

March 16, 2016

Submitted electronically via www.ifrs.org

International Accounting Standards Board
30 Cannon Street, 1st Floor
London EC4M 6XH
United Kingdom

Dear Sirs:

Re: Transfers of Investment Property (Proposed amendment to IAS 40) (ED/2015/9)

This letter is the response of the Canadian Accounting Standards Board (AcSB) to the International Accounting Standards Board's (IASB) Exposure Draft, "Transfers of Investment Property (Proposed amendment to IAS 40)," issued in November 2015.

The AcSB is Canada's national accounting standard-setting body, holding the legal authority to set accounting standards in Canada. Since 2011, the AcSB has operated under the strategy of endorsing and then importing IFRS into Canada for application by publicly accountable enterprises, other than pension plans. To date, our policy has been to adopt IFRS as issued by the IASB, without modification (with the exception of deferring for a period of time the initial adoption of IFRS by investment and rate-regulated entities). As of January 1, 2015, all such deferrals by the AcSB have ended. The AcSB consists of members from a variety of backgrounds, including financial statement users, preparers, auditors and academics. Additional information about the AcSB can be found at www.frascanada.ca.

We continue to strongly support the IASB in its efforts to identify and address standards implementation issues. In formulating the views expressed in this letter, we considered the comments of audit firm members of our IFRS Discussion Group.¹

¹ The IFRS Discussion Group consists of members from a variety of backgrounds similar to those of AcSB members but with a focus on financial statements prepared in accordance with IFRS.

We support the amendment to paragraph 57 of IAS 40 *Investment Property* as proposed in the Exposure Draft. We think that the proposed amendment will clarify the application of this paragraph and reduce the potential for diversity in practice in Canada.

We agree with requiring retrospective application of the proposed amendment to IAS 40 in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, we suggest that the description of the IASB's rationale for this proposal be revised slightly in order avoid possible confusion.

We expand upon these points in the [Appendix](#) to this letter, which provides responses to the questions posed in the Exposure Draft and comments on a process-related matter.

We would be pleased to elaborate on our comments in more detail if you require. If so, please contact me or, alternatively, Rebecca Villmann, Director, Accounting Standards (+1 416 204-3464 or email rvillmann@cpacanada.ca) or Nancy A. Estey, Principal, Accounting Standards (+1 416 204-3271 or email nestey@cpacanada.ca).

Yours truly,



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APPENDIX

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?

1. We support the principles-based requirement in paragraph 57 of IAS 40 that transfers to, or from, investment property are made only when there is a change in use, and agree with the proposed amendment for the reasons described in paragraphs BC1-BC6 of the Exposure Draft.
2. We welcome the proposed amendment because we think that it will clarify the application of paragraph 57 and reduce the potential for diversity in practice in Canada. When responding to an IFRS Interpretations Committee outreach request on this topic in January 2015, our staff performed limited outreach to determine its relevance in Canada. Based on that outreach, our staff:
 - (a) is aware of several cases in which property under development or construction was reclassified for accounting purposes to, or from, investment property in accordance with paragraph 57 of IAS 40; and
 - (b) understands that some entities in Canada have read the current paragraph to apply only to completed properties, while others have considered the intent of the standard and taken the view that the “change in use” events identified in paragraph 57 were not meant as an exhaustive list.

Question 2—Transition provisions

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

3. We agree with the proposal to require retrospective application of the proposed amendment to IAS 40. However, we suggest that the description of the IASB's rationale for this proposal be revised slightly in order avoid possible confusion.
4. Paragraph BC7 notes that a transfer into, or out of, investment property results in a change in the measurement basis, and that “... a change in the measurement basis is a change in an accounting policy, in accordance with paragraph 35 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.” However, paragraph 35 of IAS 8 more accurately states that a change in

the measurement basis *applied* constitutes a change in an accounting policy. The omission of the word "applied" in paragraph BC7 could be interpreted as suggesting that any time there is a change in the measurement basis, it must be applied retrospectively. This interpretation is clearly not the case, as demonstrated in other IFRSs (including IFRS 9 *Financial Instruments*) where a change in the measurement basis triggered by a change in the business model is accounted for prospectively.

5. We recommend that paragraph BC7 be revised to mirror more closely the wording in paragraph 35 of IAS 8 in order to avoid any confusion.

Other comments

6. In recent consultations with our stakeholders during the development of our next strategic plan, we discussed ways in which we could interact to make the best use of their time. We heard that we, as a standard setter, could organize our activities in a way that promotes effectiveness and efficiency for all concerned. We share this information with you in case it is also helpful to you when deciding on matters of process. An example relating to this Exposure Draft might be whether to expose a proposed amendment such as this one separately, or bundle it with like items as part of your annual improvements process.