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RE: Proposed amendments to paragraph 57 of ISA 40

Question 1:

Elaboration of when a change in use occurs. A change in use occurs when the property meets, or ceases to meet, the definition of investment property.

Answer:

(a) *We do agree.*

Elaborating when and how a change in use occurs provides clear and concise guidance when a transfer to, or from, investment property shall occur and thus widens the scope of transfers. Merely stating “...when, and only when, there is a change in use...” does not provide clear guidance what constitutes a change in use or what to measure that change in use against. Without the proposed amendments the change in use could be open to misapplication.

(b) *We do agree.*

Providing criteria against which “a change in use” can be measured widens the application of para 57. Keeping the list exhaustive as currently worded would nullify the proposed changes.

Question 2:

The IASB proposes retrospective application of the proposed amendment to ISA 40.

Answer:

We do agree.

The change in use has historically been whether the property is being used as investment property as defined by paragraphs 6-15 of IAS 40 or not, and therefore the definition of investment property always had to be applied. The proposed amendments however now specifically state this fact to avoid misapplication and now also allows for a non-exhaustive list of cases when property might be transferred to, or from, investment property.

There may have been situations in the past where there was a change in use that would have warranted a transfer of Investment Property however it did not meet the criteria in para 57 a – d. Retrospective application would result in maintaining the qualitative characteristics of comparability of financial information of the current and prior period figures where such transfers are now made.