Journal of Accounting, Auditing & Finance

Impact Factor: **1.3**
5-Year Impact Factor:

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Abstract

This paper attempts … n outcome of the use of fair value opt… n-listed firms in the U.S. Stock Excha… d reporting of property, plant and … ard without being required 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.

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