

Accounting for Investment Property: Determinants of Accounting Policy Choice by Portuguese Listed Firms

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Abstract

This study examines the determinants of accounting choices for investment property by Portuguese listed firms within the framework of Positive Accounting Theory. The results support the debt hypothesis under the Positive Accounting Theory, where high leverage firms significantly increase the probability the firms to choose the fair value model. The outcome also suggests that size and information asymmetry significantly increase the probability the firms to choose the fair value model, whereas ownership concentration significantly increase the probability the firms to choose the cost model. Overall this study suggests that the decision to use the fair value method seems to be guided mainly by the need to signal the firm's financial health, especially its additional borrowing capacity, and to reduce information asymmetry between the company and outside investors. However, the equity/bonus plan and the number of non-executive directors on the board do not seem to matter.

Keywords: Cost method, Fair value Method, Positive Accounting Theory and Accounting Choices.

1. Introduction

On January 1, 2005, International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) was adopted in Portugal, as in the European Union (EU), to promote higher quality financial reporting information and to improve comparability and transparency. International Accounting Standard (IAS) 40 – *Investment Property* allows companies to choose between the cost model and fair value model. According to the standard, the cost model requires to an entity to disclose the fair value of its investment property in the notes. Under the fair value model, any investment property should be measured at fair value, with changes being recognized as profits or losses.

Since only the fair value model results in unrealized fair value gains or losses flowing through income, the choice between the two models affects reported income and net asset value volatility. In fact, the choice between fair value and historical cost is an important issue in accounting. This study investigates the determinants of investment properties valuation basis of Portuguese listed companies within the framework of Positive Accounting Theory (PAT). Using 193 firm-year observations for the period of 2005 to 2016, we find that leverage, firm size and information asymmetry significantly increase the probability the firms to choose the fair value model, whereas ownership concentration significantly increases the probability the firms to choose the cost model. In addition, the equity/bonus plan and the number of non-executive directors on the board do not seem to matter. Thus, this study suggests that leverage, size, information asymmetry and ownership concentration are determinants of the accounting choices of the investment properties. This study makes some interesting contributions to the existing literature. It extends the literature on accounting choices by extending the research on the choice between the cost model and the fair value model in investment property in an agency setting characterized by the presence of large controlling shareholders. In fact, Portugal has a concentrated and relatively illiquid stock market that differs from those in “stockholders-oriented” countries (Hilary, 2003).

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Therefore, this paper increases understanding of managers' accounting choices, particularly on reporting valuation choice (i.e., cost model vs. fair value model), in such a "stakeholder's regime" where banks play a major role. Additionally, this study will be important to standard setters and users in understanding the factors influencing firm's current and future accounting choices and, that allowing flexibility in these financial reporting decisions may result in highly divergent choices by firms.

This paper is structured as follows. In section two, we provide a description of the reporting requirements of IAS 40. Section three discusses related research and develops the hypotheses. We present the research design and variable measurement in section four. The results are reported and discussed in section five. Finally, section six concludes the study.

2. Reporting requirements of IAS 40

IAS 40 defines investment property as property (land or a building - or part of a building - or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- a) use in the production or supply of goods or services or for administrative purposes; or
- b) sale in the ordinary course of business.

Subsequent to initial recognition at cost, IAS 40 requires firms to choose between the cost and fair value models and apply the chosen policy to all of their investment property. Under the cost model, firms apply the requirements of IAS 16 - *Property, Plant and Equipment* pertaining to this method, according to which investment property is carried at its cost less any accumulated depreciation and any accumulated impairment losses. However, fair value must be disclosed in the footnotes. If the fair value of an item of investment property cannot be measured reliably, additional disclosures are required, including, if possible, the range of estimates within which fair value is highly likely to lie.

Under the fair value model, investment property is carried on the balance sheet at fair value, with all changes in fair value reported in the income statement. The fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition and subject to similar lease and other contracts.

IAS 40 is significant as it was the first time that the IASB introduced a fair value accounting model for non-financial assets. All firms must provide fair values for their investment property either directly on the balance sheet under the fair value model choice, or within the footnotes under the cost model choice.

Nevertheless, given that only the fair value model results in unrealized fair value gains or losses flowing through income, the choice between the two models affects reported income and volatility in asset values. In fact, the accounting choices of the IAS 40 make the comparability of the financial statements more difficult. The fair value model provides the current price information which reflects the current financial position. However, it is less reliable and needs more managerial discretions. Additionally, the earnings of the recognized fair values of the investment property firms are more volatile than those of firms choosing the cost model due to the changes in the fair values of investment property are presented in the income statement.

3. Literature Review and Testable Hypothesis

Fields et al. (2001, p. 260) define an accounting choice as "*any decision whose primary purpose is to influence (either in form or substance) the output of the accounting system in a particular way, including not only financial statements published in accordance with GAAP, but also tax returns and regulatory filings, contracting, asset pricing, taxes, and regulations*".

PAT has made an important contribution to our understanding of corporate reporting practices (Williams, 2003; Watts and Zimmerman, 1986). The PAT is based on work undertaken in economics and is heavily dependent on the efficient market hypothesis, the capital assets pricing model, and agency theory. PAT is a theory that derives predictions about accounting choice from the wealth effects the choice has on important stakeholders (Watts and Zimmerman, 1986), thus emphasizing agency conflicts. Therefore, PAT assumes that management's incentives are the main determinants of accounting choices. Under the opportunistic perspective of positive accounting theory, management is expected to choose an accounting option that will meet their wealth maximization objectives.

In this regard, Watts and Zimmerman (1978) highlight three main hypotheses for PAT such as political cost, bonus plan, and debt hypothesis that reveal the motives of the managers in choosing one accounting method over another. The political costs hypothesis assumes that if managers are under political scrutiny, they are likely to adopt accounting methods that reduce reported income. According to bonus plan hypothesis, managers with bonus plans are more likely to choose accounting methods that increase current period's reported income. The debt hypothesis predicts that the higher the firm's debt ratio, the more likely managers use accounting methods that increase earnings.

In line with PAT, previous studies find evidence that accounting choices are determined by contractual efficiency (agency costs), information asymmetry and managerial opportunism reasons (Watts and Zimmerman, 1978; Holthausen, 1990; Fields et al., 2001; Quagli and Avallone, 2010). For example, Aitken and Loftus (1994) find that compensation arrangements are significant determinants of accounting policy choice. Astami and Tower (2006) find that firms that pursue income-increasing accounting techniques are characterized by lower financial leverage, lower level of ownership concentration and higher investment opportunity sets. Müller et al. (2008) find that firms choosing the fair value model under IAS 40 are more likely to have dispersed ownership and to have signaled a commitment to financial reporting transparency. In addition, they find some evidence that firms choosing the fair value model do so to maximize reported net income. Waweru et al. (2011) find that company size, internal financing, labor force intensity and the proportion of non-executive directors are significant factors influencing the manager's choice of accounting methods. Isa (2014) finds that firms with bigger size and high level of ownership concentration tend to choose income decreasing for measuring their noncurrent assets.

In line with previous studies, we develop the hypotheses by drawing from the PAT. In this context, we argue that managers choose fair value or cost method to measure investment properties in response to debt covenant constraints, political costs, and to increase their compensation. Hence, we examine the effect of leverage, firm size, bonus plan, information asymmetry, ownership concentration and proportion of non-executive directors.

Previous literature suggests that, to avoid debt covenants violation and to increase their own compensation when it is associated with company performance, managers will prefer accounting methods that increase income. Conversely, managers will choose methods that decrease income to reduce the firm's visible wealth and the related threat of political costs. Therefore, as the cost model cause a decrease in income (depreciation and potential impairment losses), we define cost model as income decreasing strategy. The fair value model also may cause a decrease in income (when losses arising from changes in the fair value of investment property). However, as gains arising from changes in the fair value of investment property increases the income, we define fair value model as income increasing strategy. This study follows this approach in examining the determinants of accounting choices for investment property by Portuguese listed firms.

3.1. Leverage

The debt hypothesis predicts that the higher the firm debt/equity ratio, the more likely managers use accounting method that increase income (Watts and Zimmerman, 1990). The higher the debt/equity ratio, the closer the firm is to the constraint in the debt covenants. To avoid the closeness to the covenant constraints, managers of firms are willing to use accounting techniques to reduce financial leverage (Fields et al., 2001). Hence, managers of firms with high leverage ratios are more likely to choose accounting methods that increase reported income. Consequently, the investment property can be revalued each year by adopting fair value basis, which provides the possibility of increasing the book value of total assets and the income. This can reduce the firm's debt/asset leverage ratio. In addition, it is also expected that firms with high leverage may tend to use fair value model to expand asset base, reduce debt ratio, and therefore restore firms' borrowing capacity.

Further, companies that access debt markets are commonly required, under their credit arrangements, to provide valuations of collateral and thus are likely to face a demand for fair value accounting (Christensen and Nikolaev, 2013). In addition, the fact that lenders are willing to lend against these valuations implies that a company invests in measuring them reliably (e.g., independent valuation and certification). Therefore, recognizing the fair values of these assets in general purpose financial statements is associated with low incremental costs (Holthausen and Watts, 2001). Conceição (2009), Christensen and Nikolaev (2013) and Israeli (2015) find that firms with higher leverage have a greater probability of adopting the fair values of the investment property. The following hypothesis is tested:

H1: Firms with higher leverage are more likely to choose the fair value model

3.2. Firm size

The size hypothesis is based on the assumption that large firms are more politically sensitive and have relatively larger wealth transfers imposed on them (political costs) than smaller firms (Watts and Zimmerman, 1986). Watts and Zimmerman (1978) argue that firms facing high political costs will tend to use more conservative accounting, in order to reduce the probability of adverse impact from political exposure. Consistent with this argument, Zmijewski and Hagerman (1981), Ahmed et al. (2002), Sun and Lin (2011) and Alves (2019) find that large firms are more conservative in accounting choices. As a result, managers of large companies may be inclined to select accounting methods that decrease the reporting of income to reduce these political costs (Missonier-Piera, 2004). In this sense, previous studies find that larger firms are more likely to select accounting method that reduce income (Skinner, 1993; Quagli and Avallone, 2010). For example, Skinner (1993) finds that larger firms are more likely to select income-decreasing accounting policies. Waweru et al. (2011) and Taplin et al. (2014) find that larger firms are more likely to adopt the cost model. Thus, the following hypothesis is tested:

H2: Large firms are more likely to choose the cost model

3.3. Bonus plan

The bonus plan hypothesis predicts that managers of firms with bonus plans are more likely to choose accounting procedures that shift reported earnings from future periods to the current period (Watts and Zimmerman, 1986). Therefore, if manager's compensation contracts are constituted by bonus plans, that may affect firms' accounting choices. That is, if part of a manager's remuneration is derived from incentive plans which are related to accounting earnings, then management has an incentive to use accounting methods that increase accounting earnings (Hagerman and Zmijewski, 1979). Aitken and Loftus (1994) find that the compensation or bonus plan is a determinant of the accounting choices of the investment properties. Thus, the following hypothesis is tested:

H3: Managers with bonus plan are more likely to choose the fair value model

3.4. Information Asymmetry

The existence of private information raises information asymmetry between parties that hold the information and those with the potential to make a better decision if they receive the information (Connelly et al., 2011). Previous studies suggest that fair values are value relevant and reduce information asymmetry between the company and outside investors (Carroll et al., 2003; Müller et al., 2011). This suggest that the fair value model is likely to reduce information asymmetry. Therefore, firms with greater information asymmetry are more likely to use fair value for measuring investment properties in order to clearly inform the market about the "true" value of the firm (Müller et al., 2008; Quagli and Avallone, 2010) and, thus reduce information asymmetry. In this sense, Müller et al. (2008) and Wahyuni et al. (2019) find that firms with high information asymmetry are more likely to choose the fair value model. Thus, the following hypothesis is tested:

H4: Firms with high information asymmetry are more likely to choose the fair value model

3.5. Ownership Concentration

Large shareholders are expected to monitor managerial behavior actions effectively, which reduce the scope of managerial opportunism to engage in aggressive accounting, which results in a higher financial reporting quality (Dechow et al., 1996; Wang, 2006; Ali et al., 2008; Katz, 2009; Farouk and Bashir, 2017). Therefore, managers of firms with a high ownership concentration may experience less discretionary power over the choice of accounting methods (Hall, 1993). Consequently, it is highly probable that in firms where the ownership concentration is high, managers may have less discretion to choose accounting methods that accelerate the reporting of income to increase their own compensation. In addition, because of large ownership stake, under-diversified equity and long investment horizon, large shareholders have greater preferences for conservative financial reporting so as to reduce litigation cost and to mitigate agency costs (Ball et al., 2000; Chen et al., 2009; Haw et al., 2012; Alves, 2019). Previous studies also suggest that firms having concentrated ownership relying less on the reporting of fair values through the financial statements to mitigate information asymmetry (e.g. Müller et al., 2008; Mäki et al., 2016). Missonier-Piera (2004) and Isa (2014) find that the more the firm's ownership structure is diluted, the more its managers will tend to adopt income increasing strategies. Müller et al. (2008), Israeli (2015) and Mäki et al. (2016) find that firms that have more dispersed ownership are more likely to choose the fair value model. Therefore, the following hypothesis is tested:

H5: Ownership concentrated firms are more likely to choose the cost model

3.6. Non-executive directors

Non-executive directors (NEDs), because of their independence and specialized expertise, are considered as a particularly powerful monitoring device of executive directors' actions (Rediker and Seth, 1995). Really, boards dominated by non-executive directors are likely in a better position to monitor and control managers' opportunistic behavior. If board composition is a signal of board effectiveness, then the higher the number of non-executive directors on the board, the lower should be the likelihood of managers to use aggressive (more conservative) accounting. In this vein, Beekes et al. (2004), Ahmed and Duellman (2007), García Lara et al. (2007), Dimitropoulos and Asteriou (2010), Majeed et al. (2017) and Nasr and Ntim (2018) find a positive relationship between non-executive directors and accounting conservatism.

Thus, given that the role of the board is to protect shareholders' interests, their monitoring activities should curtail managers' self-value maximizing actions (Waweru, et al., 2011). Therefore, the following hypothesis is tested:

H6: Firms with higher number of non-executive directors are more likely to choose the cost model

4. Research method and variable measurement

4.1. Research method

We examine the determinants of accounting choices for investment property by estimating the following logit model:

$$CHOICE_{it} = \beta_0 + \beta_1 (LEV_{it}) + \beta_2 (SIZE_{it}) + \beta_3 (BONUS_{it}) + \beta_4 (INF_ASY_{it}) + \beta_5 (OWN_CON_{it}) + \beta_6 (NED_{it}) + \varepsilon_{it} \quad (1)$$

4.2. Measuring dependent variable

ACCOUNTINH CHOICE (CHOICE): The dependent variable is dichotomous, taking the value of 1 when the firm chooses the fair value method to measure investment property and 0 when the firm chooses the cost method.

4.3. Measuring independent variables

Leverage (LEV): This is calculated as the ratio between the book value of all liabilities and the total assets.

Firm size (SIZE): This is calculated as the logarithm of market value of equity.

Bonus plan (BONUS): Takes the value of 1 when the firm grants an equity/bonus plan compensation and 0 otherwise.

Information Asymmetry (INF_ASY): As in Smith and Watts (1992) we use market-to-book ratio as a proxy for information asymmetry.

Ownership Concentration (OWN_CON): Portuguese listed firms need to disclose the ownership levels of shareholdings in excess of 2%. Thus, ownership concentration is calculated as the proportion of stocks owned by shareholders who own at least 2% of the common stock of the company.

Non-executive directors (NED): This is calculated as the ratio between the number of non-executive directors and the total number of board members of firm.

4.4. Sample Selection

The sample includes all listed firms (excluding foreign, financial and football) in Euronext Lisbon, that have investment properties in the Statements of Financial Position at the end of the period 2005 to 2016. Firms with negative book equity are excluded. Therefore, the amount of data used for analysis amounted to 193 firm-year observations. This reduced number of observations may influence some results. Nevertheless, this limitation is an immediate consequence of the small size of the Portuguese stock market. Information on total assets, total equity, equity/bonus plan, the number of non-executive directors and leverage are collected from the Annual Report and Corporate Governance Report. Both Annual Report and Corporate Governance Report are available on-line at www.cmvm.pt. We obtain stock price data from the Euronext Lisbon, which allows measuring the market value of equity.

5. Results and discussion

5.1. Descriptive statistics

Table 1 presents the sample descriptive statistics for the variables used in this research. Spearman correlations between the explanatory variables are documented in Table 2.

Table 1 – Summary of Descriptive Statistics
Number of observations: 193; Period: 2005-2016

	Mean	Median	Min.	Max.
CHOICE	0.432	0.000	0.000	1.000
LEV	0.762	0.723	0.360	5.671
SIZE	18.996	19.096	12.549	22.941
BONUS	0.7387	1.000	0.000	1.000
INF_ASY	1.366	0.940	0.010	6.340
OWN_CON	0.739	0.740	0.285	0.980
NED	0.473	0.500	0.000	0.910

CHOICE is dummy variable which takes a value 1 if the firm chooses the fair value method and 0 otherwise; *LEV* represents the ratio between the book value of all liabilities and the total assets; *SIZE* represents the firm's size; *BONUS* dummy variable which takes a value 1 if firm grants an equity/bonus plan compensation and 0 otherwise; *INF_ASY* is the market-to-book ratio; *OWN_CON* represents the proportion of stocks owned by shareholders who own at least 2% of the common stock; *NED* represents the ratio between the number of non-executive directors and the total number of board members.

Table 2 – Pearson Correlation Coefficients Matrix

	LEV	SIZE	INF_ASY	OWN_CON	NED
LEV	1				
SIZE	-0.098	1			
INF_ASY	-0.060	0.557**	1		
OWN_CON	-0.152**	-0.287**	-0.260**	1	
NED	-0.078	0.246**	0.140*	0.021	1

LEV represents the ratio between the book value of all liabilities and the total assets; *SIZE* represents the firm's size; *INF_ASY* is the market-to-book ratio; *OWN_CON* represents the proportion of stocks owned by shareholders who own at least 2% of the common stock; *NED* represents the ratio between the number of non-executive directors and the total number of board members.

** Correlation is significant at the 0.01 level (2-tailed); * Correlation is significant at the 0.05 level (2-tailed).

Table 1 shows that, about 43.2% of companies choose the fair value method to measure investment property. This indicates that the number of Portuguese listed firms choosing the cost model for the subsequent measurement of the investment property is higher than those choosing the fair value model. *LEV* variable represents on average 0.762 of the total assets of the company (with a median of 0.723). The mean of firm size (*SIZE*) is about EUR 800 million with a minimum of EUR 210 thousand and a maximum of EUR 9.188 million. In our sample, about 73.87% of companies have an equity/bonus plan. The mean (median) *INF_ASY* is 1.366 (0.940), with a minimum of 0.010 and a maximum of 6.340. The ownership concentration (*OWN_CON*) variable shows that, on average, that listed companies in Euronext Lisbon display a large degree of ownership concentration. About 47.3% (with a median of 50%) of the members of the board are non-executive directors (*NED*), with a minimum of 0.0% and a maximum of 91%, suggesting that there is a large difference across different firms for this variable, too.

Spearman correlations between the explanatory variables are documented in Table 2. The binary variable (*CHOICE* and *BONUS*) is not included in the Table, given that the Pearson correlation coefficient is not computed to nominal variables. A negative correlation between *LEV* and *OWN_CON* indicates that firms with high leverage have lower ownership concentration. *SIZE* is positively associated with *INF_ASY*, suggesting that larger firms have higher information asymmetry levels. *OWN_CON* is negatively correlated with *SIZE* suggesting that firms with higher concentrated ownership are smaller.

SIZE is positively correlated with *NED*, suggesting that large firms have higher number of non-executive directors on the board. *INF_ASY* is negatively associated with *OWN_CON*, suggesting that firms with higher information asymmetry have lower ownership concentration.

NED is positively correlated with *INF_ASY*, suggesting that firms with higher number of non-executive directors on the board have higher information asymmetry. Correlation coefficients are, in general, low (below the 0.9 threshold) (Tabachnick and Fidell, 2001), suggesting the absence of serious statistical problems related with multicollinearity.

5.2. Regression results

Table 3 presents logistic regression estimates for the equation 1 developed in section three.

Table 3 – Logistic regressions results
Number of observations: 193, Period: 2005-2016

Dependent variable	CHOICE	
	Coefficient	Wald test
Constant	-4.292	0.622
LEV	0.230	3.757**
SIZE	0.352	3.077*
BONUS	0.212	1.961
INF_ASY	0.736	7.306***
OWN_CON	-1.122	3.538**
NED	-3.518	2.156
Chi-square	45.883***	
- 2 Log Likelihood	136.015	
Percentage Correct	78%	

CHOICE is dummy variable which takes a value 1 if the firm chooses the fair value method and 0 otherwise; *LEV* represents the ratio between the book value of all liabilities and the total assets; *SIZE* represents the firm's size; *BONUS* dummy variable which takes a value 1 if firm grants an equity/bonus plan compensation and 0 otherwise; *INF_ASY* is the market-to-book ratio; *OWN_CON* represents the proportion of stocks owned by shareholders who own at least 2% of the common stock; *NED* represents the ratio between the number of non-executive directors and the total number of board members.

*** Significant at the 1-percent level; ** Significant at the 5-percent level; * Significant at the 10-percent level.

Table 3 reports the results from equation (1) which examines the determinants of accounting choices for investment property.

The coefficient of *LEV* is positive and statistically significant, which suggests that firms with higher leverage have more probability of choosing the fair value method to measure investment property. Thus, this result is consistent with the debt hypothesis which predicts that the higher the firm debt/equity ratio, the more likely managers use accounting method that increase income. Under the fair value model, investment property can be revalued each year by adopting fair value basis, which provides the possibility of increasing the book value of total assets and the income. Therefore, this suggests that highly leveraged firms have an incentive to select accounting-method choices that decrease their perceived leverage ratios, thus signaling additional available borrowing capacity to creditors.

The coefficient of *SIZE* is positive and statistically significant, which suggests that larger firms have more probability of choosing the fair value method to measure investment properties. Therefore, the size hypothesis is not supported. A possible reason is that large firms may consider that better performance ratios of the fair value model will have a positive impact on access to and the price of external funds (Mäki et al., 2016).

The coefficient of *INF_ASY* is positive and statistically significant, which suggests that firms with higher information asymmetry have more probability of choosing the fair value method to measure investment property. This result is consistent with the argument that if there is information asymmetry, managers choose fair value with a view to informing the market of a company's "true" value (Quagli and Avallone, 2010), and to reduce information asymmetry.

The coefficient of OWN_CON is negative and statistically significant, which suggests that firms with higher ownership concentration have more probability of choosing the cost method to measure investment property. Thus, this result is consistent with the argument that because of large ownership stake, under-diversified equity and long investment horizon, large shareholders have greater preferences for conservative financial reporting so as to reduce litigation cost and to mitigate agency costs (Ball et al., 2000; Qiang, 2007; Blunck, 2009; Alves, 2019). This outcome is also consistent with the argument that in firms where the ownership concentration is high, managers may have less discretion to choose accounting methods that accelerate the reporting of income to increase their own compensation.

In contrast, results suggest no evidence that BONUS and NED affects the accounting policy choice for investment properties. Summing up, the results reveal that leverage, firm size and information asymmetry significantly increase the probability the firms to choose the fair value model, whereas ownership concentration significantly increase the probability the firms to choose the cost model. In addition, the equity/bonus plan and the number of non-executive directors on the board do not seem to matter.

6. Summary and Conclusions

The number of empirical studies investigating the economic determinants of the accounting choices made by Portuguese companies is relatively small. This paper contributes to the existing literature by examining the determinants of accounting choices for investment property by Portuguese listed firms within the framework of PAT. In this context, we argue that managers choose fair value or cost method to measure investment properties in response to debt covenant constraints, political costs, and to increase their compensation. The results of the empirical analysis seem to confirm the debt hypothesis. The outcome also suggests that size and information asymmetry significantly increase the probability the firms to choose the fair value model, whereas ownership concentration significantly increase the probability the firms to choose the cost model. However, the equity/bonus plan and the number of non-executive directors on the board do not seem to matter.

Overall it is reasonable to consider that, based on this study's results, the decision to use the fair value method seems to be guided mainly by the need to signal the firm's financial health, especially its additional borrowing capacity, and to reduce information asymmetry between the company and outside investors.

The findings of this study make the following contributions. First, the results indicate that, leverage, size, information asymmetry and ownership concentration affect accounting choices for investment property in Portuguese listed firms. Second, the findings are relevant for countries with an institutional environment (concentrated ownership) similar to that of Portugal. Third, investors may also benefit from the findings because they provide insight in the factors that influencing firm's current and future accounting choices. Thus, the study is also important to investors who need to interpret financial statement numbers to make better investment decisions. Finally, the results could also be of interest to regulators in considering regulatory reforms in the determination of the flexibility of accounting practices as well as the disclosures required to aid the users of financial statements.

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