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Opportunistic motivation on fair value accounting of investment properties: Does corporate governance matter in Indonesia?

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ABSTRACT

This study examines the influence of opportunistic managers' motivation and corporate governance on using fair value measurement for investment properties. It was conducted on a sample of 126 corporations listed on the Indonesia Stock Exchange from 2016 to 2020, using logistic regression and moderated regression analysis. The results showed that opportunistic motivation significantly affects the use of fair value measurement for investment properties. These results provide empirical evidence that fair value measurement, intended to enhance the relevance and reliability of financial reporting, can be leveraged to maximize corporate profits for certain interests. Additionally, the study indicates that corporate governance structure strengthens management's motivation to utilize fair value for investment properties, contrary to the expected role of corporate governance in mitigating managerial opportunistic behaviour. Future studies could explore alternative measurements, such as the difference in fair value profit/loss, to further support the bonus plan hypothesis in the Positive Accounting Theory framework. The practical implication of this study is to offer an understanding of the rationales behind the choice of accounting policies for investment property. This will enable the development of policies and regulations that safeguard financial statement users from management's opportunistic motives when selecting accounting methods. In addition, this research can also be evaluation material about opportunistic motivations that management may have in implementing IFRS.

Contribution/Originality: This study enhances the findings of prior research on the factors influencing the choice of investment property fair value method in Indonesia. It specifically examines the opportunistic motivation of management and its interaction with corporate governance, an area that has not been extensively studied in developing nations.

1. INTRODUCTION

Indonesian financial accounting standards (IFAS) 13, which pertains to investment properties, offer alternatives for measurement using fair value or cost after acquiring such properties (Setijaningsih, Handoyo, & Sundari, 2021; Yennisa, Juwiyato, & Budiarto, 2020). The use of fair value provides relevant information for investment decision-making because it reflects the true market value of properties (Mäki, 2020; Mulyanti, Darmayanti, & Yunilma, 2020; Sasongko & Marhamah, 2014; Yennisa et al., 2020). This approach is often adopted for its efficiency, ability to reduce political costs, and safeguarding of creditors through conservative accounting practices (Acaranupong, 2017; Mulyanti et al., 2020). Corporates that opt for fair value measurement are typically characterized by dispersed

ownership and a strong commitment to transparency, focusing on profit maximization (Mulyanti et al., 2020). Furthermore, using fair value for investment properties has positively impacted asset value, revaluation gains, and corporate performance ratios (Pratama & Usri, 2015). Fair value use impacts increased profits due to revaluation gains and no depreciation on investment properties (Wahyuni, Soepriyanto, Avianti, & Naulibasa, 2019).

Studies on the selection of accounting methods for investment properties are important as they contain relevant accounting information (Alves, 2019; Angelo & Nuryani, 2021; Kadri, Amin, Bakar, Universiti Teknologi, & Branch, 2020; Mäki, 2020; Mita & Siregar, 2019; Sasongko & Marhamah, 2014). The choice of accounting methods is ongoing (Farahmita & Siregar, 2014; Mita & Siregar, 2019), and management policies have an impact on it (Angelo & Nuryani, 2021; Mita & Siregar, 2019; Mulyanti et al., 2020; Wahyuni et al., 2019). Existing studies mainly focus on factors that affect the selection of fair value methods for investment properties, such as firm size, profitability, leverage, information asymmetry, Public Accounting Firm size, industry type, and shareholdings (Angelo & Nuryani, 2021; Dietrich, Harris, & Muller III, 2000; Mita & Siregar, 2019; Olante & Lassini, 2022; Quagli & Avallone, 2010; Setijaningsih et al., 2021; Wahyuni et al., 2019; Yennisa et al., 2020) without considering management motivation. However, management characteristics and motivation significantly influence the decision-making process regarding accounting methods (Chen, Lo, Tsang, & Zhang, 2020; Farahmita & Siregar, 2014).

One form of management motivation is opportunistic motivation, which involves actions to increase or smooth earnings for specific purposes (Chen et al., 2020; Dietrich et al., 2000; Farahmita & Siregar, 2014; Mita & Siregar, 2019; Olante & Lassini, 2022; Quagli & Avallone, 2010). Opportunistic motivation may occur for four reasons. First, the subjective nature of fair value measurement may result in the overvaluation of assets and profits, thereby failing to reflect the true condition of investment properties (Setijaningsih et al., 2021). Second, there is a potential for earnings distortion through unrealized gains and losses (Angelo & Nuryani, 2021). Third, the lack of active markets for investment properties, such as financial assets (Farahmita & Siregar, 2014), measures investment properties as less verifiable and highly dependent on management policies (Chen et al., 2020). Fourth, transactions occur in a closed manner (Hsu & Wu, 2019). These findings suggest that opportunistic management motivation—which involves hiding management estimates, discretion, and manipulation—drives fair value reports (Chen et al., 2020; Mita & Siregar, 2019).

According to Chen et al. (2020), when management abuses their freedom to choose the measurement method for investment properties, it leads to unrealistic and unreasonable fair value estimates, particularly in companies that must meet certain profit targets. Similar views were expressed by other researchers, who noted that management tends to choose methods capable of increasing corporate profits (Muller, Riedl, & Sellhorn, 2008; Quagli & Avallone, 2010; Setijaningsih et al., 2021). These findings align with the bonus plan hypothesis, indicating that managers may choose accounting methods to boost profits to increase their bonuses and incentives. In contrast, Farahmita and Siregar (2014), Yennisa et al. (2020), and Pratiwi and Tahar (2017) failed to find the impact of management opportunistic motivation in selecting fair value measurement for investment properties. The rationale for these results is the management tendency to avoid the increased tax payment risk (Farahmita & Siregar, 2014; Pratiwi & Tahar, 2017). The inconsistent findings on management opportunistic motivation in selecting fair value measurement create a study gap in this area.

This study offers two novelties compared to previous studies. Firstly, it was conducted in Indonesia, a developing country with unique tax regulations that recognize revaluation as a final object with a tariff of 10% and treat investment properties as PPE with a maximum depreciation period of 20 years (Wahyuni et al., 2019). The impact of this regulation is a higher probability of using historical costs compared to fair value to avoid high corporate tax payments. Therefore, opportunistic motivation may be a significant factor driving corporates to adopt fair value methods for investment properties in Indonesia. Secondly, this study examined the moderating impact of corporate governance on reducing revenue volatility arising from different accounting methods (Edmonds, Edmonds, Leece, & Vermeer, 2015). Investors seek certainty in returns and investment security (Agustina & Baroroh, 2016), which can

be enhanced by reducing the opportunistic motivation of management (Widyastuti, 2020). This is important due to management awareness of the relevance of value in accounting method selection (Pascayanti, Rahman, & Andayani, 2017).

Data was collected from a sample of 126 listed corporates in Indonesian stock exchange that recognize investment properties in their financial reports from 2016 to 2020. It examined the impact of managerial opportunistic motivation on using fair value measurement methods after acquiring investment properties. The contribution lies in the literature addition on fair value measurement methods in developing countries, which has been a relatively unexplored topic in previous studies (Chen et al., 2020; Farahmita & Siregar, 2014; Mita & Siregar, 2019). The choice of accounting methods can affect the credibility and quality of financial reports, which is still a subject of debate in developing countries (Chen et al., 2020; Dong & Sing, 2021). Additionally, this study also investigated the moderating role of corporate governance in the implementation of accounting standards. Chen et al. (2020) stated that the effectiveness of implementing accounting standards in a country depends on the support of the reporting environment. It can be achieved through effective management supervision to reduce managerial opportunistic motivation (Pascayanti et al., 2017).

The remaining parts of this study are discussed in several sections. The second section provides a literature review and the development of study hypotheses, discussing relevant existing studies in the field. The third section details the methodology, including the sampling technique, variable measurement, hypothesis testing, and robustness tests conducted to ensure the validity of the findings. The fourth section presents the results and discussion. The last section of this study is the conclusion and implications.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

2.1. Positive Accounting Theory (PAT)

The theory used in previous studies is PAT (Chen et al., 2020; Farahmita & Siregar, 2014; Mita & Siregar, 2019; Mulyanti et al., 2020; Setijaningsih et al., 2021; Wahyuni et al., 2019). Watts and Zimmerman (1990) stated that PAT emerged for three reasons: changes in business flow, technological advances, and criticism of normative accounting theory. The term "positive" is due to the difference between positive and normative propositions emphasizing practices and compliance with certain provisions (Watts & Zimmerman, 1990). The reason for the shift from normative to positive theory is the inability of the normative approach to test theories empirically. The normative approach focuses more on individual investors' prosperity than the wider community's prosperity. The normative approach does not encourage or allow for the optimal allocation of economic resources in the capital market (Watts & Zimmerman, 1990).

The use of fair value for investment properties is based on assumptions and hypotheses, which are fundamental elements of PAT. These ideas—that capital markets work well, investors are smart, information is a good thing to have, and people act in their own best interests—help us come up with hypotheses about what makes it important to use a fair value for investment properties (Angelo & Nuryani, 2021; Kadri et al., 2020; Mäki, 2020; Mita & Siregar, 2019; Mulyanti et al., 2020; Sasongko & Marhamah, 2014; Watts & Zimmerman, 1990).

The second element of PAT consists of three hypotheses, namely the bonus plan, the debt covenant, and the political cost hypotheses (Watts & Zimmerman, 1990). The bonus plan hypothesis suggests that managers choose accounting procedures capable of shifting future earnings into the current period to increase their bonuses (Watts & Zimmerman, 1990). The debt covenant hypothesis suggests that for corporates about to violate debt agreements, managers choose accounting procedures capable of shifting future earnings into the current period to increase net income (Watts & Zimmerman, 1990). Meanwhile, the political cost hypothesis proposes that high-profitability corporations tend to shift their earnings from the current period to the future to avoid political costs (Watts & Zimmerman, 1990).

Several early studies (Black, Chen, & Cussatt, 2022; Farahmita & Siregar, 2014; Mita & Siregar, 2019; Mulyanti et al., 2020; Setijaningsih et al., 2021; Wahyuni et al., 2019) used these three hypotheses to figure out how to choose the fair value use on investment properties. For example, Farahmita and Siregar (2014) stated that corporates with higher debt levels are less likely to choose fair value methods to protect against creditors by using more conservative accounting policies, in line with the debt covenant hypotheses in the PAT framework.

2.2. Investment Properties Accounting Standards

Investment properties are recognized based on Substance Over Form (SoF) principle. SoF is a transaction that faithfully represents financial information as an economic substance, not just a legal form (Nuriyani & Mardian, 2019). Investment properties are considered SoF because they have the same physical form as Properties, Plants, and Equipment (PPE) but possess a distinct economic substance due to their ability to generate independent cash flows for corporations, differentiating them from PPE (Kahiking, Morasa, & Runtu, 2017). Investment properties refer to properties, whether land, buildings, or parts of buildings, held by the owner (or lessee under a finance lease) to earn rental income, capital appreciation, or both and are not used in the ordinary course of business or for sale in the ordinary course of business (Al-Khadash & Khasawneh, 2014; Kahiking et al., 2017; Setijaningsih et al., 2021).

Before 2007, investment properties were reported as part of PPE (Wahyuni et al., 2019) and were presented using historical costs. However, in 2007, IFAS 13, which was adopted from IAS 40, introduced a separate accounting treatment for investment properties, allowing for fair value measurement after initial recognition. IFAS 13 underwent changes in 2011 and 2015, focusing on the differences between investment properties and PPE in terms of recognition, measurement, transfer, disposal, and disclosure (Kahiking et al., 2017). According to IFAS 13, as revised in 2015, disclosure requirements for investment properties are generally related to cost or fair value model choice and are similar to those for fixed assets (Sasongko & Marhamah, 2014). Many corporations are incapable of disclosing these two aspects, particularly in relation to additions, reductions, and reclassifications of investment properties (Kahiking et al., 2017; Sasongko & Marhamah, 2014). It is important to note that fair value reflects the exchange price of investment properties and does not include increases or decreases due to special conditions or circumstances, such as public financing, sales, leaseback agreements, and sales concessions.

The number of corporates disclosing investment properties in Indonesia varies every year (Nugraheni, Cummings, & Kilgore, 2022). 184 non-financial corporates disclosed investment properties, with 29 of them reporting fair value (Pratiwi & Tahar, 2017). Similarly, Farahmita and Siregar (2014) reported that 108 corporates disclosed investment properties, with 54 of them using fair value. However, three other studies did not disclose the exact number of corporates reporting investment properties, with fair value usage ranging from 13% to 26%. The low number of corporates not using fair value is attributed to the complexity of tax reporting in Indonesia (Farahmita & Siregar, 2014; Wahyuni et al., 2019).

2.3. Managerial Opportunistic Motivation and the Use of Fair Value Investment Properties

Chen et al. (2020) stated that managers sometimes abuse the freedom of management in selecting the measurement of investment properties, leading to unrealistic and unreasonable fair value estimates, particularly in companies aimed at achieving certain profit targets. This behavior is consistent with the Watts and Zimmerman (1990) bonus plan hypothesis, which states that managers choose accounting procedures that can shift revenue from the future to the present in order to receive bonuses. Wahyuni et al. (2019) further stated that managers may be motivated to select fair value methods for investment properties due to the potential for increased profits through asset revaluation while ignoring the recognition of depreciation. Opportunistic motivation means maximizing revenue through accounting policy selection (Farahmita & Siregar, 2014). The high-profit management of corporates obtained through the fair value method can increase investment properties (Chen et al., 2020). Quagli and Avallone (2010) and Muller et al. (2008) also support this tendency of managers to choose methods that can increase corporate

profits. This tendency is in accordance with the bonus plan hypothesis that managers tend to choose accounting methods capable of increasing profits for higher bonuses and incentives. Muller et al. (2008) further stated that the higher the profit obtained from the fair value difference over the revaluation of investment properties, the stronger the motivation for management to use fair value. Therefore, based on these findings, the first hypothesis is as follows:

H₁: Opportunistic motivation positively impacts the use of fair value of investment properties.

2.4. Moderation of Corporates Governance on the Impact of Opportunistic Motivation on Fair Value Adoption

Corporate governance is a crucial element of management oversight that ensures actions are taken in the best interest of investors and creditors (Kusuma & Rohman, 2014; Thesing & Velte, 2021). Good corporate governance can support economic stability and growth through investment resilience for existing and new investors (Thesing & Velte, 2021). Improving corporate governance can benefit corporates in several ways. These include increasing internal organizational factors, enhancing investor and public trust, raising management and stakeholders' awareness of the importance of governance, mapping strategic issues, and input in policy-making (Puspitasari, Razak, Aprianto, Rinaldi, & Meiden, 2022; Wijaya & Firmansyah, 2021). Moreover, it also includes quality standards in the form of public recognition of corporates' commitment, responsibility, and efforts in implementing effective governance practices (Pascayanti et al., 2017).

Chen et al. (2020) stated that developing countries have weak corporate governance conditions. This is because governance reporting is only used to meet obligations and is not carried out to improve overall management governance (Edmonds et al., 2015). Pascayanti et al. (2017) reported that implementing robust corporate governance mechanisms can effectively reduce opportunistic management behavior, particularly in selecting fair value methods. Its implementation can suppress opportunistic behavior by increasing the supervision of management (Wijaya & Firmansyah, 2021). Additionally, Puspitasari et al. (2022) stated that good governance practices can help mitigate opportunistic management behavior in corporate management. The second hypothesis in this study is as follows:

H₂: Corporate governance weakens the impact of managerial opportunistic motivation on the adoption of fair value in investment properties.

3. STUDY DESIGN

This study was conducted on corporates listed on the Indonesia Stock Exchange from 2016 to 2020. Purposive sampling was used with the following criteria:

a) Corporates were continuously listed on the Indonesia Stock Exchange from 2016 to 2020 with investment properties in their financial reports.

b) Corporates used the fair value method for investment properties to determine the cost.

c) Complete data is available for the variables used in this study.

Out of the 761 listed corporates in 2020, only 523 conducted Initial Public Offering (IPOs) starting in 2016. Among those 523 corporates, only 126 reported investment properties, of which 21 used the fair value method, and 61 used the historical cost method. The remaining corporates changed their valuation method from historical cost to fair value, or vice versa. Therefore, the sample size in this study is 126, for a total of 563 observation data.

The dependent variable in this study is the use of Difference Fair Value (DFV), which is categorized into two groups. These include high (DFV = 1) and low (DFV = 0) fair value differences above and below the median, respectively (Farahmita & Siregar, 2014). This study used the discretionary accruals (managerial opportunism) model by Dechow and Dichev (2002) to measure opportunistic managerial motivation. This model is good for finding out if a manager is motivated by personal gain (Kristanti, 2019; Suyono, 2017) because it shows how accruals affect close periods using the accounting method (Chen et al., 2020) and is the best way to find fraud by management that is done for personal gain (Roy & Alfan, 2022). The following are the steps in calculating earnings management (Dechow & Dichev, 2002):

$$E = CF + Accruals \qquad (1)$$

Equation 1 indicates that earnings (E) are the sum of a corporates cash flow (CF) and accruals. The difference between the previous year's cash flow from transactions from the previous period, the accounts receivable receipts (CFt-1), the current year's cash flow (CFt), which includes cash sales, and the future cash flow (CFt+1), which includes money received ahead of time, is what accrual transactions are.

The complete equation for earnings after including these cash flows is as follows:

$$E_t = CF_{t-1}{}^t + CF_t{}^t + CF_{t+1} + \varepsilon_{t+1}{}^t - \varepsilon_t{}^{t-1} \qquad (2)$$

The accrual portion in period t is CF_t which comes from the previous year's cash flow added to the following year's cash flow (Dechow & Dichev, 2002).

Therefore, Equation 2 becomes:

$$A_t = CF_{t-1}{}^t - (CF_t{}^{t+1} + CF_t{}^{t-1}) + CF_{t+1}{}^t + \varepsilon_{t+1}{}^t - \varepsilon_{t-1} \qquad (3)$$

The model is estimated using cross-sectional OLS regression for each industrial sector with the following formula (Dechow & Dichev, 2002).

$$\Delta WC_t = b_0 + (b_1 x CFO_{t-1}) + (b_2 x\ CFO_t) + (b_3 x CFO_{t+1}) + \varepsilon_t \qquad (4)$$

The proxies for corporate governance variables are institutional ownership and audit committees because these two measurements are the most widely used and affect reducing earnings management practices (Puspitasari et al., 2022).

The control variables are corporates size (Pratiwi & Tahar, 2017; Setijaningsih et al., 2021; Wahyuni et al., 2019; Yennisa et al., 2020), profitability (Setijaningsih et al., 2021; Wahyuni et al., 2019), leverage (Pratiwi & Tahar, 2017; Setijaningsih et al., 2021; Wahyuni et al., 2019; Yennisa et al., 2020), information asymmetry, and sales growth (Wahyuni et al., 2019).

The operational definition of each variable is shown in Table 1.

Table 1. Variable operational definition.

Variable	Description
DFV	Separation of the difference in fair value above the median as a group with a high difference (DFV = 1) and DFV = 0, which is below the median with a low difference
Opman	Dechow and Dichev (2002) discretionary accrual model
Inow	Percentage of institutional ownership
Audcom	Total number of audit committees
LnTA	Corporate size as measured by the natural logarithm of the total assets i in year t
ROA	The profitability ratio is calculated from the total revenue divided by the total assets of corporates i in year t
DAR	Corporate debt ratio is calculated from the total debt divided by the total assets of corporate i in year t
Infasim	Information asymmetry is calculated by comparing the stock price with the book value per share
Growth	Corporates sales growth ratio is calculated by sales in year t minus those in year t-1 and divided by year t-1

3.1. Binary Logistic Regression Model

This study uses logistic regression analysis because the dependent variable is a dummy variable (Guellil & Benhabib, 2022; Sabbir, 2022) (DFV), which is categorized into two groups (Guellil & Benhabib, 2022; Sabbir, 2022). These include high (DFV = 1) and low (DFV = 0) fair value differences above and below the median, respectively (Farahmita & Siregar, 2014). The equation model is as follows:

Model 1

$$DFV_{it} = \beta_0 + \beta_1 Opman + \beta_2 - \beta_6\ Control\ variable + \varepsilon \qquad (5)$$

3.2. Moderated Regression Analysis

Moderated Regression Analysis (MRA) aims to test the ability of moderating variables to strengthen or weaken the influence of the independent variable on the dependent variable (Rochayatun, Pratikto, Wardoyo, & Handayati, 2023). MRA is a special application of multiple linear regression, or logistic regression, where there is a multiplication interaction between two or more of the dependent variables in the regression equation. The regression equation is a multiplication interaction between two or more independent variables. The study uses the moderating variable of corporate governance. The equation model is as follows:

Model 2

$$DFV_{it} = \beta_0 + \beta_1 Opman + \beta_2 Opman * Inow + \beta_3 Opman * Audcom + \beta_4 - \beta_9 \, Control \, variable + \varepsilon \quad (6)$$

The sensitivity test is carried out by replacing the DFV variable with a fair value (FV_{it}) for investment properties. FV_{it} as an indicator variable equals 1 when corporate i uses fair value for its investment properties in year t and 0 otherwise (Chen et al., 2020; Farahmita & Siregar, 2014; Mita & Siregar, 2019; Mulyanti et al., 2020; Setijaningsih et al., 2021; Wahyuni et al., 2019).

4. RESULTS AND DISCUSSION

In this study, 126 corporates reported investment properties in their financial reports. These corporates are categorized into different sectors, with 17, 21, 10, 9, 12, 1, 9, 14, 30, 1, and 2 in the basic materials, consumer cyclical, consumer non-cyclical, energy, financial, healthcare, industrial, infrastructure, properties & real estate, technology, and transportation & logistics sectors, respectively. Properties & real estate sector has the highest number of investment properties, with 30 corporations, or 24% of the total sample, while the healthcare, transportation, and logistics sectors have the fewest, with only 1 corporation each. Table 2 shows the sectors that report investment properties and their measurement in the financial reports.

Table 2 shows that 48% (61 corporates), 17% (21 corporates), 19% (24 corporates), and 16% (20 corporates) used the cost method for the fair value method, switching from cost to fair value and from fair value to cost method, respectively. These results indicate that the cost method still dominates the measurement after the initial measurement of investment properties. The reasons for using the cost method are profit distortion through unrealized gains and losses (Angelo & Nuryani, 2021), tax complexity (Wahyuni et al., 2019; Yennisa et al., 2020), income volatility capable of reducing future financial performance predictions (Wahyuni et al., 2019), the conservatism of corporate owners towards the impact of high profit on dividend payment ratio (Pratiwi & Tahar, 2017; Wahyuni et al., 2019; Yennisa et al., 2020), and the high cost associated with the use of fair value (Farahmita & Siregar, 2014; Pratiwi & Tahar, 2017; Yennisa et al., 2020).

According to Table 3, the range of managerial opportunistic motivation varies among the companies studied. The lowest recorded value of 1 was observed at PT Kedaung Indah Can Tbk in 2018, while the highest value of 563 was reported at PT Indo Kordsa Tbk in 2019. Additionally, institutional ownership percentages varied among the 126 sampled corporates, with a minimum value of 0 at PT Sanurhasta Mitra Tbk in 2017 and 2018 and a maximum value of 99% at PT Tunas Alfin Tbk. Financial Services Authority Regulation Number 55/Pojk.04/2015, outlining the formation and implementation guidelines for audit committees, specifies in Chapter II, Article 4, that a minimum of 3 individuals should comprise the audit committee, originating from Independent Commissioners and External Parties of the Issuer or Public Corporate. Most of corporates sampled in this study already comply with this regulation. However, some still have 2 audit committees, such as PT Ratu Prabu Energi Tbk, and 5 audit committees, such as PT Adhi Karya Tbk.

Table 2. Investment properties reporting in Indonesia.

Sector	Number of corporates		Investment properties measurement			
	Quantity	Percentage	Cost	Fair value	Cost-fair value	Fair value-cost
Basic material	17	13%	10	3	3	1
Consumer cyclical	21	17%	8	5	3	5
Consumer non-cyclical	10	8%	4	0	4	2
Energy	9	7%	4	0	2	3
Financial	12	10%	4	4	2	2
Healthcare	1	1%	1	0	0	0
Industrial	9	7%	6	1	0	2
Infrastructure	14	11%	6	6	1	1
Properties and real estate	30	24%	17	2	8	3
Technology	1	1%	0	0	1	0
Transportation & logistics	2	2%	1	0	0	1
Total	126	100%	61	21	24	20

Table 3. Descriptive statistics.

Variables	Mean	SD	Min.	Max.
Opman	282	162.66	1	563
Inow	65.35	19.31	0	99
Audcom	3	0.43	2	5
LnTA	194.39	104.26	1	383
ROA	2.49	10.68	-112	71
DAR	46.11	23.93	1	131
Infasim	187.54	123.32	1	409
Growth	1.50	57.57	-508	837
DFV	0.10	0.30	0	1

Note: Opman: Opportunistic motivation, Inow: Institutional ownership, Audcom: Audit committee, LnTA: Natural logarithm of total asset, ROA: Return on asset, DAR: Debt to asset ratio, Infasim: Information asymmetry, Growth; DFV; The difference in fair value above the median.

Table 3 also shows that the natural logarithm of total assets has a minimum value of 1 at PT Indocement Tunggal Prakarsa Tbk in 2020 and a maximum value of 383 at PT Multi Prima Sejahtera Tbk in 2016. ROA ranged from a minimum of -117% at PT Saratago Investama Sedaya Tbk in 2018 to a maximum of 71% at PT Indocement Tunggal Prakarsa Tbk in 2019. Furthermore, DAR had a minimum value of 1% at PT Citra Turbindo in 2020 and a maximum of 131 at PT Indocement Tunggal Prakarsa Tbk in 2020. Infasim ranged from a minimum of 1 at Bliss Properti Indonesia Tbk in 2019 to a maximum of 409 at HM Sampoerna in 2019. Growth had a minimum of -508% at Minna Padi Investama Sekuritas in 2019 and a maximum of 837% at PT Citra Turbindo in 2018. DFV varied from a minimum of 0 at Asuransi Bina Dana Arta Tbk in 2016 to a maximum of 1 at Ace Hardware Indonesia Tbk in 2016.

Table 4 shows that in model 1, the hypothesis was not supported because the p-value was 0.77 and greater than 0.05 or 0.10. However, in model 2, the hypothesis was supported with a p-value of 0.06, lower than the significance level of 0.1. These findings suggest that opportunistic motivation is a significant factor in using the fair value method for investment properties. However, the second hypothesis of the study is not supported. Although the p-value of 0.00 for institutional ownership is smaller than the significance level of 0.05 or 0.10, the direction of the relationship is contrary to expectations. The control variables of corporate size and debt level significantly impact the use of the fair value method, with a p-value of 0.00, lower than the significance level of 0.05, in both models 1 and 2.

Table 4. Regression analysis results.

Variables	Model 1			Model 2		
	B	t-stat	p-value	B	t-stat	p-value
Constant	-2.395			-2.879		
Opman	-0.000	-0.2	0.77	-0.002	-1.8	0.06**
LnTA	0.007	4.5	0.00*	0.007	4.3	0.00*
ROA	-0.020	-1.4	0.14	-0.020	-1.3	0.16
DAR	-0.023	-3.3	0.00*	-0.022	-3.1	0.00*
Infasim	-0.001	-0.9	0.33	-0.000	-0.6	0.51
Growth	-0.000	-0.2	0.82	-0.000	-0.2	0.79
Opman*inow				0.004327	2.9	0.00*
Opman*audcom				-0.000564	-0.3	0.72
Pseudo R²	0.078			0.1050		

Note: *significant at $p < 0.05$; **significant at $p < 0.10$.

These findings suggest that larger corporates are more likely to use fair value method due to higher associated costs (Farahmita & Siregar, 2014; Pratiwi & Tahar, 2017; Yennisa et al., 2020). Debt level has a negative impact on the use of fair value for investment properties. According to Mita and Siregar (2019), this negative impact is consistent with the efficient contract theory that the higher debt level makes corporates more conservative and prefers the cost method over the fair value method. Additionally, model 1's R^2, which represents the percentage of variance that the model can explain, is 7.8%. Using corporate governance as a moderation variable can increase R^2 to 10.5%, as shown in model 2.

4.1. The Impact of Managerial Opportunistic Motivation on the Use of Fair Value for Investment Properties

This study found evidence that managerial opportunistic motivation is a significant factor in using fair value for investment properties. In contrast to the revaluation model, which allows for partial application, the fair value model should be applied to the entire investment property (IFAS 13). This policy can potentially increase corporations' profit, as the adjustment of fair value is directly recognized in the current period's income report, eliminating the need for depreciation (IFAS 13). It also aligns with managerial opportunistic motivation in selecting an accounting method that increases a corporation profit (Chen et al., 2020). These findings are consistent with previous studies by Chen et al. (2020), Quagli and Avallone (2010), and Muller et al. (2008), which highlight the tendency of management to select methods capable of increasing profit. This aligns with the bonus plan hypothesis, suggesting that managers are motivated to select accounting methods capable of enhancing bonuses and incentives. Muller et al. (2008) further stated that higher profit from the difference between the fair value and revaluation of investment properties increases the motivation of management to use fair value method.

These findings provide empirical support for the high use of the cost method (Wahyuni et al., 2019) compared to fair value method for investment properties due to the subjectivity of fair value that management can exploit for personal interests. Besides opportunistic motivation, tax complexity (Alamsyah, 2019; Pratiwi & Tahar, 2017; Wahyuni et al., 2019; Yennisa et al., 2020), and high cost of using fair value (Jabar & Mohamed, 2015; Mita & Siregar, 2019; Pratiwi & Tahar, 2017; Yennisa et al., 2020), there are several reasons for using the cost method. These include the ability of income volatility to reduce predictions of future financial performance (Wahyuni et al., 2019) and low investor confidence in the reliability of measuring the fair value of investment properties (Jabar & Mohamed, 2015).

4.2. Corporate Governance strengthens Managerial Opportunistic Motivation in the Use of Fair Value for Investment Properties

Corporates implementing governance have better-added value (Wijaya & Firmansyah, 2021). Good corporate governance contributes to economic stability and growth (Thesing & Velte, 2021) through investment resilience for existing and new investors (Kusuma & Rohman, 2014). Improved governance benefits corporates in terms of improved internal organizational factors, increased investor and public trust, enhanced management and stakeholder awareness of the importance of governance, and mapping of strategic issues and inputs in policy-making (Puspitasari

et al., 2022). Others include quality indicators or standards in public recognition and the realization of commitment, responsibility, and efforts to promote management to implement governance (Roy & Alfan, 2022).

These results show that corporate governance strengthens opportunistic managerial motivation in selecting a fair value method for investment properties. This contradicts Sanchia and Zen (2015), who argue that governance is a mechanical system contributing to the control and regulation of corporates to create value. Value added is obtained from increased management supervision, which reduces the intention of managerial opportunistic motivation (Wijaya & Firmansyah, 2021) due to increased transparency in the financial reporting of corporates (Wijaya & Firmansyah, 2021). These disparities in findings highlight that governance can be a double-edged sword for corporations, as it depends on the specific values and practices it embodies. Corporate governance with independence, integrity, and a primary focus on the interests of financial report users can serve as a mechanism for controlling management. Meanwhile, corporate governance, which is not based on this value, can be used to justify management actions not in line with the interests of financial report users.

4.3. Sensitivity Test

Table 5 shows the robustness test by changing the measurement of the dependent variable to FVit, namely 1 for corporates using fair value method and 0 for corporates using the cost method. According to preliminary studies, FVit is widely used to measure the use of fair value for investment properties (Chen et al., 2020; Farahmita & Siregar, 2014; Mulyanti et al., 2020; Setijaningsih et al., 2021; Wahyuni et al., 2019).

Table 5. Robustness test with Fvit.

Variables	Model 1			Model 2		
	β	t-stat.	p-value	B	t-stat.	p-value
Constant	-2.909			-3.153		
Opman	0.001	3.1	0.00*	0.000	0.15	0.88
LnTA	0.004	4.8	0.00*	0.005	4.99	0.00*
ROA	-0.007	-0.8	0.41	-0.008	-0.8	0.38
DAR	0.009	2.2	0.02*	0.009	2.1	0.03*
Infasim	0.001	1.4	0.13	0.001	1.7	0.08
Growth	0.000	0.0	0.92	0.000	0.2	0.80
Opman*inow				-0.000	-0.0	0.93
Opman*audcom				0.002	2.33	0.02*
Pseudo R2	0.0673			0.075		

Note: *significant at p < 0.05.

According to these findings, the use of different fair value measurements still gives nearly the same results, suggesting that opportunistic motivation positively influences the use of fair value for investment properties. Additionally, corporate governance can strengthen opportunistic motivation in the use of fair value, and the control variable that affects the use of fair value is the total asset and debt level.

5. CONCLUSION, RECOMMENDATION, AND LIMITATIONS

In conclusion, this study provides empirical evidence that opportunistic motivation affects the use of fair value for investment properties. The findings suggest that management sometimes utilizes fair value accounting for their own interests, contrary to the intended purpose of enhancing financial reporting quality. Furthermore, the corporate governance structure, expected to mitigate opportunistic behavior, strengthens it in the context of investment properties. This study is in line with the bonus plan hypothesis in PAT that management tends to select accounting procedures to increase profit to obtain bonuses. Its implications underscore the importance of considering managerial opportunistic motivation in the standard-setting process, as it may influence the selection of accounting alternatives by corporates. Financial report users should be aware of this factor when interpreting and assessing corporate financial information. This study is limited in its ability to only evaluate some of the factors that motivate corporates

to select accounting methods for investment properties. Other factors can be evaluated in future studies, such as considerations for testing corporates with a primary business line in the property sector. Additionally, they need to expand the object to other Association of Southeast Asian Nations (ASEAN) countries, considering the similarity of transparency and accountability goals but with differences in the strictness of IFRS implementation.

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