054	.871	1	.351	1.051
	Constant	-30.677	6.443	22.739	1	.000	.000

Source: SPSS data processing results, 2023

The Wald test is used to partially see the independent variable's effect on the dependent variable. This test compares the significance value with a significance level of 5% (0.05). Based on Table 9, the logistic regression equation can be described as follows:

$$Y = -30,677 + 12,997(\text{SIZE}) + 0,240(\text{LEV}) - 4,293(\text{KR}) + 0,050(\text{AI})$$

According to Table 9, where this value is less than 0.05, the significance value for the firm size variable is displayed as 0.000 with a positive direction regression coefficient of 12.997. These result indicatethat the firm size has a positive effect on possibility of choosing the fair value method of investment property, so it can be concluded that **H₁ is accepted**. Leverage variable obtained a significance value of 0.112 > 0.05 with a positive directional regression coefficient of 0.240. These results indicate that leverage has no effect on possibility of choosing the fair value method of investment property, so it can be concluded that **H₂ is rejected**. Gain of revaluation variable obtained a significance value of 0.000 < 0.05 with a negative directional regression coefficient of -4.293. These results indicate that gain of revaluation has a negative effect on possibility of choosing the fair value method of investment property, so it can be concluded that **H₃ is accepted**. Information Asymmetry variable obtained a significance value of 0.351 > 0.05 with a positive directional regression coefficient of 0.050. These results indicate that information asymmetry has no effect on possibility of choosing the fair value method of investment property, so it can be concluded that **H₄ is rejected**.

	B	S.E	Wald	df	Sig.	Exp(B)
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Step1 ^a	M1	.017	2.057	.000	1	.993	.983
	M2	-.251	.250	1.006	1	.316	.778
	M3	1.894	1.226	2.386	1	.122	6.644
	M4	-.276	.101	7.510	1	.006	.759

Table 10.
Wald Test
Moderate
Regression
Analysis Test

Source: SPSS data processing results, 2023

Based on Table 10, The institutional ownership moderation test results, which are used to moderate whether there is a relationship between firm size and possibility of choosing the fair value method of investment property, show a weakening of the influence with a significance value of 0.993 more than 0.05, so it can be concluded that **H₅ is rejected**. The same outcome was also demonstrated with a value of 0.316 > 0.05 on the institutional ownership variable, moderating the relationship between leverage and possibility of choosing the fair value method of investment property, so it can be concluded that **H₆ is rejected**. In the link between gain from revaluation and possibility of choosing the fair value method of investment property, the institutional ownership variable has a significance value of 0.122, greater than 0.05, so it can be concluded that **H₇ is rejected**. The information asymmetry variable's moderation results showed a significance value of 0.006, less than 0.05, so it can be concluded that **H₈ is rejected**.

DISCUSSION

The result of the test on hypothesis 1 show that selecting the fair value approach for investment property depends on the business size variable. Therefore, the study's initial premise was verified. Table 9's positive value of B indicates whether the influence is positive or negative, indicating a favourable correlation between the firm size variable and the decision to value investment property using the fair value approach. This result implies that the likelihood that a corporation will use the fair value technique to measure investment property increases with its size. These findings confirm studies by (Alves, 2019; Pratiwi & Tahar, 2017; Sari et al., 2020; Yennisa et al., 2020) that demonstrate similar findings, namely the relationship between company size and choice of fair value methodologies for investment properties. A glaring difference between this study and the research (Sari et al., 2020) is that our analysis includes all companies listed on the Indonesia Stock Exchange. In contrast, research only uses the property industry as a sample. Companies that typically desire to grow profits will opt for the fair value technique because the difference in earnings will impact the company's overall assets and ability to generate profits. It differs from studies showing that choosing the fair value technique for investment property is unaffected by the size of the company (Mulyanti et al., 2020). The argument made in the study (Mulyanti et al., 2020) is that businesses with higher asset levels may not always opt for the fair value method of valuing investment properties because this method is unreliable in determining the fair value of investment properties, and businesses have not reaped any benefits from disclosing investment properties at fair value. Having a large size company will also make it more likely that the company will select the fair value method because it has the ability to do so at a fairly expensive cost.

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The second theory addressing the relationship between the degree of leverage and the decision to value investment property using fair value in this study was disproved because it had a significance value over 0.05 or 0.112. Therefore, it can be determined that the

corporation needs to consider its amount of debt when deciding on the fair value technique to be utilized to recognize investment property. These findings are consistent with studies ([Mita & Siregar, 2019](#); [Pratiwi & Tahar, 2017](#); [Yennisa et al., 2020](#)) that demonstrate leverage had no impact on whether businesses choose the fair value technique for investment properties. The findings remain the same, i.e., there is no significant effect despite variations in the measurement of leverage variables between this study and prior research. This statement is so because businesses with much debt typically opt for the cost method, a more conservative accounting method in this scenario. The earnings made by the company stay stable and remain the same when it chooses to adopt the cost approach. This finding will further boost people's confidence in creditors. The findings of this study, however, do not support studies ([Mulyanti et al., 2020](#); [Sari et al., 2020](#)) that demonstrate that leverage significantly influences the choice of fair value methodologies for investment properties.

The level of gain from revaluation measured based on the difference between the disclosed fair value and the book value of the investment property has a significance value of 0.000, which is less than 0.05 and denotes that the profit has an impact on whether the company decides to use the fair value method of accounting for investment property. This result is consistent with a study by ([Olante Lassini, 2022](#)), which also found that corporations' decisions to value investment property using the fair value technique are influenced by gain from revaluation. A bigger profit differential from the revaluation of investment properties using fair value will raise the company's earnings in line with the opportunity incentive that may be observed in the increase in profits predicted by the company. So, in this instance, it is possible to detect the company's opportunistic reason. This finding, however, conflicts with studies by ([Pratiwi & Tahar, 2017](#); [Sari et al., 2020](#)), which demonstrate that management needs to consider revaluation gains when determining the fair value approach for investment properties.

The market-to-book value ratio, which calculates information asymmetry by comparing the share price of a stock to its book value, has a significance value of 0.351, which is higher than 0.05. This result demonstrates that the information asymmetry variable does not impact the likelihood that the corporation will decide to value investment property using the fair value approach. This study's fourth hypothesis was thus disproved. These findings confirm studies by ([Mulyanti et al., 2020](#); [Pratiwi & Tahar, 2017](#); [Sari et al., 2020](#); [Setijaningsih et al., 2021](#)) that demonstrate that management does not take knowledge asymmetry into account when deciding to recognize investment properties using the fair value technique. The findings of this study also demonstrate the need for more acceptance of the idea of high information asymmetry, which purports to be able to tell shareholders about the company's true value. Studies conducted ([Alves, 2019](#); [Yennisa et al., 2020](#)) demonstrate that knowledge asymmetry can be a factor for management in deciding on the fair value method of investment property. However, this result does not support this conclusion.

The institutional ownership moderation test results, which are used to moderate whether there is a relationship between firm size and the likelihood of selecting the fair value method for investment property, show a weakening of the influence with a significance value of 0.993 more than 0.05. This study's fifth hypothesis is therefore rejected. This result means that the research by ([Olante & Lassini, 2022](#); [Wahyuni et al., 2019](#)) cannot prove that institutional ownership can affect the firm size variable as a consideration factor for choosing the fair value method of investment property. Rather, it can only be assumed that institutional ownership influences the possibility of choosing the fair value method of appraising investment property. In other words, management's decision to use the fair value approach

for investment property based on the company's size will not necessarily be influenced by the institutions' share ownership composition.

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The same outcome was also demonstrated with a value of 0.316 on the institutional ownership variable, moderating the relationship between leverage and the potential choice of the fair value method of investment property. This result indicates that institutional ownership cannot moderate the relationship between leverage and the potential choice of the fair value method of investment property because the significance value is greater than 0.05. Additionally, it abandons the presumption that institutional ownership impacts the choice of fair value methodologies and that corporate governance can influence the amount of corporate capital derived from debt. When a company has significant debt, it will prefer to utilize a more cautious accounting method since high institutional ownership tends to carry out stricter oversight of company management. Therefore, institutional ownership cannot control the relationship between leverage and the potential choice of valuing investment properties at fair value.

In the link between gain from revaluation and the likelihood of using the fair value technique for an investment property, the institutional ownership variable has a significance value of 0.122, greater than 0.05. This result demonstrates that institutional ownership cannot balance the relationship between revaluation earnings and deciding to value investment property at fair value. Institutional investors' involvement may only sometimes impact the choice to recognize investment property using the fair value technique based on the cause of the discrepancy in gain from revaluation. Because institutional investors were not involved in this decision, the choice of the fair value technique for investment property affected by gain from revaluation reflects the opportunistic motivation of the company's management. The current situation supports the evidence for the claim made by (Agustia, 2013) that institutional investors can curb management's opportunistic motivation.

The information asymmetry variable's moderation results showed a significance value of 0.006, less than 0.05. This result demonstrates how institutional ownership characteristics can reduce the impact of information asymmetry variables on the likelihood of selecting the fair value technique of investing in real estate, as suggested by a negative value for coefficient B. Corporate governance can impact decisions about a company's accounting practices in terms of coordinating information obtained between firm management and investors or other external parties who utilize financial statements. The influence of information asymmetry and the potential to evaluate investment property at fair value increases with decreasing institutional ownership. This result also aligns with studies by ([Olante & Lassini, 2022](#); [Wahyuni et al., 2019](#)) that showed how institutional ownership affected the likelihood of using the fair value technique for investment property. There must be a rationale behind the standard board's provision of the fair value method as a measurement option in the SAK regarding investment property, particularly with reference to the measurement method following acquisition. According to research ([A. D. Pratiwi & Karundeng, 2023](#)), measures using fair values have a higher degree of financial information openness than measurements using historical values. In order for this to have an effect on the usefulness and relevance of fair value information for parties using financial statements and investors making decisions. As a result, it is anticipated that businesses would give careful thought to the addition of the fair value approach to the measurement method so that the financial statements produced can offer the appropriate information for making decisions.

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CONCLUSION

It is possible to draw the following conclusions from the results of the wald test and moderate regression analysis that look at the relationship between firm size variables, leverage, gain from revaluation, and information asymmetry on the likelihood of selecting the fair value method of investment property moderated by institutional ownership: The likelihood of using the fair value technique for investment property is significantly influenced positively by firm size. Leverage has no discernible impact on the decision to invest in real estate using the fair value method; gain from revaluation has a significant detrimental impact on the likelihood of investing in real estate using the fair value method; information asymmetry has no discernible impact on the likelihood of investing in real estate using the fair value method; and so forth, institutional ownership unable to moderate the relationship between firm size and the possibility of selecting the fair value method for investment properties, institutional ownership unable to moderate the relationship between leverage and the possibility of selecting the fair value method for investment properties, institutional ownership unable to moderate the relationship between the gain from revaluation variable and the possibility of selecting the fair value method investment property, and institutional ownership can weaken the relationship between the information asymmetry variable and the likelihood of selecting the fair value method for investment property.

The relatively low coefficient of determination value of 11.70% means that 88.30% of the variables that could influence the potential of choosing the fair value method of investment property were not explored in this study, serving as a sign of the study's limits. Therefore, it is anticipated that future studies will include more dependent factors that will capture the influence of a company's options when deciding on the fair value technique for investment property. Future researchers are also expected to be able to expand research objects not only within Indonesia but also between countries. This is because the implementation of IFRS on investment property has been widely implemented in various countries.

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