

IAS 40 Investment Property

SCOPE		CLASSIFICATION	
<p>This Standard shall be applied in the recognition, measurement, and disclosure of investment property.</p> <p>This Standard does not apply to:</p> <ul style="list-style-type: none"> biological assets related to agricultural activity, and mineral rights and mineral reserves such as oil, natural gas, and similar non-regenerative resources. 		<p>Investment property is held to earn rentals or for capital appreciation or both. Therefore, an investment property generates cash flows largely independent of the other assets held by an entity. This distinguishes investment property from owner-occupied property. The production or supply of goods or services (or the use of property for administrative purposes) generates cash flows that are attributable not only to property, but also to other assets used in the production or supply process.</p> <p>IAS 16 <i>Property, Plant and Equipment</i> applies to owner-occupied property and IFRS 16 <i>Leases</i> applies to owner occupied property held by a lessee as a right-of-use asset.</p>	
DEFINITIONS		Examples	
<ul style="list-style-type: none"> Investment property is property (land or a building – or part of a building – or both) held (by the owner or by the lessee as a right-of-use asset) to earn rentals or for capital appreciation or both, rather than for: <ul style="list-style-type: none"> use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of business. Owner-occupied property is property held (by the owner or by the lessee as a right-of-use asset) for the use in the production or supply of goods or services or for administrative purposes. 		<p>The following are examples of investment property:</p> <ol style="list-style-type: none"> land held for long-term capital appreciation rather than for short-term sale in the ordinary course of business. land held for a currently undetermined future use. a building owned by the entity (or a right-of-use asset relating to a building held by the entity) and leased out under one or more operating leases. a building that is vacant but is held to be leased out under one or more operating leases. property that is being constructed or developed for future use as an investment property. 	
		<p>The following are examples of items that are NOT investment property:</p> <ol style="list-style-type: none"> property that is intended for sale in the ordinary course of business. owner-occupied property including property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees, and owner-occupied property awaiting disposal. property that is leased to another entity under a finance lease. 	
RECOGNITION AND INITIAL MEASUREMENT		MEASUREMENT AFTER RECOGNITION	
Recognition	Measurement	An entity shall choose as its accounting policy either the fair value model or the cost model and shall apply that policy to all of its investment property.	
<p>An owned investment property shall be recognized as an asset when:</p> <ol style="list-style-type: none"> it is probable that the future economic benefits that are associated with the investment property will flow to the entity, and the cost of the investment can be measured reliably. 	<ul style="list-style-type: none"> An owned investment property shall be measured initially at cost. Transaction costs shall be included in the initial measurement. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Examples of directly attributable expenditures are professional fees for legal services, property transfer taxes. 	Cost Model	Fair Value Model
		<p>An entity that chooses the cost model shall measure investment property (i) in accordance with IFRS 5 if it meets the criteria to be classified as held for sale, (ii) in accordance with IFRS 16 if it is held by a lessee as a right-of-use asset and is not held for sale in accordance with IFRS 5, and (iii) in accordance with IAS 16 for the cost model in all other cases.</p>	<ul style="list-style-type: none"> A gain or loss arising from a change in the fair value of investment property shall be recognized in P/L for the period in which it arises. There is a rebuttable presumption that the entity can reliably measure the fair value of an investment property on a continuing basis. However, in exceptional circumstances, if the fair value of an investment property (other than an investment property under construction) is not reliably measurable, the entity should measure that investment property at cost. Investment property under construction for which fair value is not reliably measurable can be recognized at cost until construction is completed. If an entity has previously measured an investment property at fair value, it shall continue to measure the property at fair value until disposal.
TRANSFERS			
<p>An entity shall transfer a property to, or from, investment property when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of an investment property and there is evidence of a change in use.</p> <ul style="list-style-type: none"> For a transfer from investment property carried at fair value to owner-occupied property or inventories, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use. If an owner-occupied property becomes an investment property that will be carried at fair value, an entity shall apply IAS 16 for owned property and IFRS 16 for property held by a lessee as a right-of-use asset up to the date of change in use. The entity shall treat any difference at that date between the carrying amount of the property in accordance with IAS 16 or IFRS 16 and its fair value in the same way as a revaluation in accordance with IAS 16. For a transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in P/L. When an entity completes construction on an investment property that will be carried at fair value the difference from its carrying value is recognized in P/L. 			

DISPOSALS

- An investment property shall be derecognized (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.
- Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in P/L (unless IFRS 16 requires otherwise on a sale and leaseback) in the period of the retirement or disposal.
- Compensation from third parties for investment property that was impaired, lost or given up shall be recognized in P/L when the compensation becomes receivable.