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Mr. Henry Rees
Director of Implementation and Adoption Activities
International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

16 March2016

Dear Mr. Rees,

Exposure Draft – Transfer of Investment Property (Proposed Amendment to IAS 40)

We are pleased to respond to the invitation by the IASB to comment on the captioned Exposure Draft on behalf of PricewaterhouseCoopers.

Following consultation with members of the PricewaterhouseCoopers network of firms, this response summarises the views of those member firms who commented on the Exposure Draft. 'PricewaterhouseCoopers' refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Overall, we agree with the proposed amendment. However, we thought the amendment should provide an option for modified retrospective application. Our responses to the specific questions posed in the invitation to comment are attached as Appendix to this letter.

If you have any questions in relation to this letter, please do not hesitate to contact Paul Fitzsimon, PwC Global Chief Accountant (+1 416 869 2322), Mary Dolson (+44 207 804 2930) or Yvonne Kam (+86 21 2323 3267).

Yours sincerely,

PricewaterhouseCoopers

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Appendix

Detailed responses to the specific questions in the Exposure Draft

Question 1: Do you agree to the proposed amendment? Why or why not?

We agree with the general principle of the proposed amendment. However, we consider that because there is significant room for interpretation to determine when and how a change in use for properties under construction is evidenced, we thought clarity could be enhanced if one or more examples on transfers of property under development could be added. We suggest to add these examples to re-emphasise the importance of change in use as a triggering point for the reclassification.

For instance, the examples can be:

(i) the approval from an appropriate level of management and, if required and substantive, the approval from the relevant regulatory bodies for a change in use of the property under construction; or

(ii) relevant actions, such as commencement of leasing activities or promotional activities to sell the property upon its completion (where applicable) or modifying the layout or construction to make it suitable for a change in use, have started.

Question 2: Do you agree to the retrospective application? Why or why not?

We agree with the general principle of applying the amendment retrospectively. However, we are concerned about only allowing full retrospective application. We suggest adding a modified retrospective application as an alternative to full retrospective application to avoid practical difficulty encountered when restating transfers which should have taken place prior to the beginning of the earliest comparative period. Similar practical expedient already exist in IFRS 15 Revenue from contracts with customers and IFRS 16 Leases.

Upon the adoption of the proposed amendment, it is expected that the date of transfer of certain properties to or from investment property will be earlier than how they are accounted for at present. Evidence of a change in use for the property to meet, or cease to meet, the definition of investment property is expected to exist earlier than it does under the current IAS 40. If full retrospective application is applied, practical difficulty may arise to go back in time to determine the carrying amount of the properties and the fair value at the time of the change in use. This issue is particularly acute when the change should have taken place prior to the beginning of the earliest comparative period.

We suggest to include an option for modified retrospective application to provide relief on measurement. At the date of transition, the following approaches can be applied:

(i) For a transfer from inventories to investment property, state the investment property at the fair value at the date of transition, any difference between the fair value and the carrying amount of the property at that date, and the corresponding deferred tax effect (where applicable), shall be recognised in the opening retained earnings;

(ii) For a transfer from owner-occupied property to investment property, the difference between the carrying amount and the fair value of the property at the date of transition, and the corresponding deferred tax effect (where applicable), shall be recognised in the opening revaluation reserve for amounts that would have been included in revaluation surplus and/or in opening retained earnings for amounts that would have been included in profit or loss, by application of IAS 40.62;

(iii) For a transfer from investment property to owner-occupied property or inventories, the deemed cost of the property for subsequent accounting in accordance with IAS 16 or IAS 2 shall be its fair value at the date of transition; and

(iv) As from the transition date, the property is accounted for as investment property, inventory or owner-occupied property (as the case may be) and previously reported comparative financial information is restated accordingly.