



Accounting conservatism and fair value model selection of investment property in ASEAN

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ABSTRACT

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This research aimed to investigate the effect of debt levels and the moderating role of a country's institutional factors influencing the choice of fair value models in ASEAN property and real estate companies. The examination of a country's institutional factors as a moderating variable was important since debt policy reflects corporate strategy and national governance. Logistic and moderation regression analyses on 328 companies from 2018 to 2023 showed that higher levels of corporate debt reduced the probability of adopting the fair value model, as inflated asset valuations were avoided. The moderating influence of the country's institutional factors increased the negative effect. Furthermore, this research added empirical evidence about using positive accounting and new institutional theory to explain the selection of policies in cross-country research because the complexity of developing and implementing standards was different. The results showed that developing countries did not use the fair value model, following the inability to maintain banking trust as the primary source of funding. The Ministry of Finance and similar authorities in the five ASEAN countries should coordinate with professional associations to prepare accounting systems and relevant regulatory documents, as well as support reducing the gap between IFRS and local standards to create favorable conditions for companies in applying IFRS in the future.

Contribution/Originality: This study integrated cross-country perspectives and economic factors as moderating variables, which adds new depth to the existing body of literature, whereas prior research often focuses on single-country contexts or treats economic conditions as control variables. This integration contributes a fresh methodological and theoretical perspective.

1. INTRODUCTION

The real estate sector is an important focus of economic liberalization across various ASEAN countries and has experienced significant growth driven by an increasing demand for stable and secure investments, high profit potential, and the cultural importance attributed to property ownership (Selvarajan, Rahim, & Marikan, 2018). In this context, the consistency of the property sector in possessing the highest FDI, with a percentage above 5% during the COVID-19 pandemic, shows investment opportunities (ASEANstats, 2024). The financial filings of the sector represent the largest real estate investment accounts. Each ASEAN country has distinct characteristics that influence the real estate markets. For example, the restricted land availability in Singapore has fueled the construction of high-rise condominiums and vertical communities (Lau & Wong, 2019). Tourism in Thailand has also increased demand

for holiday houses and rental properties (Ramos et al., 2017). Unlike these two countries, the effort of the Indonesian government to decentralize economic growth has prompted the construction of new cities and infrastructure projects, opening up opportunities for property investment (Ginting & Silitonga, 2019). The rapid growth of the sector is directly connected to the increased probability of classifying land and buildings as investment properties in financial statements. Therefore, understanding the rationale behind the choice of the fair value model is analytically relevant.

Investment property under IAS (International Accounting Standard) 40 refers to land and buildings controlled by the owner to earn rental income or increase in value for operational activities (International Accounting Standards Board, 2016). IAS 40 provides the option of using the cost or fair value model. The fair value model is a valuation method used to determine an asset or a liability. This price is obtained for the sale of an asset or the transfer of a liability in an organized and ordinary transaction between counterparties within a free and competitive market. Furthermore, fair value accounting adds value for a company because the concept automatically impacts equity. In this context, an analysis of equity valuation is not required. The application of fair value to investment property impacts the increase in assets and in non-operating income (expense) to mitigate the risk of changes in extremely conservative earnings (Penman, 2007).

The management motivations for selecting the two models are contractual (Olante & Lassini, 2022; Prabandari & Kholilah, 2024). Contractual motivation is represented by the level of debt and company size related to creditors and regulators, respectively (Olante & Lassini, 2022). Policies required to maintain the value of debt are selected at a certain level. Management with a high level of debt tends to choose the cost method to avoid overstating assets in order to maintain creditor confidence (Mita & Siregar, 2019). This is carried out to maintain creditor confidence in the presentation of assets without active market value, such as investment property. This statement shows that the level of debt has a negative effect on the decision to choose the fair value model. The higher the level of debt, the lower the possibility of a company using the fair value model. This argument contradicts the debt contract hypothesis in positive accounting theory (PAT), where management tends to choose the fair value model to avoid violating debt contracts (Mita & Siregar, 2019).

Another research indicates that higher debt levels positively influence the choice of the fair value model. This is because an increase in asset value can reduce the ratio of debt to total capital, which is consistent with the contract hypothesis in PAT (Alves, 2019). Therefore, the level of debt is directly proportional to the probability that the company will adopt the fair value model to provide confidence to creditors. An increase in profit due to the recognition of investment property revaluation gains reduces the ratio of debt to capital. Other research has found evidence that the level of debt does not influence the decision to choose the fair value model in measuring investment properties (Muller, Riedl, & Sellhorn, 2008; Olante & Lassini, 2022; Pratiwi & Tahar, 2017; Setijaningsih, Handoyo, & Sundari, 2021; Wahyuni, Soepriyanto, Avianti, & Naulibasa, 2019; Yennisa, Juwiyato, & Budiarto, 2020). These results suggest that the choice of accounting method for investment property depends on factors other than the company's debt level, such as a more relevant value than the cost model.

Inconsistent results regarding the influence of debt levels on the choice of fair value model are a gap in this research, with the novelty of adding cross-country testing as a moderating variable. Previous research stated that differences in results were caused by the size of the sample, objects, and variables used (Mita & Siregar, 2019). Samples and objects are carried out in only one country with the same accounting standard provisions. Therefore, previous research suggests adding cross-country testing (Kadri, Amin, & Bakar, 2020; Mita & Siregar, 2019; Wahyuni et al., 2019). As a follow-up, economic factors become a moderating variable to accommodate differences in accounting standards when using the investment property fair value model. In addition, cross-country testing can also expand the sample and research object, which is a limitation of previous results (Acaranupong, 2017; Chen, Lo, Tsang, & Zhang, 2020; Mita & Siregar, 2019; Wahyuni et al., 2019).

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Debt Level and Fair Value Selection Decision

An important consideration in the choice of accounting policy is the reliance of a company on debt, as determined by the leverage ratio (Olanfe & Lassini, 2022). Management often selects a fair model to enhance the book value of equity and total assets, reducing the risk of breaching debt covenants connected to financial statement figures (Mulyanti, Darmayanti, & Yunilma, 2020; Olanfe & Lassini, 2022). Additional costs are needed to apply fair value model since investment property does not have an active market (Mita & Siregar, 2019). Furthermore, the use of the fair value model causes asset overvaluation, a practice that creditors view unfavorably due to perceived opportunism. This statement is consistent with PAT, where a conservative accounting model is preferred to avoid overstating assets.

PAT explains that accounting policy is important for the company and stakeholders in predicting policy choices under certain conditions (Watts & Zimmerman, 1990). According to the debt contract hypothesis, a company may increase the reported assets and profits within a specific period to mitigate potential rises in borrowing costs under debt contracts, such as penalty fees or asset seizures arising from the inability to maintain the agreed debt level (Watts & Zimmerman, 1990). This research used the debt-to-asset ratio (DAR) to assess the ratio between the amount of debt and the assets. A company in the property and real estate sector possesses significant total assets, with funding sourced from debt (Mita & Siregar, 2019; Wahyuni et al., 2019). A high DAR indicates increased debt financing, which can affect a company's ability to secure additional loans due to concerns over the capacity to repay obligations from assets (Beatty, Weber, & Yu, 2008; Fields, Lys, & Vincent, 2001). Similarly, the company is less reliant on debt financing when the ratio is low.

This statement was consistent with previous research that found a negative effect of debt levels on the decision to choose the fair value model for measuring investments after recognition of property (Mita & Siregar, 2019). The debt contract hypothesis states that company tends to choose fair value accounting policies to avoid breaching contracts (Mulyanti et al., 2020).

H: The higher the level of debt, the lower the probability of choosing the fair value model of investment property.

2.2. Moderating Role of Economic Factors

Country institutional factors include several elements and structures that form the framework and regulations of a nation (Almaskati, Bird, & Lu, 2020). These factors affect various aspects of people's lives, and examples include tax provisions and economic policies. These factors form the foundation of a country's development and evolution (Isidro, Nanda, & Wysocki, 2020). In addition, country institutional factors used in this research are economic factors (Isidro et al., 2020) because debt problems are related to corporate obligations and interests of the state.

Accounting policy selection decisions are based on a conceptual financial reporting framework. The conceptual framework shows that financial reporting is expected to deliver relevant information used by investors, creditors, and other stakeholders to make economic decisions (International Accounting Standards Board, 2016). The level of debt is information that stakeholders can obtain from financial statements. Company development requires funding support through the issuance of shares or loans to third parties. Funding decisions, including loans to third parties, are commonly referred to as debt policies (Herninta, 2019; Surento & Fitriati, 2020). Since 2008, the amount of corporate debt financing has increased significantly in several ASEAN countries (Gracia & Siregar, 2021). This number continues to increase every year, specifically in four ASEAN countries: Malaysia, Indonesia, the Philippines, and Thailand (Cahyonowati & Ratmono, 2013). Therefore, corporate debt policy is an internal company and a general economic problem. The statement aligns with the new institutional theory, which is based on the needs of the company and the demands of the state regarding the implementation of accounting standards.

New institutional theory explains and predicts the logic of behavior within a company and gradually enters the macro dynamics (Powell & DiMaggio, 1991). This theory is a new approach in neoclassical economic education based

on institutionalism (Popkova, 2018). The main issues are caused by several factors, including the effectiveness of market production, the limited resources in the economic system, the function of institutions as rule-makers, the statistical equilibrium factors, and the center of economic conditions (Popkova, 2018). The primary motivation for adopting specific accounting standards often lies in securing external legitimacy with trading partners or politically dependent parties, rather than rational considerations or an inherent need for new standards (Powell & DiMaggio, 1991). Institutional theory describes three types of isomorphism, namely coercive isomorphism, normative pressures, and mimetic processes. The new theory is used to develop a hypothesis about how the influence of a country's institutional factors affects the selection of the fair value model for investment property, considering company needs and the country's demands for implementing accounting standards. This statement is consistent with previous research, which reported specific patterns in the adoption of IFRS (Collin, Tagesson, Andersson, Cato, & Hansson, 2009; Nuriyani & Mardian, 2019). Institutional factors create a framework that shapes norms, rules, and responsibilities in society, influencing various aspects of daily life. The effectiveness and stability of these factors can impact economic growth, social justice, and the overall well-being of society.

H₁: Economic factors strengthen the positive influence of debt level on the decision to choose the fair value model of investment property.

3. METHOD

This positivist research with a quantitative method was conducted using a type of explanatory analysis to investigate the causal relationship and correlation between debt level, economic factors, and fair value model decisions. The research population consisted of 441 property companies publicly traded on the stock exchanges of five ASEAN countries, namely Singapore, Indonesia, Malaysia, the Philippines, and Thailand, from 2018 to 2023. During this period, there were no significant changes in IAS 40 (Prabandari & Kholilah, 2024). This research used purposive sampling (Field, 2024). The criteria for selecting the research samples were as follows: a) Property and real estate companies that possessed investment property in the statement of financial position; b) Property and real estate companies that disclosed the measurement of investment property in the notes to the financial statements; c) The companies presented the research data needed for the variables completely and accurately; d) Losses not reported during the period. This criterion was applied because the profitability ratio was reported as a control variable for measuring a company's efficiency in generating profits. A loss value could distort the analysis of the company's operational performance. The number of samples was 328 companies with a total of 1,478 observations.

Data were sourced from financial statement notes to identify the fair value model for investment properties, from Refinitiv for all dependent and control variables, and reputable references cited in Isidro et al. (2020), including the World Bank, Worldwide Governance Indicators, Global Financial Development, and the World Values Survey. These data sources and the period covering the COVID-19 pandemic were used to ensure that there was no influence from specific economic conditions (Hair, Black, Babin, & Anderson, 2019).

The dependent variable was the decision to adopt fair value, defined as the likelihood that a company applies this model for measurement after recognizing investment property (Mita & Siregar, 2019). The measurement of the fair value model used binary numbers, where 0 and 1 ($\text{Ln}(\text{FV}_{it}/\text{FV}_{it-1})$) represented a company using the fair value and cost models, respectively. This valuation approach was widely adopted to measure the decision to implement the fair value model after recognizing investment property (Chen et al., 2020; Mita & Siregar, 2019; Wahyuni et al., 2019).

In this research, the independent variable was the debt level. In this context, the level of debt is the utilization of assets and funding sources by a company with fixed costs to increase potential shareholder returns (Brigham & Houston, 2018). The variable was measured by the DAR. In this context, property and real estate companies possess large total assets, whose funding sources are from debt. The use of DAR was more suitable than the debt-to-equity ratio (DER), which only compares total debt to company equity. The measurement results showed that a high ratio reflected greater reliance on debt financing, which increased the difficulty of obtaining additional loans due to

concerns over the ability to repay obligations with existing assets. Conversely, a low ratio suggested lower dependence on debt financing. The standard for measuring the good and bad ratios of a company was the average ratio of similar industries (Pratiwi & Tahar, 2017; Setijaningsih et al., 2021; Wahyuni et al., 2019; Yennisa et al., 2020).

The moderating variable was the country's institutional factors. Isidro et al. (2020) divided the variable into economic, sociological, regulatory, and political factors. Furthermore, this research used economic factors because the level of debt was a component of the economy. The economic factors also consisted of 22 items, namely tax avoidance assessment, audit expenditure, private sector bank funds to gross domestic product (GDP), block premium, domestic institutional ownership, big-four market share, foreign institutional ownership, GDP per capita, foreign investment to GDP, IPO to GDP, information and knowledge, low political risk, listed company to population, market capitalization to GDP, ownership concentration, number of analysts, tax compliance, political stability, media, politically connected companies, cross-listing in America, and American institutional ownership.

Adjustment to the conditions in the five ASEAN countries classified the item factor into 1) changes in line with the conditions of the five ASEAN countries. A total of four items had different measurements according to the conditions in the countries. The items were media, tax avoidance assessment, private sector bank funds to GDP, and tax compliance. 2) Deletion due to unavailability of data. In this classification, some items were not found because of limited access to data, or the link used by the previous source could not be opened. The five items removed were low political risk, foreign institutional ownership, domestic institutional ownership, audit expenditure, and Big Four market share. This research incorporated a total of 17 economic factors, selected due to relevance in capturing the broader potential influence on the variables.

The control variables included company size, profitability, company share ownership, auditor reputation, and investment property intensity. The measurement of each control variable is as follows: LnSz_{it} : natural logarithm of total assets of company i in year t , Prof_{it} : the profitability ratio calculated by dividing total revenue by the total assets of company i in year t , Iown_{it} : percentage of share ownership of company i in year t , Aud_{it} : company auditor (Big 4 = 1, non-Big 4 = 0) in year t , and IPP_{it} : total investment property divided by the company i 's total assets in year t .

This research employed logistic regression analysis (Field, 2024) because the dependent variable was binary, dividing the data into two categories. The study also utilized moderation regression analysis to examine the influence of country institutional factors on the dependent variable. The model's feasibility was evaluated using Nagelkerke R Square to ensure the validity of the logistic regression and its reliability for subsequent analysis or decision-making. Additionally, construct and convergent validity assessments were conducted to refine the variables and select appropriate economic indicators, thereby enhancing the model's accuracy and robustness (Hair et al., 2019). The logistic regression model is presented in the following equation:

$$\text{Ln}(FV_{it}/FV_{it-1}) = \beta_0 + \beta_1 \text{DAR}_{it} + \beta_2 \text{LnSz}_{it} + \beta_3 \text{Prof}_{it} + \beta_4 \text{Iown}_{it} + \beta_5 \text{Aud}_{it} + \beta_6 \text{IPP}_{it} + \varepsilon \quad (\text{Model 1})$$

The next goal is to test the moderating role of economic factors on the decision to select the fair value model. This test was conducted to determine the influence of moderating variables on increasing or weakening the effect of the independent variable on the dependent variable. The moderation test equation model was consistent with the economic factors. The following is a moderation equation model.

$$\text{Ln}(FV_{it}/FV_{it-1}) = \beta_0 + \beta_1 \text{DAR}_{it} + \beta_2 \text{LnSz}_{it} + \beta_3 \text{Prof}_{it} + \beta_4 \text{Iown}_{it} + \beta_5 \text{Aud}_{it} + \beta_6 \text{IPP}_{it} + \beta_7 \text{Economic} + \beta_8 \text{DAR}_{it} * \text{Economic} + \varepsilon \quad (\text{Model 2})$$

4. RESULT AND DISCUSSION

The economic factors in this research were adopted from previous results (Isidro et al., 2020), which emphasized the role of country attributes in influencing the quality of financial reporting and corporate decision-making in the selection of accounting methods. Isidro et al. (2020) used 22 items to measure economic factors, while this research adopted only 14. The removal of items was due to constant values across the sample and incomplete data. The US

institutional ownership and cross-listing factors were not used due to the absence of data variance, which prevented statistical analysis (Field, 2024). Information and knowledge were not used because there was incomplete data in 2018-2019 in almost all countries.

A total of 14 items were tested for construct and convergent validity. Construct validity is the degree of association or consistency between indicators that measure the same construct (Hair et al., 2019). The assessment was carried out with two main metrics, namely loading factor and AVE (Average Variance Extracted) > 0.5 (Hair et al., 2019). Table 1 presents the results of the loading factor and AVE calculations.

Table 1. Construct validity.

Factor	Economic factor item	Loading factor	AVE
Economic	GDP	0.922	0.536
	Political stability	0.942	
	Media	-0.768	
	Assessment of tax evasion	-0.774	
	Bank money in the private sector to GDP	0.791	
	Tax compliance	0.563	
	Politically connected firms	-0.280	
	Listed firms to population	-0.052	
	Market cap to GDP	0.914	
	Foreign investment to GDP	0.889	
	IPOs to GDP	-0.214	
	Block premium	-0.931	
	Number of analysts	0.926	
	Ownership concentration	-0.394	

The convergent validity results showed that several indicators exhibited a loading factor below 0.5. The contribution of the indicator was not significant to the measured construct and was removed from the measurement model. A total of 7 items with low loading factors were eliminated from the measurement model to enhance the convergent validity of each construct in the economic factor. These included media (-0.768), assessment of tax evasion (-0.774), politically connected company (-0.280), listed company to population (-0.052), IPOs to GDP (-0.214), block premium (-0.931), and ownership concentration (-0.394). The removal of these variables allowed the measurement model to focus on more significant and relevant indicators, improving the validity and reliability of the analysis (Hair et al., 2019). Table 2 presents the convergent validity of each variable after evaluation.

Table 2. Economic factor convergent validity after evaluation.

Factor	Economic factor item	Loading factor	AVE
Economic	GDP	0.977	0.766
	Political stability	0.961	
	Bank money in the private sector to GDP	0.648	
	Tax compliance	0.703	
	Market cap to GDP	0.846	
	Foreign investment to GDP	0.957	
	Number of analysts	0.971	

Based on the evaluation results, each variable within the economic factor met the criteria for convergent validity. All variables exhibited high loading factors, with values exceeding 0.5, such as GDPc (0.977), political stability (0.961), and tax compliance (0.703), indicating a strong contribution to the economic construct. The Average Variance Extracted (AVE) for the economic factor was 0.766, surpassing the 0.5 threshold. This suggests that the construct explains more than half of the variance in the indicators, thereby achieving convergent validity. Construct reliability was also assessed to empirically verify the reliability of the variables in measuring the phenomena. This was done by

examining the composite reliability value from CFA. The results indicated that the economic variables had a composite reliability of 0.975, demonstrating that the factors possessed reliable indicators or items.

Figure 1 explained the samples. The research sample consisted of 39 Indonesian, 68 Singaporean, 92 Malaysian, 91 Thai, and 39 Philippine companies, totaling 328. Singapore is the country with the highest percentage of fair value model usage at 94.12%, followed by Malaysia, Thailand, the Philippines, and Indonesia at 60.87%, 57.14%, 33.33%, and 30.77%, respectively. Additionally, several companies changed their measurement method from cost to the fair value model. The Philippines has the highest number of companies that changed models (7.69%), followed by Malaysia (5.43%), Indonesia (5.13%), and Thailand (1.1%). In Singapore, the investment property measurement model was not changed during the observation period.

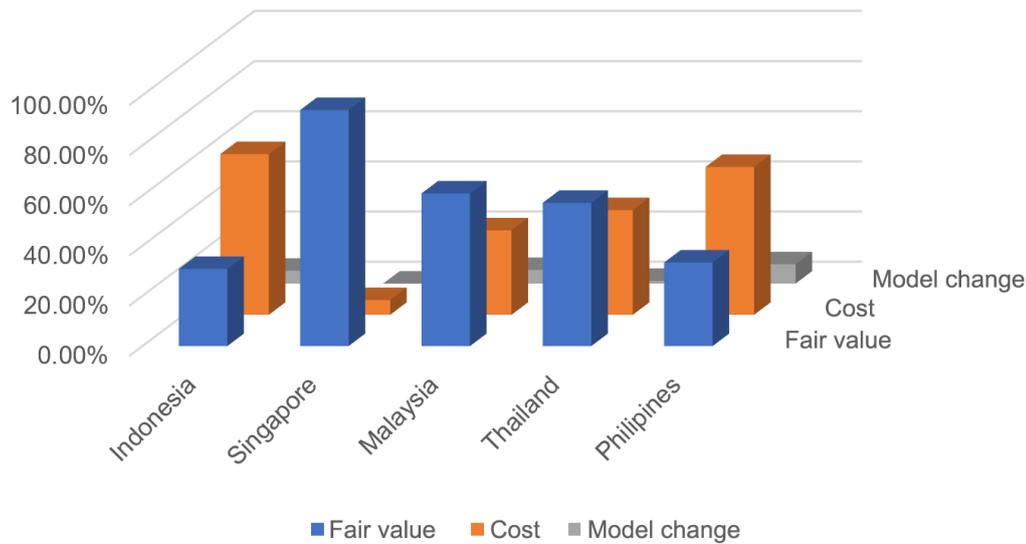


Figure 1. Fair value implementation percentage in ASEAN.

4.1. Logistic Regression Analysis

Table 3 presents the Nagelkerke R-Square values obtained were 0.303 and 0.339 in models without and with economic moderation, respectively. These results showed that approximately 30.3% and 33.9% of the variance in fair value model selection decisions were predicted by the independent and moderating variables, respectively. The model had a fairly good capacity to account for the dependent variable. However, 66.7% and 66.1% of the variance were influenced by other factors outside the model.

Table 3. Hypothesis testing results.

Variables	Model 1		Model 2	
	B	p-value	B	p-value
Constant	-3.265	0.000*	-16.652	
DAR	-0.812	0.049*	-0.478	0.046*
LnSz	0.133	0.024*	0.059	0.088**
Prof	-2.172	0.133	-13.304	0.090**
Iown	0.668	0.030*	0.678	0.000*
Aud	-0.186	0.236	-0.174	0.056**
IPP	4.422	0.000*	23.934	0.000*
Economic			13.034	0.400
DAR*Economic			-0.109	0.084*
Pseudo R ²	30.3%		33.9%	

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

Based on the logistic regression analysis, each independent and moderating variable had a varying influence on the decision to select a fair value investment property model. However, this research presented the results in line with two developed models, namely 1) Model 1, without moderation, which analyzed the influence of debt level on the decision to adopt fair value, and 2) Model 2, which incorporated economic moderation and assessed the moderating effect of economic factors on the decision to adopt fair value for investment properties. The constant value in each model was -3.265 and -16.652, with significance $p < 0.05$. The decision to choose the fair value model was low when all independent variables had a value of zero. These results showed that H1 was supported in this research. The same result was also shown by H2, where the p-value in model 2 was > 0.05 .

4.2. Robustness Test

A robustness test was conducted by replacing the research model. Table 4 shows the results of the testing with the binary random probit model. Probit assumed that the error term followed a cumulative normal distribution, which differed from the logit model. Singapore, Malaysia, and Thailand companies selected the fair value model over 50%. In Singapore, 94.12% used the fair value model since the data distribution was cumulative normal and suitable for the probit model.

Table 4. Robustness test result.

Variables	Model 1		Model 2	
	B	p-value	B	p-value
Constant	-0.020	0.000*	-49.746	0.000*
DAR	-0.502	0.030*	-11.524	0.003*
LnSz	0.083	0.014*	0.242	0.000*
Prof	-0.134	0.111	-33.491	0.024*
Iown	0.034	0.051**	0.517	0.069*
Aud	-0.008	0.326	-0.111	0.444
IPP	0.255	0.000*	39.107	0.000*
Economic			-46.175	0.148
DAR*Economic			-0.109	0.343
Pseudo R ²	30.3%		33.9%	

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

The first hypothesis indicates that the debt level has a significance of 0.030. This value is less than 0.10, aligning with the main model. The interaction between economic factors and debt level does not have a substantial impact on the decision to implement the fair value model, with a significance value of 0.343, exceeding the 0.1 threshold. Additionally, inconsistency has been reported between this result and the main model. The supplementary tests show that the level of debt influences the decision to select fair value for investment property. The auditor reputation control variable does not affect the decision to adopt the fair value model for investment property.

4.3. Debt Level and Fair Value Selection Decision

The level of debt has a negative correlation with the decision to choose the fair value investment property model. A one-unit decrease in DAR improves the likelihood of using the fair value model by 0.502%. Therefore, the first hypothesis in this research is accepted. The lower the level of debt, the higher the probability of using the fair value model. This result is consistent with the debt contract hypothesis in PAT, where companies prefer a conservative approach to cost modeling (Fields et al., 2001; Watts & Zimmerman, 1990). However, debt agreements use accounting numbers to limit the opportunistic actions of management (Watts & Zimmerman, 1990). Debt ratios become the basis for the valuation and repayment of old debt, as well as the potential for adding new debt. In PAT, the use of accounting models in debt contracts can strengthen objectivity, reliability, and conservatism (Watts & Zimmerman, 1990). This

also aligns with previous statements, where the company tends to choose a conservative cost model to maintain creditor confidence (Mita & Siregar, 2019; Prabandari & Kholilah, 2024).

Conservative accounting is an early sign of potential corporate default, specifically in property and real estate companies with a high leverage ratio (Bandyopadhyay, Chen, & Wolfe, 2017). The level of corporate debt is positively proportional to the probability of selecting a conservative accounting policy (Beatty et al., 2008). The implementation of fair value can increase a company's assets and profits. However, additional costs are incurred in conducting a valuation of investment property without an active market value (Mita & Siregar, 2019), such as financial instruments. Increased costs that do not provide direct benefits to creditors are a form of inefficient resource use. The implementation of fair value can also increase fluctuations in assets due to differences in revaluing investment properties. Therefore, companies often prefer to adopt the cost model to maintain the stability of asset values in financial statements.

4.4. The Moderating Role of Economic Factors

The results show that economic factors can moderate the effect of debt level on the choice to adopt the fair value model of investment property. A one-unit decrease in DAR raises the probability of using the fair value model by 11.52% in different economic conditions. This research accepts the second hypothesis. The differences in economic conditions in ASEAN countries increase the negative effect of the debt level on the decision to select the fair value. This arises because the differences in tax regulations are the reason for the decision to select the fair value (Azmi & Ali, 2019). The result may be due to differences in taxation sources in developing and developed countries. In developed countries, tax revenue mostly comes from public consumption and income taxes. Meanwhile, in developing countries, taxes come from international trade transactions (Thaçi & Gërzhaliu, 2018). Fair value model is only a tax object in Indonesia because the treatment of investment property is similar to fixed assets. In the other four countries, tax is only imposed on the difference in realized gains or losses.

The differences in accounting policies are not tax objects in other countries. This statement is consistent with previous research, where IFRS removes specific accounting options to reduce the capacity to manipulate financial reports through hidden reserves (Lam, Sami, Yao, & Yao, 2023). In addition, the company tends to modify new accounting standards, and users change expectations about reporting under the new conditions (Isidro et al., 2020).

Several regional relationships have been formed to harmonize ASEAN economic development. In addition to Singapore, the other four countries agreed to become developed nations between 2025 and 2058. This demonstrates the countries' high commitment to increasing financial liberalization, economic growth, and reducing investment restrictions within ASEAN (Selvarajan et al., 2018). The potential for volatility due to a more liberalized financial system raises concerns about greater economic shocks. This statement arises because the United States, with a strong financial system, has experienced an economic crisis due to the market. Therefore, developing countries with poor financial system conditions have a greater potential for economic crises (Selvarajan et al., 2018; Tran, Ha, Le, & Nguyen, 2019).

Economic growth can be influenced by many factors in addition to financial markets (Pradhan, Arvin, Bahmani, Hall, & Norman, 2017). These sectors have cointegrating relationships affecting each other in the short and long terms (Pradhan et al., 2017). The relationships suggest that debt can be a problem when the financial sector dominates the growth rate. In contrast, corporate debt is an association between the capacity to repay a company and the creditors. The largest creditor in civil law countries is the banking sector (Cahyadin & Ratwianingsih, 2020). Since the sector has a very strict level of regulation, accounting policies are directed at meeting the requirements of debt agreements with banks.

5. CONCLUSION AND IMPLICATIONS

In conclusion, the level of debt has a negative correlation with the decision to choose the fair value investment property model. This variable is inversely related to the possibility that the company will choose to implement the fair value model. In the debt contract hypothesis of PAT, management tends to choose accounting methods to avoid breach. Furthermore, economic factors can moderate the effect of the debt level on the selection of the fair value model. In this context, the company's debt is based on management decisions under financial conditions and the policies of the country.

The research implicates theory development, corporate accounting practices, and policymaking by governments in five ASEAN countries. A new perspective is also provided on the use of PAT and new institutional theory in policy research. The perspective is important because the accuracy and trustworthiness of financial reporting are subject to debate. The addition of the theory has implications for the implementation of fair value accounting policies to increase investor interest in ASEAN due to the relevance of information. In the context of the limitation, this research does not consider the financial condition of the company. Furthermore, a company with a high level of financial difficulty tends to select appropriate accounting policies in enhancing the value of profits and assets. This assessment can change a creditor's funding decisions for the company. Investors may also have different views on the implementation of fair value models in companies with certain levels of financial distress.

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