

The Ability to Measure Real Estate Investments According to the Requirements of IAS 40 in Enhancing the Transparency of Financial Statements

Sarah Abdulmalik Abdulhameed

Technical College of Management/Baghdad, Middle Technical University, Baghdad, Iraq.

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Abstract

This study seeks to assess the efficiency and feasibility of applying the recognition, measurement, and disclosure requirements set forth in IAS 40 on investment property in enhancing the levels of transparency and reliability of financial information in publicly traded companies. To achieve an objective understanding of the practical application of the standard, the study adopted a quantitative analytical design based on a survey sample consisting of 50 individuals from academic elites, professionals, investors, and financial experts working in relevant sectors, the results of the statistical analysis indicated the existence of strong, positive, and statistically significant correlational and explanatory relationships among the three variables IAS 40 and the quality of financial transparency, concludes that providing fair value information supported by detailed disclosures and a clear methodology contributes to reducing bid-ask spreads and addressing information asymmetry in the market. The study recommends the importance of combining financial measurement techniques with regulatory governance, while activating the roles of external real estate appraisers to ensure the accuracy and reliability of accounting financial estimates and to mitigate managerial biases.

Keywords: IAS 40; Transparency; Financial Statements; Real Estate Investments.

1. Introduction

Investment properties are a part of the economy that affects how well companies do financially. These properties are usually the part of what these companies own. Because of changes in how accounting's done around the world people are starting to use fair value instead of how much things cost in the past. This is where IAS 40 comes in. It is a set of rules that helps people understand how investment properties are accounted for.

This makes sure that information about these properties is useful and reliable. It is not about following the rules it also affects the quality of information that is available to investors and financial experts. Investors and financial experts need to understand the performance of companies like this to make sound investment decisions, about these companies. The problem is that while people want transparency some people fear that companies will use value to present a better image of these companies than these companies actually are.

The goal is to show how accounting standards can help people trust companies and support the stock market. Investment properties and International Accounting Standard 40 are very important here. They help companies be open about their money situation. If companies follow all the rules, investment properties and International Accounting Standard 40 can give an idea of how well a company is doing with money. This is what investors need to make choices. Investment properties and International Accounting Standard 40 are really important, for this.

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2. Literature Review

2.1 *The Conceptual Framework of Real Estate Investments According to IAS 40*

IAS 40 is crucial for financial reporting because it outlines how to treat investment property. This means it specifies how to recognize, measure, and disclose such property, balancing relevance and reliability (Barlev & Haddad, 2003; McDonough et al., 2020). The people who made International Accounting Standard IAS 40 introduced it as part of a change in the IFRS framework. This change was about using the worth of things called fair value measurement for important items in financial reports. These items include assets and investment properties. The goal of this change was to give people who use reports a better idea of what these assets are worth now rather than just what they were worth, in the past. International Accounting Standard IAS 40 and the IFRS framework are trying to make financial reports more useful by showing the economic value of assets (Ghosh et al., 2020; Muller et al., 2011).

2.1.1 *Definition of Real Estate Investments and Their Distinction from Fixed Assets, Inventory, and Property Held for Sale*

International Accounting Standard 40 says that investment property is a property, which can be land or a building or part of a building that is held to get income or to increase its value over time or for both reasons. It is not for use in making goods or services or for work or for selling in the normal course of business. This definition makes it clear that the main difference is the reason why the property is being held not what it looks like or its official status (IAS 40). On the hand operating fixed assets are covered by International Accounting Standard 16. These are things like office buildings, factories and warehouses that are used directly for the activities of the company. They are usually valued at what they cost when they were bought. The amount they have lost in value over time. Sometimes their value can be changed if they are revalued (Danbolt & Rees, 2008). Investment properties and operating fixed assets are different from the properties that companies buy or build to sell. These are the properties that real estate development companies construct, like houses or office buildings to sell to buyers. The main goal for these properties is to sell them not to hold them for a time to get rental income or for them to increase in value. Investment properties are held for income or to increase in value and this is the main reason they are different, from other types of properties (Taplin et al., 2014).

Another type of property is the kind that people want to sell which is called property held for sale under IFRS 5. This happens when a company has a plan to get rid of the property quickly like within a year. The company has to be pretty sure it can sell the property in twelve months. When this happens, the company stops thinking about using the property and starts thinking about selling it. This changes how the company measures and presents the property. It is really important to know the difference, in cases where it is not clear what to do with the property held for sale (Müller et al., 2015):

- A building owned by the corporation, partially used as administrative offices and partly rented out to third parties under commercial leasing agreements.
- Land held by the corporation for future use in a real estate development project, but also it can be held to increase capital in the long term.

When we look at these situations the rules say that the part of the property that is leased out should be considered an investment property if we can measure it separately. The part that is used for running the business should follow the rules of IAS 16. If we cannot separate these parts in a reliable way then the whole property is classified based on what it is mostly used for or what makes the most economic sense, for the investment property.

People who study what others have written about accounting for investment properties say that how you classify these properties is really important. It is not about following the rules it is about how you will measure the value of these properties later on either by what they cost or by what they are worth now. This decision will affect how profitable the company seems to be and how it looks to people who buy and sell stocks (Quagli & Avallone, 2010; Taplin et al., 2014). Investors and financial analysts think it is very important to know the difference between assets that the company uses to run its business and assets that the company has to make money from investments. This helps them understand where the companys profits are coming from what kind of risks the company is taking and what kind of money the company will have in the future. Investment properties are a part of this because they can make a big difference, in how the companys investment assets look (So & Smith, 2009).

2.1.2 Conditions for Recognition, Derecognition, and Transfer Between Asset Categories According to IAS 40

IAS 40 applies the recognition criteria set out in the Conceptual Framework for Financial Reporting in general. It is consistent with the nature of investment property so that recognition needs that (Landsman, 2007; Hitz, 2007):

- It is probable that the entity will obtain future economic advantages from the real estate investment (such as rental flows or an increase in fair value).
- The cost of real estate investment or its fair value can be measured with a high degree of reliability.

Under these conditions recognition depends on the probability of advantages and on measurability, not on legal control over the property (Landsman, 2007; Hitz, 2007).

As for derecognition, real estate investment is removed from the books when (Ghosh et al., 2020):

- It is irrevocably disposed of or sold.
- When future economic benefits are not anticipated (e.g., demolition, damage, or a change in use that does not qualify as a real estate investment).

The profit or loss on derecognition is recognised in the profit or loss for the period and is the difference between the net proceeds and the carrying amount directly related to the measurement model used. In the case of fair value, the difference may be smaller if the carrying amount is close to the market value, while in the case of cost significant capital gains may appear if market prices rise (Ghosh et al., 2020).

This characteristic becomes even more important when considering transfers between asset classes; International Accounting Standard No. 40 specifies procedures for transfers to and from the investment property category, such as (Müller et al., 2015):

- An asset is transferred from the property, plant and equipment category to the investment property category when it is no longer used for operational reasons and is being held for investment purposes.
- The transition from inventory to investment property occurs when a company chooses to stop selling certain units and instead hold them for long-term rental.
- A substantial change in usage pattern results in the transfer of ownership of an investment property to real estate, manufacturing, equipment, inventory, or property held for sale.

Empirical studies show that the difference between including fair values directly in the balance sheet and merely disclosing them in the notes (explanations) has a significant impact on market behavior; Muller (2015) found that including the fair value of real estate investments in the balance sheet reduces information asymmetry compared to simple disclosure and improves the relevance of information to market returns. Furthermore, the work of Muller et al. (2011) on the European real estate sector shows that the mandatory application of fair value measurement was associated with a reduction in the information gap between management and investors, which underscores the importance of recognition and conversion decisions from a transparency perspective.

2.1.3 Initial Measurement of Investment Properties and Cost Components

IAS 40 stipulates that investment property shall be measured at cost at initial recognition, regardless of the model that the entity will subsequently adopt (cost model or fair value model). This cost includes (IAS 16, IAS 40):

- Purchase price of the property.
- Non-recoverable customs duties and taxes.
- Professional consultation fees (such as lawyer and appraiser fees).
- Registration and ownership transfer costs.
- Any other direct costs necessary to bring the property to its current condition and location for the intended investment use.

In contrast, the following costs are not considered part of the capitalized cost of the real estate investment (IAS 16/IAS 40):

- General administrative expenses.
- Initial operating losses before the asset reaches its intended use.
- Advertising, promotion, and marketing expenses.

This is because these items do not add direct future economic benefits to the asset, but are rather related to the overall activity of the entity or to subsequent stages of operation. In cases of acquisition of real estate investments through a business consolidation, the real estate investment on the date of acquisition is measured at fair value according to the business pooling standard, and this measurement is the starting point for subsequent measurement, whether the entity then chooses the cost model or the fair value model. Real estate investments may also be acquired through the exchange or self-creation of assets, in which case the standard directs the use of the fair value of the received or assigned asset (whichever is more reliable), taking into account the existence of a commercial substance to the transaction (IAS 16/IAS 40).

Empirical studies on the reliability of fair value estimates for real estate investments show that the quality of initial measurement and the market environment in which the valuation is conducted have a long-lasting impact on investors' confidence in the reported figures, as well as on the degree of reliance on these estimates in financial analysis. The more available and transparent the real estate market data, and the higher the professionalism and independence of the real estate appraisers, the more reliable the estimates, and the lower the margin of error in the differences between book values and subsequent market values (Dietrich et al., 2000; Vergauwe & Gaeremynck, 2019).

More research has found that using the fair value measurement approach is really helpful. This is because the fair value measurement approach is used in an organized way. It also provides a lot of details about the methods and assumptions that are used to figure out the value of things. The fair value measurement approach helps to make the connection between accounting information. What happens in the market stronger. It also helps investors understand the risks and potential returns that come with real estate assets. The fair value measurement approach is very useful, for real estate assets (So & Smith, 2009; Ghosh et al., 2020). Conversely, any weakness in initial measurement or ambiguity in disclosures may create opportunities for exploiting judgmental leeway in earnings management or misleading users, as warned by several researchers who examined fair value measurement from the perspective of governance function and potential misuse (Barlev & Haddad, 2003; McDonough et al., 2020).

2.2 Models for Measuring Real Estate Investments and Disclosure Requirements

IAS 40 standard includes two main options for measuring investment properties after initial recognition, namely the cost model and the fair value model, along with a set of disclosure requirements aimed at reducing information asymmetry and enhancing the quality of financial statements, particularly in light of the adoption of IFRS standards in many markets. Recent literature indicates that the choice of enterprises between these two models is not limited to technical accounting considerations, but is also related to the impact of measurement on earnings quality, information asymmetry, firm value, and stock liquidity in the market (Quagli & Avallone, 2010; Olante & Lassini, 2021; Sangchan et al., 2021).

2.2.1 Cost Model: Measurement Method After Initial Recognition and Accounting Implications

According to IAS 40, when an entity chooses the cost model for investment property, these investments are measured after initial recognition at cost less accumulated depreciation and any impairment losses, with continued application of depreciation and impairment rules similar to those outlined in IAS 16 for tangible fixed assets. This model is like a part of the old way of thinking about accounting, which is based on costs. The old way thinks it is very important to be able to verify and be objective when measuring things even if that means the information is not really useful in situations where the value of real estate assets is changing a lot. The traditional cost-based accounting philosophy is what this model is based on. It still thinks verifiability and objectivity are very important even when the market values of real estate assets are going up and, down a lot (Nordlund & Erik, 2003).

From a procedural standpoint, the entity assesses the useful life of the investment property and the relevant depreciation method (e.g., straight line) and regularly tests for impairment where there are indications that the carrying

amount may not be recovered. Impairment losses are recognized in profit or loss which ensures that assets are not exaggerated in the long term, but also maintains a certain degree of relative stability in earnings contrasted to the fair value model which exposes the income statement to market price changes in each quarter (Mubaideen et al., 2024). Some research indicates that firms might prefer the cost model to mitigate profit volatility, or during periods of stagnation or absence of reliable market data in real estate markets, which can make it more challenging to determine fair value and increase the potential for measurement error or manipulation (Olante, 2025; Fadairo et al., 2024). The adoption of the cost model may also be linked to contractual aspects. For example, loan agreements may be based on indicators based on stable profits and accounting capital, and the incorporation of changes in fair value might jeopardise the company's capacity to meet such agreements (Thesing & Velte, 2021).

2.2.2 Fair Value Model: Mechanism for Measuring and Recognizing Changes in Fair Value

The fair value model under IAS 40 stipulates that investment properties are measured at fair value at each reporting date, with the entire change in fair value recognized in profit or loss for the period. IFRS defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, relying on three measurement approaches: the market approach, the income approach, and the cost approach, depending on the availability of data and the characteristics of the asset (Quagli & Avallone, 2010; Nordlund & Erik, 2003).

This model is assumed to provide more relevant information to investors, as the carrying values are continuously updated to reflect current market values, which helps financial statement users assess the financial position and performance in light of up-to-date information on the entity's real estate wealth. Studies on the European and Australian real estate sectors show that reported changes in the fair value of investment properties possess additional explanatory power for market returns, meaning that the market responds to fair value information as carrying informative content relevant to company valuation (Sangchan et al., 2021; Olante & Lassini, 2021).

The fair value model is a problem because it is not always reliable and managers can influence the results. For example Dietrich and others found out in the year 2000 that the fairness of real estate investment values depends on how active the marketers how good and independent the people who estimate the values are. When it is hard to find out what is really going on and there is not information about the market people have to make guesses about the values, which is called using Level 3 inputs. This means that managers can affect the results to get what they want like making the company look good, to analysts or changing the earnings to what they want them to be. The fair value model is still a problem because of this (Bi et al., 2024).

The fair value measurement can cause changes in the earnings of companies, especially real estate companies. This is because the value of their assets can go up and down a lot. When this happens, it can be hard for investors to understand the results if the company does not give information. The fair value model is supposed to make financial statements clearer. It will only work if the company measures the values correctly and tells people how they did it. The company has to give a lot of details about how they decided on the values of their assets. This is important for the fair value model to be successful and help people understand the statements of the real estate companies. The fair value model and its success depend on the company providing a lot of information about the fair value measurement. The fair value measurement is very important, for real estate companies and their financial statements (Thesing, 2023; Mubaideen et al., 2024).

2.2.3 A Brief Comparison Between the Cost Model and the Fair Value Model in Terms of Reliability and Relevance

The cost model and the fair value model are two ways of thinking about things. The cost model is thought to be more trustworthy because it is based on what things cost in the past. We can check these costs. They are not based on guesses. This means there is chance of making a mistake or someone changing the numbers on purpose (Nordlund & Erik, 2003; Thesing & Velte, 2021).

On the hand the cost model may not be very helpful when it comes to knowing what is going on in the market right now. If the value of estate is changing fast the book value and the current market value can be very different. This makes it hard for investors to really know how much the company's real estate is worth and what kind of risks are involved with the estate. The cost model and the fair value model are still being discussed. The cost model is more about being reliable. The fair value model is more, about being relevant (Olante, 2025; Fadairo et al., 2024).

The fair value model aids in decision-making by determining asset values based on current market conditions. This makes it easier for investors and analysts to compare book values with market values and to understand the impact of property price changes on company performance (Quagli & Avallone, 2010; Sangchan et al., 2021). Numerous studies have examined the impact of implementing International Financial Reporting Standards (IFRS) on countries, concluding that using fair value measurements and disclosing this information helps reduce information gaps and enhances stock market liquidity, particularly within the context of existing corporate regulations (Abad et al., 2018; Garrouch & Omri, 2024; Kim et al., 2024).

On the hand studies, on companies adopting IFRS show that moving to a standard framework, which uses fair value more and provides better disclosure usually leads to less information asymmetry and better market quality, however these results mostly depend on the countrys institutions. How well it is governed. This means that choosing how to measure investment properties should consider the application environment, not just the method itself. (Chala et al., 2024; Z. & Ibrahim, 2024).

2.2.4 Key Disclosures Required for Real Estate Investments (Policies, Valuation Methods, Balance Movements, Risks)

IAS 40 with IFRS 13 has rules for what companies must tell us about investment property. This is done to make financial statements clearer and to make sure that the people in charge and the people who read these statements have the information. IAS 40 and IFRS 13 want to make sure that companies tell us some things, about investment property. These are the things that companies must tell us about investment property and the most important ones are:

1. Accounting Policies and Measurement Model

The company needs to tell us which method it uses to measure investment properties either the cost or the fair value. If the company changes this method it has to tell us about the change and how it affects the statements. The company also needs to explain why it made the change. We need to know the companys rules for deciding how long investment properties will last and how the company calculates depreciation when it uses the cost method. If the company uses the fair value method it needs to tell us how it decides what the fair value is. The company must explain its investment properties measurement method. This includes the cost method or the fair value method (Khelil & Khelif, 2024).

2. Evaluation Methods and Key Assumptions

The company needs to be upfront about how it measures the value of its investment properties. It has to say if it uses the cost or the fair value method. If the company changes its method it has to explain why it made the change and how it affects the statements (Sangchan et al., 2021; Vergauwe & Gaeremynck as cited in the literature).

3. Movement of balances during the period

The standard requires a table showing the balance of our investment properties at the beginning of the period. This table must include items such as additions, transfers to and from categories, changes in fair value, depreciation, impairment losses, disposals, and the balance at the end of the period. This helps people who read statements understand if the investment properties are really growing because of new investments or if it is just because of changes, in value or transfers of the investment properties (Fadairo et al., 2024).

4. Risks Associated with Real Estate Investments

Real estate assets are sensitive to market risks (price changes, interest rates), liquidity risks and credit risks related to tenants and financing. Disclosure of the nature of these risks and the level of exposure of the entity to these risks is considered a complementary part of a transparent picture of real estate investments. Research on IFRS adoption has shown that extensive risk disclosure, especially in combination with fair value measurement disclosure, helps to reduce information asymmetry and improve stock liquidity in the market especially when robust governance systems are in place (Abad et al., 2018; Garrouch & Omri, 2024; Kim et al., 2024).

2.3 Transparency of Financial Statements and Quality of Accounting Information

2.3.1 The Concept of Transparency in Financial Reporting and Its Relation to the Characteristics of Useful Information

Financial reporting transparency is generally defined as the extent to which financial statements are able to convey a clear, truthful, and timely picture of the financial position, performance, cash flows, and risks, thereby reducing the information gap between management and other market participants such as investors, creditors, and analysts. This concept is directly related to the characteristics of useful information as determined by the Conceptual Framework of International Financial Reporting Standards, primarily relevance and faithful representation, in addition to enhancing qualities such as understandability, comparability, and verifiability of information (Abad et al., 2018; Kim et al., 2024).

Therefore, the transparency of financial reporting can be considered the product of the integration of three main components: an accounting measurement system that adequately reflects the economic reality of the entity, a disclosure system that provides sufficient and clear information about policies and risks, and an institutional and regulatory environment that supports the proper application of standards and limits the scope of earnings management and information concealment (Z. & Ibrahim, 2024).

2.3.2 Dimensions of Financial Statement Transparency (Clarity, Sufficiency, Timeliness, Avoidance of Earnings Management)

Current studies address the transparency of financial statements via multiple interrelated factors that may be summarised as clarity, sufficiency, timely disclosure, and avoidance of earnings management.

1. Clearness is when accounting principles and disclosures are simple and make sense so people who are not experts can understand them. This is important for things like fair value assessment, which can be really complicated. When the information is presented in a way that is confusing or uses terms that are hard to understand it is not helpful even if the information is correct. The research shows that we need to have explanations that are easy to understand in addition, to the numbers so that people can really get what is going on with the accounting principles and disclosures (Khelil & Khelif, 2024).
2. Adequacy is about how the numbers and notes and also the risks and assumptions are shown in the financial statements. This is based on what Abad and others found out in 2018. When companies use International Financial Reporting Standards it helps people understand things better especially when it comes to figuring out the value of things and dealing with risks. It also helps when companies are clear about the assumptions they make when doing their accounting. All this helps reduce the gap in information, between people and makes it easier for them to make investment choices (Chala et al., 2024).
3. Transparency is really important because it needs to happen on time. If we get information late it is not useful even if it is correct and has all the details we need. To make things better we can make the time it takes to report things and tell people what is going on more often. This has been shown to make the information we get back more relevant. It helps the market in many ways like making it easier to buy and sell things and figuring out how risky something is, especially after the new rules from IFRS were put in place. Transparency and the new IFRS rules are key, to making this work (Kim et al., 2024).

Financial transparency is often measured by indirect indicators such as information asymmetry (using bid-ask spreads or implicit cost of capital models), earnings quality (continuity, predictability, and discretionary maturity), and the relevance of information to returns (value relevance). Studies in many markets indicate that adopting International Financial Reporting Standards (IFRS), particularly the expansion to include fair value measurement and disclosures, typically improves these indicators; however, the extent of the benefit depends on the strength of the institutional context and governance (Abad et al., 2018).

2.3.3 The Role of Accounting Disclosure of Real Estate Investments in Enhancing the Transparency of Financial Statements

Real estate investments are crucial to financial reporting, especially for real estate companies and real estate investment firms that manage substantial property assets. The way these assets are measured and the amount of information disclosed directly impacts the clarity and transparency of our financial statements. Therefore, we must be transparent about what we own. International Accounting Standard 40 (IAS 40), which aligns with the requirements of International Financial Reporting Standard 13 (IFRS 13), stipulates that simply measuring the value of these assets is insufficient for transparency. We must also provide information about our policies, how we value these assets, how the figures change over time, and the types of risks associated with real estate investments. This is the core of IAS 40 and IFRS 13, ensuring complete transparency regarding our real estate investments (Sangchan et al., 2021).

Some studies have found that when companies show the worth of their real estate investments on the balance sheet and explain how they came up with those numbers it helps management and investors be on the same page. This is better than putting the true worth of the investments in a footnote without including it in the main financial reports. Other research shows that when companies clearly tell people what their real estate investments are worth it makes the market more stable and easier to buy and sell stocks in the real estate market, which means people have an understanding of what is going on with real estate investments. This is what transparency, in real estate investments looks like (Abad et al., 2018).

As for the quality of accounting information, studies on the application of IAS 40 in different sectors conclude that fair value measurement and the use of related disclosure requirements contribute to improving the relevance of information for returns by increasing the explanatory power of fair value changes on market returns, provided that the estimates are reliable and supported by clear disclosures (Olanete & Lassini, 2021). Conversely, other studies show that weak or ambiguous disclosure about the evaluation methods and assumptions used can reduce the usefulness of fair value measurement, and may even turn it into a source of uncertainty if investors believe that management is exploiting the estimation margin to manage results (Thesing, 2023).

The importance of disclosing real estate investments also emerges in the context of earnings management; fair value provides management with considerable flexibility in estimating values, which opens the door to using it to realize unrealized gains or losses in certain periods in order to smooth fluctuations or achieve contractual objectives (Bi et al., 2024). However, the existence of detailed disclosure requirements, supported by strong governance and effective external auditing, can limit this behavior and make any bias in estimates more apparent to the market, thereby enhancing transparency rather than undermining it (Thesing & Velte, 2021).

Practically, evidence from countries that have adopted IFRS shows that companies providing more detailed and clear disclosures about their real estate investments—including disclosure of the sensitivity of fair values to changes in key assumptions, clarification of the role of external appraisers, and explanation of the relationship between these assets and the company's performance generally achieve lower levels of information asymmetry and benefit from lower capital costs and higher stock liquidity (Fadairo et al., 2024).

2.4 The impact of measuring investment properties according to IAS 40 on enhancing the transparency of financial statements.

2.4.1 The theoretical relationship between the choice of measurement model (fair value/cost) and the level of financial statement transparency

The choice of the measurement model for investment properties (cost or fair value) is considered an accounting decision with a direct impact on the transparency level of financial statements, as it determines the nature of the information that will be presented to users, its proximity to economic reality, and the extent of the management's discretion in estimation. Fair value measurement is really important because it shows the value of assets based on what is happening in the market. This is useful because it gives a picture of what things are worth now. On the hand cost measurement is more steady and people can rely on it. However, it may not always show the value of investment properties especially when the market is changing a lot. Fair value measurement is relevant because it takes into account the market conditions and updates the asset values accordingly. This is particularly important for investment

properties, in markets where fair value measurement can provide a more accurate picture of their value (Quagli & Avallone, 2010).

People who study IFRS adoption found out that making financial reports clearer and reducing the difference in information between people were the reasons for introducing fair value measurement. This includes investment properties that follow IAS 40 rules. Many studies have shown that using IFRS is linked to difference in information better stock liquidity and higher quality accounting information on average. These results are different depending on how strong the rules and management are in a place. IFRS adoption is really important because it helps with transparency of reporting and reducing information asymmetry. The main drivers behind IFRS adoption, such as enhancing transparency and reducing information asymmetry are still the focus of studies (Z. & Ibrahim, 2024).

Real estate investment is a field of study. Companies that own a lot of estate usually pick a measurement model that fits their plan for dealing with investors and lenders. Some companies like to use value to show the market value of their assets and be more open about their performance. This is especially true when the market is very active. On the hand some companies prefer to use cost because they do not want their earnings to go up and down a lot. They also want to protect numbers that are important for their business, such as how solvent they are and how much debt they have. Real estate investment companies have to make these choices. Real estate investment is a field and companies have to think about what is best, for their real estate holdings (Olante & Lassini, 2021).

Other studies connect the choice of measurement model to the issue of information asymmetry. Olante (2025) shows that companies with levels of information asymmetry, measured by things like the market-to-book ratio tend to avoid fair value measurement. They might be afraid that changes in value will be seen as a sign of risks or aggressive earnings management.

On the hand research, in other areas finds that fair value measurement can help reduce information asymmetry. This is when companies provide disclosures. Fair value measurement gives information on the value and risks of real estate investments. This matches the goals of IFRS, which aims to increase transparency (Kim et al., 2024).

2.4.2 The Impact of Fair Value Measurement on the Clarity of Information and the Stability of Financial Results

In theory, valuing real estate assets at value should clarify their economic worth. Clarity may help decision-makers utilize financial statements. When the book values of real estate investments get closer to their market values investors can make choices. They rely on market values to set prices so having book values that match market values is helpful. Real estate investments measured at value can provide a more accurate picture. This can lead to informed decisions about real estate investments. Investors use market values for pricing and fair value measurements can help. Book values closer, to market values increase the relevance of statements (Nordlund & Erik, 2003). Empirical evidence in real estate markets supports this assertion; Sangchan et al. (2021) found that announced changes in the fair value of real estate investments in Australia carry additional explanatory power for market returns, with investors responding to fair value information as a fundamental indicator of the performance of real estate companies and the level of risk they face.

Other studies in Europe have also found that the use of the fair value model under IAS 40 is associated with improvements in reporting quality indicators; Fadairo et al. (2024) demonstrated that fair value measurement of investment properties has a positive and significant effect on the reliability and comparability of financial statements in a sample of Nigerian companies, compared to the cost model, which showed no significant effect on these indicators. Similarly, R (2025) indicates that fair value measurement can enhance financial performance as measured by indicators such as return on investment and operating profits, reflecting the ability of this model to show increases in asset values in the financial statements and to enhance the company's image in the eyes of investors.

These advantages are countered by challenges related to the stability of financial results and the quality of earnings; evidence from global real estate companies shows that adopting fair value measurement is associated with increased volatility in earnings and performance indicators, due to the inclusion of fair value differences in profit or loss in each period (Thesing, 2023). This volatility, in the absence of disclosures clarifying whether it represents genuine changes in occupancy rates and returns or merely short-term fluctuations in the real estate market or changes in valuation assumptions, could raise concerns among investors and creditors (Mubaideen et al., 2024).

2.4.3 Determinants and Possibilities of Applying Measurement According to IAS 40 in the Study Environment (Active Markets, Valuers, Regulatory Framework, and Governance)

The impact of measurement under International Accounting Standard No. 40 on the transparency of financial statements cannot be assessed in isolation; the characteristics of the real estate market, the valuation structure, and the regulatory and governance framework are key factors in the realism and transparency of reported values for investment properties.

1. **Nature of Real Estate Markets:** To figure out the value of something we need to have a lot of clear and easy to understand information about what properties are selling for and what is happening with sales and leases. We can usually get this information in places where a lot of things are being bought and sold. Where people are open about what is going on. There are also a lot of experts and good tools to help us in these places. It is much harder to get this information in places where not much is happening or where things are not well organized. Some studies in Europe have shown that companies that work in real estate markets where things're clear and easy to understand tend to use the real value method because they can point to what is happening in the market to back up their numbers. On the hand companies that work in places where things are not so clear tend to use the cost method because they do not want people to question how they came up with their numbers and this is especially true for real estate markets. The real estate markets are important here because the values in real estate markets can be hard to determine and companies, in real estate markets need to be careful when choosing a method (Quagli & Avallone, 2010).
2. **Independence and Efficiency of Real Estate Appraisers:** The fair value measurement is significantly influenced by the experience and impartiality of the appraisers, particularly when the input is Level 3 and is based on the predictions of future cash flows and discount rates. Literature reviews highlight that the existence of a mature market for real estate appraisal services, with acknowledged professional expertise and standardized valuation guidelines, contributes to enhancing the quality of fair value measurement, while inadequacies in these components increase the likelihood of bias and error. Where there is no qualified appraiser, or where there is an over-reliance on internal valuations, a fair value model is difficult to adopt and regulatory and professional bodies must invest in developing appraisal capabilities and the supporting institutional infrastructure (Dietrich et al., 2000).
3. **Regulatory Framework and Governance:** The rules that companies have to follow and the way businesses are run have an impact on how clear financial reports are and if people have equal access to information. Some researchers like Abad and others in 2018 Garrouch and Omri in 2024 and Kim and others in 2024 found out that using International Financial Reporting Standards or IFRS for short helps reduce the problem of some people having information than others and makes it easier to buy and sell stocks. This only works well if companies have good governance systems in place. IFRS is important for reporting transparency and information asymmetry. When it comes to investing in estate IFRS plays a crucial role in financial reporting transparency and information asymmetry. The people who make laws and the agencies that regulate businesses need to make sure that companies follow the rules the ones, about real estate investments and that they give out detailed information to the public. They also need to make sure that outside auditors check the values of properties to make sure everything is fair and transparent which will help with reporting transparency and reduce information asymmetry related to IFRS.

3. Methodology

3.1 Research Problem

The research problem lies in the variation in the extent of applying the requirements of International Standard IAS 40 regarding the recognition, measurement, and disclosure of investment properties, and whether this application genuinely contributes to enhancing the transparency of financial statements or not. The problem also arises from the fact that fair value measurement may increase the relevance of information, while at the same time it may raise questions about reliability if it is not accompanied by sufficient disclosure and effective governance practices.

3.2 Research Objectives

The research aims to demonstrate the feasibility of measuring investment properties according to the requirements of IAS 40 and to show its impact on enhancing the transparency of financial statements. It also seeks to clarify the recognition, measurement, and disclosure requirements related to investment properties and to indicate the impact of each on the quality of accounting information and on reducing information asymmetry between management and users of financial statements.

3.3 Importance of the Research

The importance of the research stems from its focus on an applied accounting topic that has a direct impact on the presentation of the financial position and performance measurement, particularly in companies that hold real estate investments of substantial value. Its significance is further heightened because it links IAS 40 with the transparency of financial reporting, a matter that is important for investors, regulatory authorities, and external auditors.

3.4 Research Hypothesis

There are a statistically significant relationship and effect between the application of IAS 40 requirements in the recognition, measurement, and disclosure of investment property and the enhancement of financial statement transparency, which branches into the following sub-hypotheses:

H1: There is a statistically significant effect at the 0.05 significance level of the recognition requirements of investment property in enhancing the transparency of financial statements.

H2: There is a statistically significant effect at the 0.05 significance level of the measurement requirements of investment property in enhancing the transparency of financial statements.

H3: There is a statistically significant effect at the 0.05 significance level of the disclosure requirements of investment property in enhancing the transparency of financial statements.

3.5 Research Method and Approach

The research relied on the descriptive-analytical method, with the use of the quantitative approach in analyzing the questionnaire data. The study was based on the five-point Likert scale, and the data were analyzed using arithmetic means, standard deviation, and the relative importance index, in addition to tests of reliability and validity, simple correlation, and multiple linear regression.

4. Results and Discussion

4.1 Statistical Equations for Analysis

This study adopts a quantitative analytical approach to explore the reality of measurement, recognition, and disclosure practices related to investment properties in accordance with IAS 40, and the extent to which they reflect on the quality and transparency of information disclosed in financial statements. To achieve the highest levels of academic objectivity and avoid any unwarranted biases, an integrated set of indicators, mathematical, and statistical equations based on the five-point Likert scale was used to characterize the responses of the study sample of 50 individuals, including experts, professionals, and investors. These mathematical equations are as follows:

1. The weighted arithmetic mean, which determines the central pivot point of professional opinions on the five-point Likert scale (Strongly Agree = 5, Agree = 4, Neutral = 3, Disagree = 2, Strongly Disagree = 1), and its mathematical formula is as follows:

$$\mu = \frac{\sum_{i=1}^k w_i f_i}{N}$$

2. The standard deviation (SD), which is the statistical tool used to assess the extent of dispersion of opinions regarding each of the presented items, and its formula is:

$$SD = \sqrt{\frac{\sum_{j=1}^N (X_j - \bar{X})^2}{N - 1}}$$

3. The Relative Importance Index (RII), which is a common index with a range from zero to one, is the most dependable instrument for rating the objects based on their perceived value by the sample, and it is computed according to the following equation:

$$RII = \frac{\sum(W \cdot X)}{A \cdot N}$$

Section One: Demographic and Professional Profiles of the Study Sample

This section provides a comprehensive analysis of the general characteristics of the study's (50) respondents. It covers four main variables: gender, age, job title (professional background), and economic sector. This analysis ensures sample diversity and confirms its suitability for achieving the research objectives.

1. Demographic Distribution (Gender and Age)

Statistical results show a reasonable balance in gender distribution, aligning with the nature of the target groups in the business and finance sectors. Males represented the majority with 32 respondents (64%), while females accounted for 18 respondents (36%) of the total sample.

Regarding the age variable, participants ranged from 30 to over 50 years old. This distribution reflects maturity and substantial practical experience among the respondents. Such a mature age bracket enhances the reliability of the survey data, as these individuals are well-equipped to evaluate the study's dimensions objectively.

2. Professional and Sectoral Distribution

The study sample was carefully selected to include three core groups directly linked to the research topic. The distribution by job title is as follows:

- Experts: Formed the largest group with 31 respondents (62%).
- Professionals: Totaled 13 respondents (26%).
- Investors: Totaled 8 respondents (12%).

This professional diversity integrates academic/consulting insights (experts) with field application (professionals) and direct market perspectives (investors).

In terms of the economic sectors the respondents belong to, the data shows clear diversity across several vital industries. The investment sector ranked first, followed by the remaining sectors, as shown in Table (1) below:

Table 1. Distribution of Economic Sector

Economic Sector	Frequency (N)	Percentage (%)
Investment Sector	31	62%
Financial Sector	10	20%
Banking Sector	5	10%
Tourism Sector	3	6%
Insurance Sector	1	2%
Total	50	100%

Source: Author compilation

Section Two: Investment Properties According to IAS 40 Requirements

This section is based on an evaluation of three important accounting and technical areas. Each area looks at one part of the accounting rules set out in International Accounting Standard No. 40. We start with what decides if something is recognized at the beginning and go all the way to how it's measured later on and the extra rules for sharing information. The accounting treatment in International Accounting Standard No. 40 Is what we are focusing on. We look at International Accounting Standard No. 40 And how it deals with the accounting treatment. International Accounting Standard No. 40 Has rules, for the accounting treatment. We evaluate these rules.

Dimension One: Recognition Requirements for Investment Properties According to IAS 40 This part is about finding the things that help a company decide if a property is an investment. The company needs to know if the property will give them money and increase in value over time. They want to see if it is an investment for their business. The company looks at what they can get from the investment property. If it will make them more money in the future. Investment property is very important, for the company's statements.

Table 2. Recognition requirements for investment property according to IAS 40

S.	Recognition requirements for investment property according to IAS 40	Mean	Standard Deviation	RII	general direction of respondents
1	An asset is recognized as an investment property when it is expected to generate future economic benefits for the economic entity	4.04	1.1945	0.8080	Strongly Agree (Very High)
2	The ability to reliably measure the cost of the asset is a fundamental condition for recognizing it as an investment property	4.04	1.3547	0.8080	Strongly Agree (Very High)
3	The cost of investment property at initial recognition includes the purchase price and direct expenses related to its acquisition	3.62	1.3686	0.7240	Agree (Medium-High)
4	Changes in the fair value of investment property are recognized in the items of the income statement	3.70	1.5017	0.7400	Agree (Medium-High)
5	An economic entity that chooses the fair value model for recognition is required to apply it to all of its investment properties	3.98	1.4637	0.7960	Agree (Medium-High)
6	Gains or losses resulting from changes in the fair value of investment property are included in the net profit or loss for the financial period in which they arise	3.88	1.1364	0.7760	Agree (Medium-High)
7	The fair value of investment property reflects the actual market conditions prevailing at the date of preparing the statement of financial position	3.98	1.2036	0.7960	Agree (Medium-High)
8	An economic entity that has adopted the fair value model continues to apply it to the investment property until it is derecognized	4.72	0.6074	0.9440	Strongly Agree (Very High)

9	Additions related to investment properties contribute to enhancing the financial performance efficiency of the economic unit	4.32	0.9134	0.8640	Strongly Agree (Very High)
10	Investment properties resulting from merger operations contribute to achieving better operational efficiency	4.46	0.9941	0.8920	Strongly Agree (Very High)

Source: Author compilation

The descriptive analysis of the recognition requirements presented in the table above reveals a high level in accounting. Most people agree on what's important. The eighth point is very important to people with a score of 0.9440 and an average of 4.72 and a low and distinctive standard deviation of 0.6074. This means that people think it is very important to be consistent when we make accounting decisions. If a company chooses to use a way of accounting it should stick to it. This helps prevent people from manipulating the numbers and switching between accounting methods for no good reason.

The tenth point is also important with a score of 0.8920 and an average of 4.46. This point is about what happens when companies merge and have investment properties. Individuals think that merging companies can help them work better and make money by combining their real estate assets.

The first and second points are, about how we decide if something is an asset or not. These points got a score of 4.04 and a importance score of 0.8080. This means that individuals think it is important to recognize assets that will give us money in the future and that we can measure correctly. This helps prevent assets from being recognized and makes sure that our accounting system is honest and reliable.

Dimension Two: Measurement Requirements for Investment Property According to IAS 40

This dimension tackles practical and technical criteria for determination of accounting and book value of investment real estate and modifications involved in the shift from conventional historical cost model to the current fair value model.

Table 3. Recognition requirements for investment property according to IAS 40

S.	Recognition requirements for investment property according to IAS 40	Mean	Standard Deviation	RII	general direction of respondents
1	Real estate investment is measured at cost at initial recognition	3.68	1.5043	0.7360	Agree (Medium-High)
2	The economic entity primarily relies on the fair value to measure investment property after initial recognition	4.26	1.2423	0.8520	Strongly Agree (Very High)
3	The fair value of the investment property is determined without deducting selling costs or potential exclusions	3.90	1.5017	0.7800	Agree (Medium-High)
4	The fair value of the investment property does not rely on past or future market conditions, but on the conditions existing at the measurement date	4.02	1.2696	0.8040	Strongly Agree (Very High)
5	Current prices in an active market for properties similar in location, condition, and	4.30	1.1650	0.8600	Strongly Agree (Very High)

	lease terms are considered the best evidence for determining fair value				
6	In the absence of an active market, the economic unit relies on alternative sources to estimate the fair value of the investment property	4.08	1.4119	0.8160	Strongly Agree (Very High)
7	The economic unit considers the current prices of properties that differ in nature, condition, or location when estimating the fair value	3.82	1.2567	0.7640	Agree (Medium-High)
8	The economic unit relies on recent prices in less active markets, making the necessary adjustments that reflect changes in economic conditions	4.28	1.0110	0.8560	Strongly Agree (Very High)
9	Discounted cash flow estimates supported by current lease agreements and other contracts are used in determining the fair value of the investment property	3.76	1.3180	0.7520	Strongly Agree (Very High)
10	The economic entity may face difficulty in reliably and consistently determining the fair value of the investment property upon its initial acquisition	4.68	0.6833	0.9360	Strongly Agree (Very High)

Source: Author compilation

The results of the table for measuring investment properties show a depth of field perception within the study sample regarding the measurement problems, as paragraph ten, which emphasises the likelihood of economic units facing serious problems in the matter of determining the fair value at initial acquisition in a reliable and consistent manner, had the highest arithmetic mean in the dimension, reaching 4.68, with a consistent and remarkable standard deviation of 0.6833, reflected in a very hi Statistically and technically this is typical for developing markets or economies that do not have an organized infrastructure for selling real estate, such that calculation of fair value is a difficult procedure, emphasizing judgement and human bias.

On the other hand, the results show a high agreement with the requirements of the standard for evaluation mechanisms in the absence of active markets where the paragraph five (current prices in the active market as the best evidence) and paragraph eight (reliance on less active markets with necessary adjustments) received relative importance levels of 0.8600 and 0.8560 respectively. These indicators suggest that the sample supports the contemporary approach of the standard allowing to utilise alternative estimates and discounted cash flows as systematic solutions to overcome the inertia of past cost that hides the economic value provided by real estate assets over time.

Dimension Three: Disclosure Requirements for Investment Property According to IAS 40

The third dimension is about looking at the quality of information that is given in the notes. This information is important because it helps people who have a stake in the company to figure out how the financial situation is affected and how the value of investment properties is changing over time. The third dimension really looks at how the information in the supplementary notes helps stakeholders understand the financial impacts and the changes, in the valuation of investment properties.

Table 4. Disclosure Requirements for Investment Property According to IAS 40

S.	Disclosure Requirements for Investment Property According to IAS 40	Mean	Standard Deviation	RII	general direction of respondents
1	The economic entity discloses the measurement model used in accounting for investment properties, whether it is the cost model or the fair value model	4.18	1.1008	0.8360	Strongly Agree (Very High)
2	The economic entity discloses rental income related to recognized investment properties	3.82	1.4941	0.7640	Agree (Medium-High)
3	The economic entity discloses rental expenses related to recognized investment properties	4.22	1.0359	0.8440	Strongly Agree (Very High)
4	The economic entity discloses the total accumulated changes resulting from the application of the fair value model to investment properties	4.00	1.2936	0.8000	Strongly Agree (Very High)
5	Additions resulting from business combination processes affect the income statement of investment properties	3.90	1.4463	0.7800	Agree (Medium-High)
6	The economic entity discloses within the items of other comprehensive income the effects of investment assets classified as held for sale or held for disposal	4.10	1.2330	0.8200	Strongly Agree (Very High)
7	The economic entity presents the net gains and losses arising from fair value adjustments of investment properties	3.62	1.5372	0.7240	Agree (Medium-High)
8	Gains or losses resulting from the revaluation of investment property affect the income statement for the financial period	3.96	1.0872	0.7920	Agree (Medium-High)
9	The adjustment of the investment property's valuation, which has been obtained substantially, is reflected in the results of the economic unit's operations	3.84	1.5167	0.7680	Agree (Medium-High)
10	Disclosing investment properties according to the fair value model contributes to enhancing the transparency of accounting information presented in the financial statements	4.44	0.8609	0.8880	Strongly Agree (Very High)

Source: Author compilation

The findings of the third dimension showed the respondents' total faith on the relevance of disclosure obligations under IAS 40 as an effective way to foster transparency. The preference introduction was ranked highest by paragraph ten, with an arithmetic mean of 4.44, a significant standard deviation of 0.8609, and a high relative importance of 0.8880, which conclusively proves that the disclosure of fair value and its technical and financial determinants is the

cornerstone in building investor confidence and reducing the uniformity of accounting information within financial markets.

Likewise, paragraph three which emphasises the disclosure of lease expenses has obtained high approval (mean 4.22, relative importance 0.8440). Followed by paragraph one requiring the disclosure of the adopted model for subsequent measurement with a mean of 4.18 and relative importance of 0.8360. These readings show that the field sample is aware that the quality of financial reporting is not only a matter of presentation of the value of real estate assets in the core of the statement of financial position but also a matter of detailed presentation of income and related expenses so that stakeholders can analyse the efficiency of management's investment decisions.

Section Three: Enhancing the Transparency of Financial Reporting from the Investors' Perspective
This section is about what investors want to know so they can see everything clearly. It looks at how using the rules of IAS 40 for recognizing, measuring and sharing information can help fill in the gaps in our understanding of the economy. IAS 40 is important, for investors because it helps them understand things better. The rules of IAS 40 can help make things more transparent. Investors like transparency because it helps them make decisions. IAS 40 is a part of making the economy more transparent.

Table 5. Recognition requirements for investment property according to IAS 40

S.	Recognition requirements for investment property according to IAS 40	Mean	Standard Deviation	RII	Item-Total Correlation Coefficient
1	To achieve transparency in financial reporting, the economic unit is required to provide a full disclosure of the accounting principles and estimates applied in carrying out its accounting operations	4.78	0.65	95.60%	0.582
2	The economic unit works to strike a balance between transparency in presenting financial reports and all matters related to invested properties, and the confidentiality necessary for this information	4.52	0.79	90.40%	0.614
3	The economic unit is required to inform investors in detail about the owned investment assets and the nature of their activity, whether they serve operational or financing activities	4.44	1.11	88.80%	0.603
4	Achieving financial transparency requires informing users, especially investors, about the effectiveness and efficiency of the economic unit's accounting systems, financial performance, internal control systems, and the mechanisms they rely on	4.38	0.88	87.60%	0.620
5	The activation of financial transparency in any economic unit is based on providing the maximum possible accessibility to the unit's activities and operations, particularly the investment-related ones	4.38	1.16	87.60%	0.591
6	The economic unit enhances users' trust by improving transparency in meeting the	4.22	1.20	84.40%	0.567

	requirements for presentation and disclosure within financial reports				
7	It is necessary for the economic unit to disclose accounting policies and the procedures followed in a fair and honest manner to achieve transparency in financial information	4.14	1.13	82.80%	0.579
8	The application of IAS 40 provides ease of access to information on investment properties, contributing to increased satisfaction and effectiveness of internal and external investors and assisting them in making appropriate decisions	4.02	1.30	80.40%	0.548
9	The economic entity, when providing information to investors, relies on modern presentation methods in order to achieve a high level of transparency, making it suitable for them when making appropriate decisions	3.96	1.34	79.20%	0.495
10	Applying the requirements of IAS 40 in recognition, measurement, and disclosure of investment properties leads to enhancing and improving the transparency of financial reporting through the availability of qualitative characteristics in the information presented in those reports	3.94	1.46	78.80%	0.533
11	To achieve transparency requirements, it is stipulated that the economic entity, when applying IAS 40, must disclose the model of recognition for investment properties, whether the cost model or the fair value model, along with disclosing the prior and subsequent effects resulting from adopting either model	3.90	1.23	78.00%	0.524
12	Financial transparency is achieved through sufficient disclosure of all matters related to investment properties, including both financial and non-financial information, in order to provide users with a full understanding of all presented information	3.90	1.28	78.00%	0.518
13	The economic unit, in compliance with the principles of transparency, must shift from voluntary disclosure to mandatory disclosure regarding forms of real estate investment in buildings, land, and properties that are being developed and invested in the future	3.90	1.43	78.00%	0.473
14	The economic unit is required to disclose all changes related to the reclassification of investments, as well as the conversion of property from operational to investment assets or the exclusion of any property, along with	3.86	1.41	77.20%	0.501

	disclosure of every event resulting from such conversion or exclusion				
15	The economic unit must provide information on the details of properties, including their types, values, joint transactions with other economic units, and all investment agreements concluded with external investors at the appropriate and necessary time, ensuring that this information is accurate and comprehensively clear	3.84	1.52	76.80%	0.439
16	The economic unit must prepare a complete and comprehensive guide on invested properties or partnerships in investment properties with other entities, including full details regarding the recognition and measurement of these properties, ensuring that it is presented, accessible, and available to all users to reduce corruption and manipulation	3.72	1.37	74.40%	0.487
17	The economic entity recognizes the effects resulting from price fluctuations affecting invested properties with full reliability and impartiality; that is, it recognizes gains when there is an upward price trend and losses when the price trend is downward	3.70	1.43	74.00%	0.462
18	The economic entity must provide reliable information on the fair values of investment properties at the end of the period, meaning that this information should always be readily available, whether or not these properties are available for trading, without an offering consideration	3.46	1.49	69.20%	0.398
19	To enhance transparency requirements, the economic entity, when following the cost model, must disclose additions resulting from the acquisition of investment properties and subsequent expenditures that have been recognized as an asset, in addition to the useful life of the asset	3.42	1.46	68.40%	0.385
20	The economic entity must determine the carrying amount of the investment property when applying the fair value model through a combined valuation, which includes the value of the property plus the value of its related assets and liabilities, rather than separately, thereby enhancing the credibility of the valuation	3.38	1.29	67.60%	0.412

Source: Author compilation

The analytical review of Table 4 indicates substantial and essential wishes from the standpoint of the investor category to increase corporate accounting transparency. The first item was the most ranked with a relative value of 95.60% which is an excellent arithmetic mean of 4.78 and a consistent standard deviation of 0.65. This clearly shows that the “full disclosure of the principles, estimates and accounting policies followed” is the basic beginning point to construct and establish transparency in the financial reporting for investors.

The second item (mean = 4.52; relative importance = 90.40%) shows the awareness of the need to balance the transparency requirements in the presentation of information related to investment holdings and the need to maintain the confidentiality of strategic information in order to ensure the strength and competitiveness of economic units.

Paragraphs on the need to change from voluntary to mandatory disclosure (paragraph 13) and to give a single, comprehensive guide to reduce manipulation and financial corruption (paragraph 16) were strongly supported and approved, with statistically significant correlation coefficients in total. This understanding forms the basis for the academic conclusion that investors are trying to reduce the trust gap by tightening the disclosure rules and requirements for the assessment mechanisms of investment properties, which will improve the efficiency of operational performance and attract foreign and domestic funding flows.

4.2 Statistical Tests

4.2.1 Reliability and Validity Test

The questionnaires scientific coherence and its appropriateness for generalization and informed decision making were checked by tests, for reliability, internal consistency and construct validity. It was used Cronbach's coefficient as the main tool to assess how consistent the items were, this was done using the following equation:

$$\alpha = \frac{K}{K - 1} \left(1 - \frac{\sum_{i=1}^K \sigma_{Y_i}^2}{\sigma_X^2} \right)$$

Table 6. Reliability and Validity

Accounting Dimension	Number of paragraphs	Value of Cronbach's Alpha Coefficient	Level of internal stability and consistency	Self-consistency coefficient	Significance of Truthfulness
Requirements for Recognition of Investment Property	10	0.842	Very high and very good stability	0.918	Excellent and highly accurate truth
Requirements for Measurement of Investment Property	10	0.815	High and scientifically acceptable stability	0.903	Excellent and highly accurate truth
Requirements for Disclosure of Investment Property	10	0.838	Very high and very good stability	0.915	Excellent and highly accurate truth
The Overall Measurement of the Instrument as a Whole	30	0.908	Excellent and superior quality stability	0.953	Structurally complete and ultra-accurate truth

Source: Author compilation

The outputs of the validity and reliability analysis demonstrate excellent levels that enhance the scientific value of the data; the Cronbach's alpha coefficient for the overall scale of the tool reached 0.908, with an extremely precise self-validity coefficient of 0.953.

The standard has three parts: recognition, measurement and disclosure. These parts are very reliable. The numbers show that they are consistent. The numbers are between 0.815 and 0.842 which's very good. Accompanied by self-validity coefficients exceeding the 90% threshold. This means that the questions in the standard are consistent and people understand them in the way. The standard is good for testing ideas. Can be used in many situations. The recognition part of the standard is reliable. The measurement part of the standard is also reliable. The disclosure part of the standard is reliable too. This is important because it means that the standard can be used to make decisions with a degree of credibility. The standard is valid, for recognition and measurement and disclosure.

4.2.2 Simple Correlation Analysis

A simple Pearson correlation analysis was conducted to assess the nature, strength, and direction of the bivariate relationships between the independent variables of the IAS 40 standard, which are: recognition requirements (X1), measurement requirements (X2), disclosure requirements (X3), and the dependent variable represented by financial reporting transparency (Y) for the study sample of 50 units. The Pearson correlation coefficient is calculated according to the following mathematical formula:

$$r = \frac{N \sum XY - (\sum X)(\sum Y)}{\sqrt{[N \sum X^2 - (\sum X)^2]}}$$

Where N represents the sample size (50), X represents the values of the independent variable, and Y represents the values of the dependent variable.

Table 7. Simple Pearson correlation

Variables	Recognition requirements X1	Measurement requirements X2	Disclosure requirements X3	Financial reporting transparency Y
Recognition requirements	1.000			
Measurement requirements	0.524**	1.000		
Disclosure requirements	0.485**	0.562**	1.000	1.000
Financial reporting transparency	**0.685	**0.712	**0.748	

Source: Author compilation

The Pearson correlation matrix presented above confirms the existence of very strong and highly positive direct relationships, with a highly significant statistical relevance at the level ($p < 0.01$) between the three dimensions of the criterion and the variable of financial reporting transparency. Disclosure requirements (X3) achieved the most influential value and the highest correlation with transparency, with a coefficient of 0.748, followed by measurement requirements (X2) with a correlation value of 0.712, and then recognition requirements (X1) with a value of 0.685.

These findings show that the information in published statements is clear and reliable when companies use complete disclosure mechanisms and check the value of real estate assets fairly. The results also show that the different parts of the information are not closely related, which is good because it means the study is strong and stable. The numbers that show how closely related these parts are between 0.485 and 0.562 which is a range. This makes the financial

statements and the information, in them more trustworthy. The financial statements are clearer and more reliable because of these disclosure mechanisms and the checking of real estate assets.

4.2.3 Multiple Linear Regression Analysis

This analysis is looking at how the rules, for investment properties, which are set by IAS 40 can explain things. We want to see how much of a difference these rules make and how they affect the clarity of company's financial reports. The math problem we are trying to solve is set up like this:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where Y is the reporting transparency, β_0 is a constant. The β are coefficients, for recognition X1, measurement X2 and disclosure X3. while e represents the random error term.

4.2.3.1 Model Summary

This table provides the overall indicators of the efficiency and suitability of model fitting and predicting the dependent variable.

Table 8. Model Summary

Model	R	R ²	Adjusted R ²	Standard error of the estimate
1	0.835	0.697	0.677	0.284

Source: Author compilation

The value of the multiple correlation coefficient was 0.835, which means that there is a high correlation and a very good coherence between all the explanatory factors and the dependent variable. It can be seen from the indicators of fit. The coefficient of determination (R²) was 0.697, which means scientifically that the linear model explains 69.7% of the total variance in the levels of financial reporting transparency of the companies in the study sample. The remaining 30.3% is attributable to additional random variables and factors beyond the scope of this accounting research.

The adjusted coefficient of determination is 0.677. This number shows that the estimated model is really good and it works well for prediction. The model is good when we look at the differences in the actual sample size of the model. The adjusted coefficient of determination confirms that the estimated model is accurate and it is strong. The estimated model is suitable, for prediction because of its accuracy and robustness.

4.2.3.2 ANOVA

The overall analysis of variance (F-Test) allows us to test for the null hypothesis that the independent variables do not have a real and significant effect on financial transparency.

Table 9. ANOVA

Source of variance	Sum of Squares (SS)	df	Mean of Squares (MS)	F calculated	Sig.
Regression	17.280	3	5.760	35.337	0.000
Residual	7.510	46	0.163		
Total	24.790	49			

Source: Author compilation

The output of the ANOVA analysis gives decisive statistical evidence to reject H₀ and accept H₁, where the calculated F =35.337 is fully significant at a level (p = 0.000), a value far below the significance level adopted in social and accounting sciences (p = 0.05). That confirms, both scientifically and methodologically, that the multiple linear

regression model as a whole is statistically appropriate and completely appropriate in predicting the financial transparency variable with its contribution to constructing an interactive combination of all dimensions (recognition, measurement and observation) of the standard that together form an effective interlocking system for improving companies' levels of financial presentation and reporting.

4.2.3.3 Estimation of regression coefficients

This part entails the separate assessments of beta coefficients and the significance of each independent variable through the t-test, along with indicators to test for multicollinearity such as the tolerance and VIF to confirm the soundness of the parameters.

Table 10. regression coefficients

Independent variables	Non-standard Transactions (B)	The standard error of estimates	Standardized Coefficients (β)	t calculated	Sig.	Tolerance	VIF
Constant	0.850	0.350	-	2.429	0.019	-	-
Recognition Requirements (X1)	0.264	0.102	0.252	2.588	0.013	0.685	1.460
Measurement Requirements (X2)	0.298	0.095	0.315	3.137	0.003	0.589	1.698
Disclosure Requirements (X3)	0.382	0.098	0.402	3.898	0.000	0.612	1.634

Source: Author compilation

Based on the detailed results of the coefficient estimation table, the estimated linear regression equation for financial reporting transparency can be formulated as follows:

$$Y = 0.850 + 0.264X_1 + 0.298X_2 + 0.382X_3$$

The examination of the model's transactions reveals the following:

Disclosure requirements (X3) had the largest impact and the biggest significance in our estimated accounting model with a standardized beta value of 0.402 and a calculated t-value of 3.898, fully statistically significant at the level of $p = 0.000$. These results indicate that by increasing the efficiency and detail of disclosures regarding investment properties by one standard deviation, the transparency and credibility of financial reporting is automatically increased by 0.402 standard deviations. These results show that the accounting concept that disclosure is the ultimate translation of silent numbers to be extremely useful and predictive for investors. In second place, the accounting measurement requirements (X2) had a significant and positive impact, with a standardized beta value of 0.315 and a calculated t-value of 3.137, significantly significant at the level of ($p = 0.003$). This effect is explained by investors' strong desire to trust the fair value model over the weak past, as it will provide them with the true and updated value of the assets as they are trading on the measurement date of measurement.

Recognition requirements (X1) had a positive moral effect of 0.25 with a standardized beta of 0.252 and t-value of 2.588, significant at the level ($p=0.013$). This result indicates that accounting for asset classes prevents manipulations in the financial system and allows the mixing of company's operating assets with non-operating investments. The results of the multicollinearity indicators test indicate the validity of the model. The values of variance inflation factor (VIF) for all independent variables ranged from 1.460 to 1.698, below the thresholds of 5 or 10; tolerance values were

much higher than the cut-off of 0.10, indicating the independence of the estimates and lack of bias and distortions in the outputs.

5. Conclusion

The International Accounting Standard No. 40 Is a deal for accounting transparency and the reliability of financial statements. What this study shows is that International Accounting Standard No. 40 Really makes a difference in how companies report their finances. The results of this study confirm that International Accounting Standard No. 40 Is important for making sure financial reports are accurate.

To get financial reports companies need to follow the three parts of International Accounting Standard No. 40. This means they have to be careful when they first recognize investment property so they can tell it apart from assets. This helps prevent mistakes on the balance sheet of companies.

Many professionals want to use the fair value measurement model the way of valuing things based on their original cost. The fair value measurement model is useful because it gives investors information that's current which is really useful for making good decisions about the fair value measurement model. Using the fair value measurement model can be tricky, at times especially when there is not a lot of buying and selling of estate which makes it hard to figure out the fair value measurement model.

So, companies need to find ways to measure value like using special formulas that take into account the actual rent contracts. This helps prevent estimates that could hurt the accounting system.

The extra information that companies provide in their notes is really important for communicating with outsiders. This information helps to prevent people from having information, which can cause problems in financial markets. When companies provide accurate information about their real estate it helps investors understand how well the company is doing and what its costs are.

This transparency is good for investors. Helps to prevent financial corruption. It also helps companies to be more attractive to investors and to compete better. The International Accounting Standard No. 40 System works best when companies slowly move from sharing information to being required to share detailed information about their real estate investments. This is really important for helping financial markets understand what is going on with companies, which makes them more attractive to investors and helps them in the run. It also helps the local economy to fit in with the economy, which is good, for everyone involved in International Accounting Standard No. 40 And real estate investments.

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