

Exposure Draft

Transfers of Investment Property **Amendments to Ind AS 40, *Investment Property***

(Last date for the comments: 28th April, 2017)



Issued by

Accounting Standards Board

The Institute of Chartered Accountants of India

Exposure Draft

Transfers of Investment Property, Amendments to Ind AS 40, *Investment Property*

Following is the Exposure Draft of changes proposed in Ind AS 40, *Investment Property*, issued by the Accounting Standards Board of the Institute of Chartered Accountants of India, for comments.

The Board invites comments on any aspect of this Exposure Draft. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

How to Comment

Comments should be submitted using one of the following methods, so as to receive not later than **28th April, 2017**:

1. Electronically: Click on the below mentioned option to submit a comment letter or visit at the following link (Preferred method):
<http://www.icai.org/comments/asb/>
2. Email: Comments can be sent at commentsasb@icai.in
3. Postal: Secretary, Accounting Standards Board,
The Institute of Chartered Accountants of India,

ICAI Bhawan, Post Box No. 7100,

Indraprastha Marg, New Delhi – 110 002

Further clarifications on any aspect of this Exposure Draft may be sought by e-mail to asb@icai.in.

Transfers of Investment Property

Amendments to Ind AS 40, *Investment Property*

Paragraphs 57–58 are amended. Paragraphs 80-85G with their related headings are added. In Appendix 1, paragraph 1 is amended and paragraphs 8 and 9 are added. Deleted text is struck through and new text is underlined.

Transfers

57 ~~Transfers~~ An entity shall transfer a property to, or from, investment property ~~shall be made when, and only when, there is a change in use, evidenced by.~~ A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management’s intentions for the use of a property does not provide evidence of a change in use. Examples of evidence of a change in use include:

- (a) commencement of owner-occupation, or of development with a view to owner-occupation, for a transfer from investment property to owner-occupied property;
- (b) commencement of development with a view to sale, for a transfer from investment property to inventories;
- (c) end of owner-occupation, for a transfer from owner-occupied property to investment property; ~~or~~ and
- (d) ~~commencement~~ inception of an operating lease to another party, for a transfer from inventories to investment property.
- (e) [Refer Appendix 1]

58 ~~Paragraph 57(b) requires an entity to transfer a property from investment property to inventories when, and only when, there is a change in use, evidenced by commencement of development with a view to sale. When an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised (eliminated from the balance sheet) and does not ~~treat~~ reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment.~~

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Transitional provisions

80-84B [Refer Appendix 1]

Transfers of investment property

84C Transfers of Investment Property (Amendments to Ind AS 40), amended paragraphs 57–58. An entity shall apply those amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments (the date of initial application). At the date of initial application, an entity shall reassess the classification of property held at that date and, if applicable, reclassify property applying paragraphs 7–14 to reflect the conditions that exist at that date.

84D Notwithstanding the requirements in paragraph 84C, an entity is permitted to apply the amendments to paragraphs 57–58 retrospectively in accordance with Ind AS 8 if, and only if, that is possible without the use of hindsight.

84E If, in accordance with paragraph 84C, an entity reclassifies property at the date of initial application, the entity shall:

- (a) account for the reclassification applying the requirements in paragraphs 59.
 - (i) [Refer Appendix 1]
 - (ii) [Refer Appendix 1]

(b) disclose the amounts reclassified to, or from, investment property in accordance with paragraph 84C. The entity shall disclose those amounts reclassified as part of the reconciliation of the carrying amount of investment

property at the beginning and end of the period as required by paragraph 79.

Effective date

85-85F [Refer Appendix 1]

85G Transfers of Investment Property (Amendments to Ind AS 40), amended paragraphs 57–58 and added paragraphs 84C–84E. An entity shall apply those amendments for annual periods beginning on or after 1st April, 2018*.

Appendix 1

1 IAS 40 permits both cost model and fair value model (except in some situations) for measurement of investment properties after initial recognition. Ind AS 40 permits only the cost model. The following paragraphs of IAS 40 which deal with fair value model have been deleted in Ind AS 40. In order to maintain consistency with paragraph numbers of IAS 40, the paragraph numbers are retained in Ind AS 40:

- (i) Paragraph 6
- (ii) Paragraph 31
- (iii) Paragraphs 32A-32C
- (iv) Paragraphs 33-35
- (v) Paragraph 41
- (vi) Paragraph 50
- (vii) Paragraph 52
- (viii) Paragraphs 60-65
- (ix) Paragraph 75(b)
- (x) Paragraph 75(f)(iv)
- (xi) Paragraphs 76-78
- (xii) Paragraphs 84E(i)-(ii)

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8. Paragraphs 80-84B and 85-85F in IAS 40 have not been included in Ind AS 40 as these paragraphs relate to transitional provisions and effective date, respectively. However, in order to maintain consistency with paragraph numbers of IAS 40, the paragraph numbers are retained in Ind AS 40.

9. In IAS 40, paragraphs 84B and 85F are added consequent to the issuance of new standard on leases (IFRS 16, Leases). Ind AS corresponding to IFRS 16 is under formulation in India. Accordingly, these paragraphs will be finalised once Ind AS 116 is finalised.

* Since these amendments to Ind AS will be notified by the Ministry of Corporate Affairs (MCA), the effective date as mentioned in paragraph 85G, is subject to the notification of MCA with the same effective date.