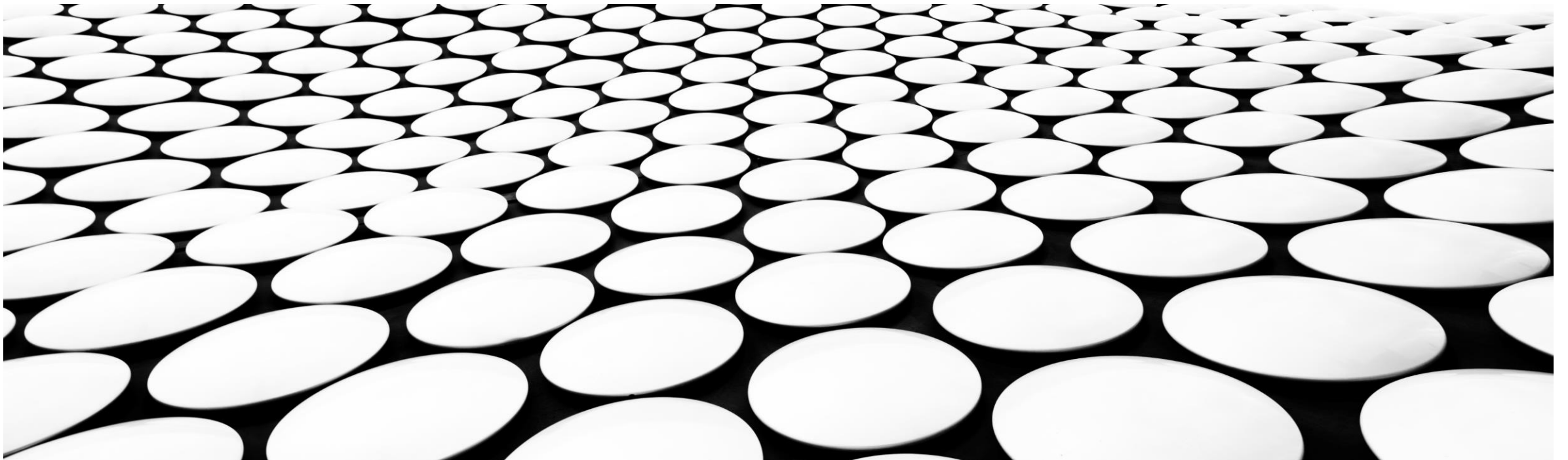


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# **INDIAN ACCOUNTING STANDARDS**

## **INVESTMENT PROPERTIES – IND AS 40**

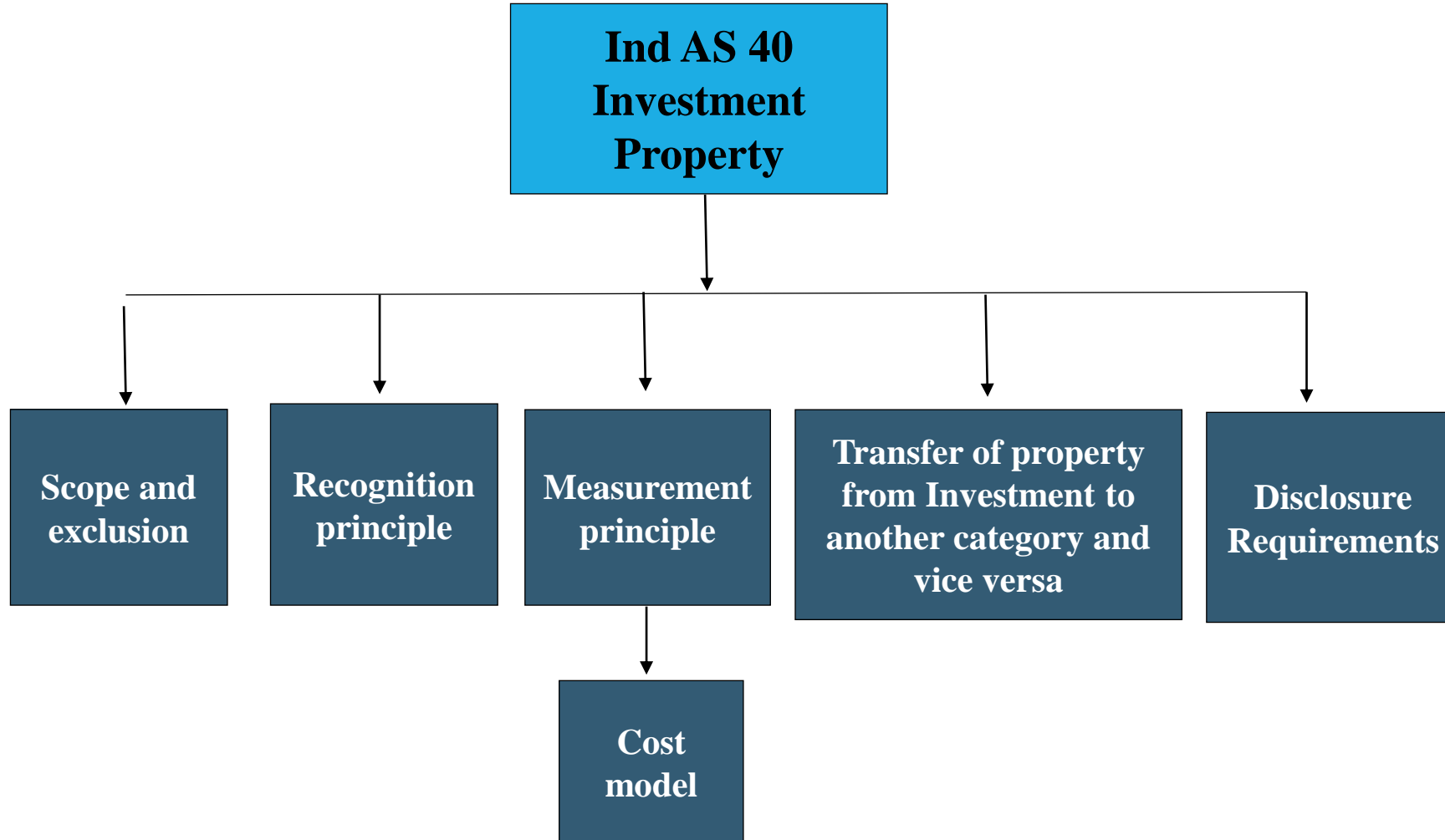
**B D CHATTERJEE FCA, ACMA, ACS, DIP IFR (ACCA) – UNITED KINGDOM**





**INDIAN ACCOUNTING STANDARDS  
INVESTMENT PROPERTIES - IND AS 40**

# INVESTMENT PROPERTY – IND AS 40



# INVESTMENT PROPERTY – IND AS 40

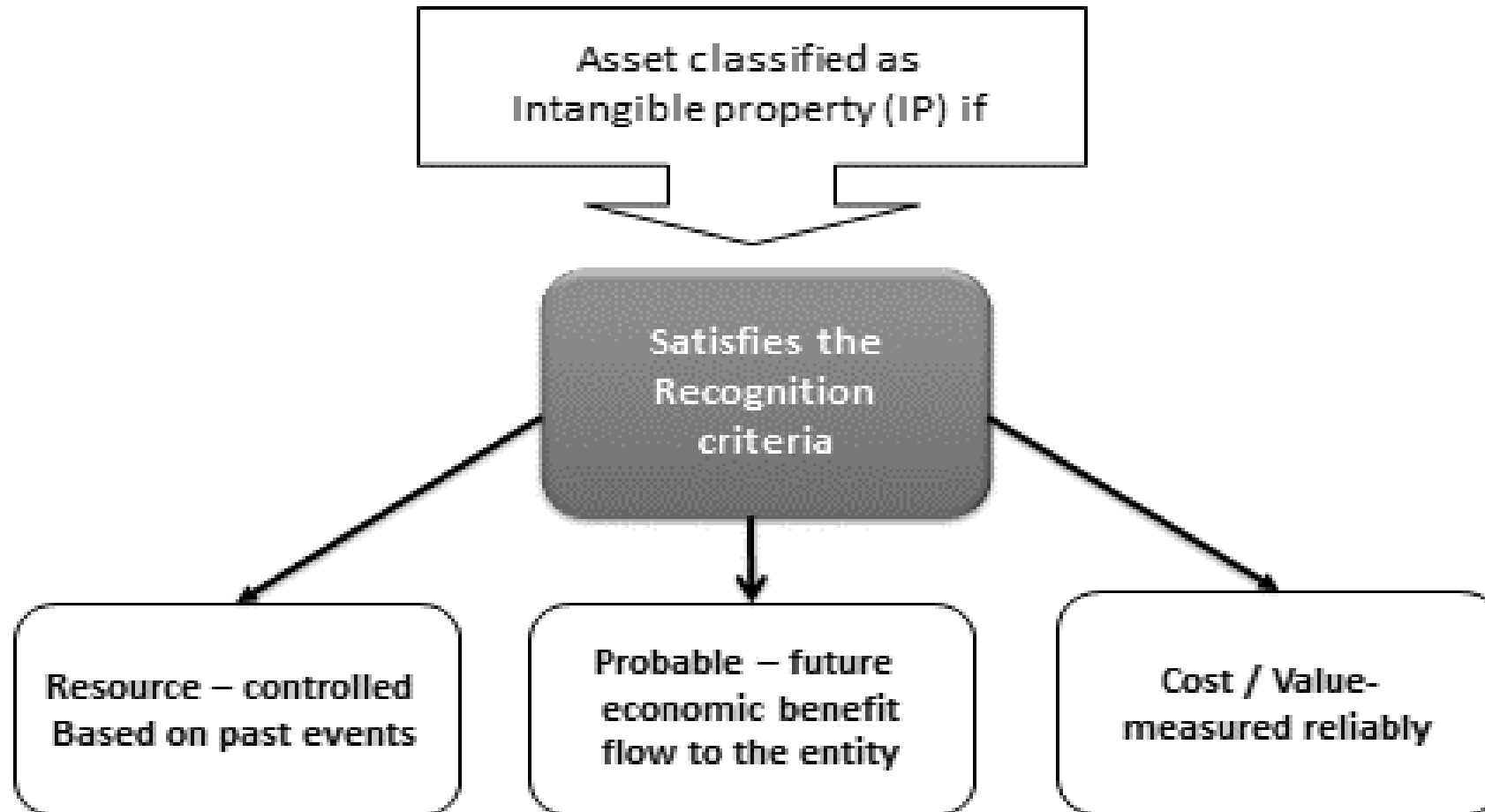
## What are Investment Properties

### *Definition*

- Investment property is land and buildings held to earn rentals or for capital appreciation or both and not used for production, administration and property held for third parties for sale.
- An investment property should generate cash flows that are largely independent of the other assets held by the entity.

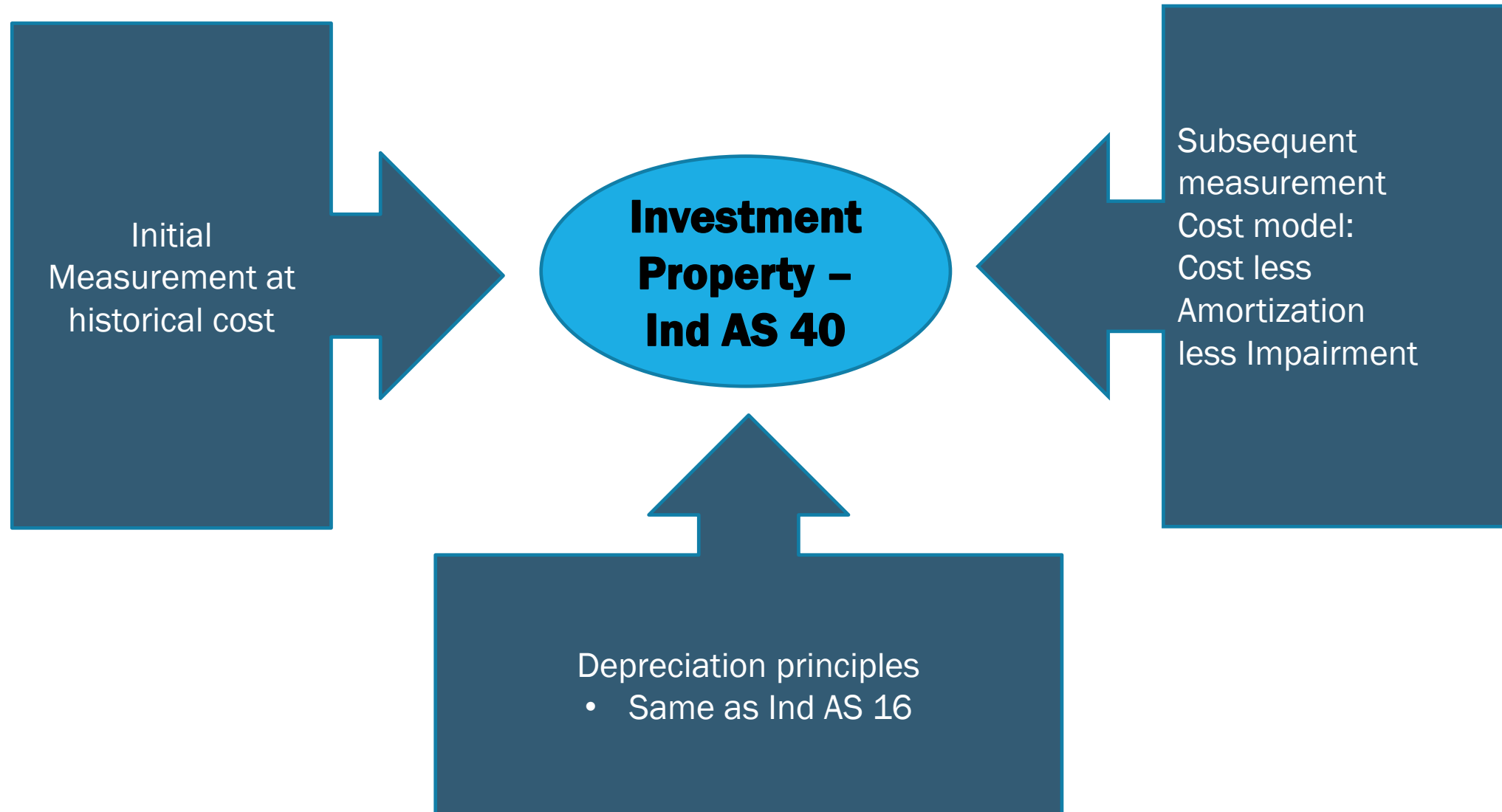
# INVESTMENT PROPERTY – IND AS 40

## Recognition Criteria



# INVESTMENT PROPERTY – IND AS 40

## MEASUREMENT PRINCIPLE



# INVESTMENT PROPERTY – IND AS 40

## Transfer of property from Investment property and vice versa

Nature of transfer	Manner of transfer
When the entity uses cost model for any kind of non-current asset	<i>Transfer needs to be at carrying amounts</i>
Investment property carried at fair value to owner – occupied property or inventories	<i>The deemed cost of the property for subsequent accounting in accordance with IAS 16 or IAS 2 should be its fair value as on the date of change</i>
Owner – occupied property to investment property to be carried at fair value	<i>An entity needs to apply IAS 16 up to the date of change, and any difference between carrying value and fair value should be treated as a revaluation surplus in accordance with IAS 16</i>
Inventory to investment property to be carried at fair value	<i>Difference between fair value as an investment property and previous carrying value (as erstwhile inventory) needs to be recognised in profit or loss.</i>

# INVESTMENT PROPERTY – IND AS 40

## Disclosure Requirements

- (a) its accounting policy for measurement of investment property.
- (b) when classification is difficult, the criteria it uses to distinguish investment property from owner-occupied
- (c) property and from property held for sale in the ordinary course of business.
- (c) the extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. If there has been no such valuation, that fact shall be disclosed.
- (d) the amounts recognised in profit or loss for:
  - (i) rental income from investment property.
  - (ii) direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period; and
  - (iii) direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period.
- (e) the existence and amounts of restrictions on the realizability of investment property or the remittance of income and proceeds of disposal.
- (f) contractual obligations to purchase, construct or develop investment property or for repairs, maintenance, or enhancements.



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# INVESTMENT PROPERTY – IND AS 40

## Disclosure Requirements (Continued)

- (a) the depreciation methods used.
- (b) the useful lives or the depreciation rates used;
- (c) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period;
- (d) a reconciliation of the carrying amount of investment property at the beginning and end of the period, showing the following:
  - (i) additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised as an asset;
  - (ii) additions resulting from acquisitions through business combinations;
  - (iii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals.

# INVESTMENT PROPERTY – IND AS 40

## Disclosure Requirements (Continued)

- (iv) depreciation.
  - (v) the amount of impairment losses recognised, and the amount of impairment losses reversed, during the period in accordance with IAS 36;
  - (vi) the net exchange differences arising on the translation of the financial statements into a different presentation currency, and on translation of a foreign operation into the presentation currency of the reporting entity,
  - (vii) transfers to and from inventories and owner-occupied property; and
  - (viii) other changes.
- (e) the fair value of investment property. In the exceptional cases, when an entity cannot measure the fair value of the investment property reliably, it shall disclose:
- (i) a description of the investment property,
  - (ii) an explanation of why fair value cannot be measured reliably; and
  - (iii) if possible, the range of estimates within which fair value is highly likely to lie.



**THANK YOU!**