



IFRS IN BRIEF

IAS 40 *Investment Property*

SCOPE

Applied in the recognition, measurement and disclosure of investment property.

DEFINITION

An investment property is land or buildings (or part thereof) or both held (whether by the owner or by a lessee under a finance lease) to earn rentals or for capital appreciation or both, and not for manufacturing or supplying goods or services or for administrative purposes or for sale throughout the normal course of business.

An investment property held by a lessee as a right-of-use asset shall be recognised in accordance with IFRS 16 *Leases*

Mixed-use property (partly used by the owner and partly held for rental must be split with components accounted for separately if these portions could be sold separately.

MEASUREMENT

An investment property is measured initially at cost. Transaction costs are included in the initial measurement.

Subsequent to initial recognition an entity shall choose as its accounting policy to be applied to all investment properties at either:

- fair value; or
- cost .

As an exception. An investment property held by a lessee as a right-of-use asset and is not held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* , should be measured in accordance with IFRS 16.

Change from one model to the other is permitted if it will provide reliable and more relevant information about the effects of transactions (which is highly unlikely for change from fair value to cost model).

FAIR VALUE MODEL

Investment properties are measured at fair value (determined in accordance with IFRS 13 *Fair value measurement*) and changes in fair value are recognised in profit or loss, each period.

Investment property under construction is measured at fair value if this can be reliably measured if the fair value option is chosen. Otherwise, they are measured at cost until completion.

In rare circumstances, for individual investment properties, if there is clear evidence that the fair value cannot be determined on a continuing basis, the cost model is used for that property for its entire life.

COST MODEL

Investment properties are measured at depreciated cost less any accumulated impairment losses. The fair value of the investment property must be disclosed. Refer to IAS 36 for discussion on Impairment.

TRANSFERS

An entity transfers a property to, or from, investment property when, and only when, there is a change in use. 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. A change in management's intentions, by itself



does not provide evidence of a change in use.

- *Transfer from investment property -*
The carrying amount at the date of reclassification is the property's deemed cost for subsequent accounting in accordance with IAS 16 *Property, plant and Equipment*, or IAS 2 *Inventories*
- *Transfers to investment properties from owner occupied*
Fair value is determined at the date of reclassification and the change in

the carrying amount is treated as a revaluation in accordance with IAS 16.

DISCLOSURES

Information must be disclosed about the rental income and associated expenses for investment properties. In addition a reconciliation of the movement in the carrying amount must be provided and details around the calculation of fair values.

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