

## Transfers of investment property

Exposure draft of amendment to IAS40 issued by the IASB in November 2015

Comments from ACCA  
24 March 2016

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Further information about ACCA's comments on the matters discussed here may be obtained from the following:

**Richard Martin**  
Head of Corporate Reporting, ACCA  
Email: [richard.martin@accaglobal.com](mailto:richard.martin@accaglobal.com)

ACCA welcomes the opportunity to provide views in response to the exposure draft from the International Accounting Standards Board. This has been done with the assistance of the members of ACCA's Global Forum for Corporate Reporting who have considered the questions raised, and their views are reflected in the following comments.

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## SPECIFIC COMMENTS ON QUESTIONS RAISED

### 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.**

We support the amendment as right in principle and eliminating an inconsistency in the standard. For a change in accounting treatment there should be evidence of a change in use as defined. However we note that the issue arose from the commencement of development of investment property and so this should be included among the examples given.

**(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?**

We agree with this as the inconsistency arose because the previous list was exhaustive. If the principle is established then the restricted list is not needed.

### Question 2—Transition provisions

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

We agree that retrospective application is right.

The amount of adjustment may depend on whether companies use the fair value model and whether they have been applying paragraph 8(e) or paragraph 57. If they have done the latter then there may be cases of properties previously at cost-based values which would now be required to be at fair value. The difficulties of retrospective fair values have been acknowledged in other cases and might be considered here as well.