

Chapter 27

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IAS 40 INVESTMENT PROPERTIES

- property (land, building or part of building) held either as owner or finance lessee to earn rentals or for capital appreciation or both rather than for:
 - use in production of goods, supply of service or administrative purposes, or ...
 - ... sale in the ordinary course of business
- recognition when, and only when ...
 - probable inflow of future economic benefit
 - cost can be reliably measured
- initial recognition should be at cost
- cost includes purchase price and directly attributable expenses such as legal and architectural fees
- for self-constructed investment properties, cost is cost at the date when construction or development is complete
- subsequent expenditure capitalised only if it improves the likely future economic inflow of resource
- otherwise, it's expensed as a period cost

Measurement and transfers

- subsequent to initial recognition, entity may choose cost model (benchmark) or fair value model (allowed alternative)
- cost model? carry at fair value based on market state and circumstances
- resulting gains and losses included within Statement of Profit or Loss and Other Comprehensive Income for the year
- assets should be transferred into or out of investment property when there is a change in use, for example:
 - owner occupation (investment property \Rightarrow TNCA)
 - development with a view to sell (investment property \Rightarrow inventory)
 - end of owner occupation (TNCA \Rightarrow investment property)
 - start of operating lease (investment property \Rightarrow inventory)
 - end of construction or development (assets in the course of construction \Rightarrow investment property)



IAS 40 disclosure

- movement during the year
- criteria used to distinguish owner-occupied from investment (where classification is not clear)
- methods and assumptions used in determining fair value
- extent to which fair value has been determined by an outside expert
- Statement of Profit or Loss and Other Comprehensive Income elements of:
 - rental income
 - operating expenses incurred on investment properties
- whether there are any restrictions on realisability or remittance of disposal proceeds or income
- any material contractual obligations to purchase, construct or maintain investment properties
- depreciation methods and useful lives – when using the cost model
- if fair value model used generally, but it's not possible to establish fair value of particular investment properties, then:
 - description
 - explanation of why fair value cannot be reliably measured
 - if possible, disclose a range of estimates
 - the fact of a disposal, carrying amount and gain or loss arising on a property not carried at fair value

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