Sage Journals

Journal of Accounting, Auditing & Finance

Impact Factor: 1.3
5-Year Impact Factor:

Abstract

This paper attempts to ... utcome of the use of
fair value option for no ... rms in the U.S. Stock
Exchanges who use fai ... perty, plant and
equipment (PPE) are ex ... ired to provide
reconciliation to the U.S. GAAP. But only 38 of 232 firms choose to report their assets at fair value. As such, the revaluation model is not very popular among the cross-listed firms and the majority of these firms do not choose the option. We test for differences between adopters and non-adopters using leverage ratios, the intensity of PPE, firm size in terms of sales, market value, and total assets and profitability ratios. Our results show that those who adopt the fair value model for PPE (revaluers) have fundamentally different economic characteristics. We find that larger firms with higher value of PPE, and a higher ratio of the total amount of property, plant, and equipment to total assets are more likely to revalue their long-term assets. Our Probit and Factor analyses further show that larger firms with higher debt ratios (e.g., debt-to-equity), are more likely to adopt the PPE revaluation model.

References

Aboody D., Barth M. E., Kasznik R. (1999). Revaluations of fixed assets and future firm performance: Evidence from the UK. *Journal of Accounting & Economics*, 26, 149-178.

Crossref

[Web of Science](#)

[Google Scholar](#)

Amir E., Harris T. S., Venuti E. K. (1993). A comparison of the value-relevance of U.S. versus non-U.S. GAAP accounting measures using Form 20-F reconciliations. *Journal of Accounting Research*, 31, 230-264.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Barlev B., Haddad J. R. (2003). Fair value and the management of the firm. *Critical Perspectives on Accounting*, 14, 383-415.

[Crossref](#)

[Google Scholar](#)

Barth M. E. (1994). Fair value accounting: Evidence from investment securities and the market valuation of banks. *Accounting Review*, 69, 1-25.

[Web of Science](#)

[Google Scholar](#)

Barth M. E., Beaver W. H., Landsman W. R. (2001). The relevance of the value relevance literature for financial accounting standard setting: Another view. *Journal of Accounting & Economics*, 31, 77-104.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Barth M. E., Clinch G. (1996). International accounting differences and their relation to share prices: Evidence from U.K., Australian, and Canadian firms. *Contemporary Accounting Research*, 13, 135-170.

[Crossref](#)

[Google Scholar](#)

Barth M. E., Clinch G. (1998). Revalued financial, tangible, and intangible assets: Associations with share prices and non-market-based value estimates. *Journal of Accounting Research*, 36, 199-233.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Barth M. E., Landsman W. R. (1995). Fundamental issues related to using fair value accounting for financial reporting. *Accounting Horizons*, 9, 97-107.

Google Scholar

Barth M. E., Landsman W. R., Wahlen J. M. (1995). Fair value accounting: Effects on banks' earnings volatility, regulatory capital, and value of contractual cash flows. *Journal of Banking & Finance*, 19, 577-605.

Crossref

Web of Science

Google Scholar

Bradshaw M. T., Bushee B. J., Miller G. S. (2004). Accounting choice, home bias, and U.S. investment in non-U.S. firms. *Journal of Accounting Research*, 42, 795-841.

Crossref

Web of Science

Google Scholar

Brown P., Izan H. Y., Loh A. L. (1992). Fixed asset revaluations and managerial incentives. *ABACUS*, 28, 36-57.

Crossref

Web of Science

Google Scholar

Carroll T. J., Linsmeier T. J., Petroni K. R. (2003). The reliability of fair value versus historical cost information: Evidence from closed-end mutual funds. *Journal of Accounting, Auditing & Finance*, 18, 1-23.

Crossref

Google Scholar

Christensen H. B., Nikolaev V. (2010). *Does fair value accounting for non-financial assets pass the market test?* Retrieved from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1269515

Google Scholar

Cotter J., Zimmer I. (1995). Asset revaluations and assessment of borrowing capacity. *ABACUS*, 31, 136-151.

Crossref

Google Scholar

Daniel S. J., Jung B., Pourjalali H., Wen E. (2010). *Firm characteristics influencing responses towards adoption of the fair value accounting option: A survey of chief financial officers of U.S. firms*. Retrieved from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1579326#

Crossref

Google Scholar

Doukas J., Switzer L. N. (2000). Common stock returns and international listing announcements: Conditional tests of the mild segmentation hypothesis. *Journal of Banking & Finance*, 24, 471-501.

Crossref

Web of Science

Google Scholar

Easton P. D., Eddey P. H., Harris T. S. (1993). An investigation of revaluations of tangible long-lived assets. *Journal of Accounting Research*, 31, 1-38.

Crossref

Google Scholar

Eccher E. A., Ramesh K., Thiagarajan S. R. (1996). Fair value disclosure by bank holding companies. *Journal of Accounting & Economics*, 22, 79-117.

Crossref

Web of Science

Google Scholar

Financial Accounting Standards Board. (2006). SFAS No. 157: Fair Value Measurements. Norwalk, CT.

Google Scholar

Financial Accounting Standards Board. (2007a). SFAS No. 159: The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of FASB Statement No. 115. Norwalk, CT.

Google Scholar

Financial Accounting Standards Board. (2007b). Fair value option project update. Retrieved from http://www.fasb.org/project/fv_option.shtml

Google Scholar

Gaeremynck A., Veugelers R. (1999). The revaluation of assets as a signalling device: A theoretical and an empirical analysis. *Accounting and Business Research*, 29, 123-138.

Crossref

Google Scholar

Guthrie K., Irving J. H., Sokolowsky J. (2009). *Accounting choice and the fair value option*. Retrieved from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1471670

Google Scholar

Hitz J.-M. (2007). The decision usefulness of fair value accounting—A theoretical perspective. *European Accounting Review*, 16, 323-362.

Crossref

Web of Science

Google Scholar

Hopkins P. E., Botosan C. A., Bradshaw M. T., Callahan C. M., Ciesielski J. T., Farber D. B., . . . Yohn T. L. (2008). *Response by the financial reporting policy committee of the financial accounting and reporting section of the American accounting association to the SEC release: Acceptance from foreign private issuers of financial statements prepared in accordance with international financial reporting standards without reconciliation to U.S. GAAP*. Retrieved from http://ssrn.com/abstract=1083679

Crossref

Google Scholar

Jaggi B., Tsui J. (2001). Management motivation and market assessment: Revaluations of fixed assets. *Journal of International Financial Management & Accounting*, 12, 160-187.

Crossref

Google Scholar

Lin Y. C., Peasnell K. V. (2000). Fixed asset revaluation and equity depletion in the UK. *Journal of Business Finance & Accounting*, 27, 359-394.

Crossref

Google Scholar

Missonier-Piera F. (2007). Motives for fixed asset revaluation: An empirical analysis with Swiss data. *International Journal of Accounting*, 42, 186-205.

Crossref

Web of Science

Google Scholar

Roosenboom P., Van Dijk A. (2009). The market reaction to cross-listings: Does the destination market matter? *Journal of Banking & Finance*, 33, 1898-1908.

Crossref

Web of Science

Google Scholar

Securities and Exchange Commission (2007), Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards without Reconciliation to GAAP, [1306; File No. S7-13-07] RIN 3235-AJ90, Washington, DC.

Google Scholar

Song C. J., Thomas W., Yi H. (2010). Value relevance of FAS 157 fair value hierarchy information and the impact of corporate governance mechanisms. *Accounting Review*, 85, 1375-1410.

Crossref

Web of Science

Google Scholar

Trueman B. (1986). Why do managers voluntarily release earnings forecasts? *Journal of Accounting & Economics*, 8, 53-71.

Crossref

Web of Science

Google Scholar