



Project:	ED 272 <i>Transfers of Investment Property</i>	Meeting	AASB February 2016 (M150)
		Date	8 February 2016
Topic:	Consider draft comment letter	Agenda Item:	7.1
Contact(s):	Eric Lee elee@aasb.gov.au (03) 9617 7646	Project Priority:	High
		Decision-Making:	High
		Project Status:	Form tentative views on ED proposals

Introduction and objective of this paper

- 1 The objective of this paper is to:
 - (a) seek Board member views on the draft AASB submission to IASB Exposure Draft ED/2015/9 *Transfers of Investment Property* (incorporated into AASB Exposure Draft ED 272 *Transfers of Investment Property*). The draft submission is included as Appendix to this staff paper.
 - (b) agree on the process for finalising the AASB submission.

Link to ED 272

http://www.aasb.gov.au/ADMIN/file/content105/c9/ACCED272_11-15.pdf

Draft AASB submission

Comment letters on ED 272

- 2 The AASB issued ED 272 *Transfers of Investment Property* in November 2015. Comments to the AASB are requested by **15 February 2016**. Comments on IASB ED/2015/9 are due to the IASB by **18 March 2016**.
- 3 At the time of writing this staff paper, no submissions have been received on ED 272. Staff will table any submitted comment letters at the Board meeting.

About the draft submission (Appendix)

- 4 The staff recommendations are reflected in the draft AASB submission attached as Appendix. The draft submission has been prepared to facilitate the Board's discussion on the positions it expects to take in response to the specific matters for comment in ED/2015/9.

Question 1 to the Board

Do Board members agree with the draft submission? If not, what aspects of the submission would Board members like to be amended or further developed?

Finalising the AASB submission to the IASB

- 5 Staff will update the draft submission to reflect Board member comments following the Board meeting. Given that there is no further Board meeting before close of the IASB comment period, staff recommend the AASB comment letter be finalised out-of-session with the Chair.

Question 2 to the Board

Do Board members agree with the staff recommendation for the AASB submission to be finalised out- of-session by the Chair?



Australian Government
Australian Accounting
Standards Board

AASB 23-24 February 2016 (M150)
Agenda Paper 7.1 (Appendix)

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APPENDIX: DRAFT COMMENT LETTER

This document is a work in progress and has been prepared by AASB staff to facilitate the deliberations of the AASB on IASB Exposure Draft ED/2015/9 for the purpose of forming tentative Board views.

[X] March 2016

Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Hans

IASB Exposure Draft ED/2015/9 *Transfers of Investment Property*

The Australian Accounting Standards Board (AASB) welcomes the opportunity to provide comments on IASB ED/2015/9 *Transfers of Investment Property*. In formulating its comments, the AASB sought and considered the views of Australian constituents through comment letters and other consultation. The comment letters received are published on the AASB website.

The AASB supports the IASB's efforts to address diversity in practice arising from the application of paragraph 57 of IAS 40 *Investment Property* and agrees with the IASB's proposed amendments in ED/2015/9.

The AASB's responses to the specific matters for comment in ED/2015/9 are included in the Appendix to this letter.

If you have queries regarding any matters in this submission, please contact Eric Lee (elee@aasb.gov.au).

Yours sincerely,

Kris Peach
Chair and CEO

APPENDIX

AASB comments on Exposure Draft ED/2015/9 *Transfers of Investment Property*

Extracts from IAS 40, including the proposed amendments to paragraph 57:

- 57 ~~Transfers~~ An entity shall transfer a property to, or from, investment property ~~shall be made~~ when, and only when, there is evidence of a change in use, evidenced by. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. Examples of evidence that support a change in use that would lead to a transfer to, or from, investment property include, among others:
- (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
 - (b) commencement of development with a view to sale, for a transfer from investment property to inventories;
 - (c) end of owner-occupation, for a transfer from owner-occupied property to investment property; ~~or and~~
 - (d) commencement of an operating lease to another party, for a transfer from inventories to investment property.
 - (e) [deleted]
- 58 Paragraph 57(b) requires an entity to transfer a property from investment property to inventories when, and only when, there is a change in use, evidenced by commencement of development with a view to sale. When an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised (eliminated from the statement of financial position) and does not treat it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment.

Question 1 – Proposed amendment

The IASB proposed 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?

The AASB **agrees** with the proposed amendments to paragraph 57, and notes that consequential amendments will be required to paragraph 58 as a result of the proposed amendments.

In addition, as the result of amending paragraph 57 to reflect a non-exhaustive list of examples, the AASB thinks that paragraph 58 should be extended to provide further guidance on identifying the types of occurrences that evidence a change in use. For example, the AASB thinks it would be useful for the body of the Standard to clarify that a change in management's intention is by itself insufficient evidence of a change in use, and to include guidance on how a change in use for a property under development previously classified as inventories that will now be developed to earn rental income can be evidenced.

Question 2 – Transition provisions

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

The AASB supports the proposed retrospective application of the amendments.