

Mr. Hans Hoogervorst
International Accounting Standards Board
1st Floor
30 Cannon Street
London - EC4M 6XH
United Kingdom

Email : commentletters@ifrs.org

20th February, 2016

Re: Exposure Draft : Transfer of Investment Property

Dear Mr. Hoogervorst,

We appreciate the opportunity to comment on IFRS Exposure Draft Transfer of Investment Property.

We support the Committee's proposal to have detailed accounting guidelines for Transfer of Investment Property.

We would be pleased to respond to any questions the Board / Committee or its staff may have about any of our comments.

Please do not hesitate to contact me at +91 - 9099 921 163 or chintan@nareshco.com.

Yours Faithfully,
For Naresh J. Patel & Co.
Chartered Accountants

sd/-

Chintan Patel
Partner

Question 1 – Proposed Amendment

The IASB proposes to amend paragraph 57 of IAS 40 to:

- (a) State that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property.
- (b) Re-characterise the list of circumstances set out in paragraph 57(a)–(d) as a non-exhaustive list of examples of evidence that a change in use has occurred instead of an exhaustive list.

Do you agree? Why or why not??

Answer 1—

(a) The explanation of change in use is helpful. However, **the criteria of transfer to/from investment property does not clarify the situation where transfer is done only for temporary purpose.**

For example, if the property is rented and hence treated as investment property. Subsequently, after rent period is over, tenant vacated the premises and in temporary period it was used by the company for administrative purpose for 2 months till the new tenant was available. In this situation, if paragraph 57 of IAS 40 is applied than change in use is evidenced by commencement of owner-occupation (para 57(a)) and will trigger transfer from Investment property to Owner Occupied Property. This will also require the company to following accounting and disclosure requirement of Transfer from Investment property. There is need to provide clarification whether in such situation, transfer provision is to be followed or the stand can be taken by the company that change in use is other than temporary and hence no need to follow the transfer requirements.

I suggest to use ‘other than temporary’ with change in use. The redrafted sentence :

*An entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use, which is **other than temporary**.*

(b) Yes

Question 2 – Transition Provisions

The IASB proposes retrospective application of the proposed amendment to IAS 40. Do you agree? Why or why not?

Answer 2—

No

As earlier paragraph provide exhaustive list of circumstances that provide evidence of a change in use set out in paragraph 57(a)-(d) of IAS 40 (as shown by reference to ‘when and only when’ and ‘evidenced by’ in that paragraph). Now the change in paragraph is not clarification in nature. Any change which is done afterwards by IASB should not affect the users who has followed the treatment required by applicable accounting standard.

Para 35 of IAS 8 applies when there is a change in measurement by the entity. However, in this case, there is amendment to IAS 40 which need to be applied for the circumstances that occur after effective date of the amendment.