

AASB 140 *Investment Property* and IFRS for SMEs Section 16 *Investment Property*

1. Executive Summary

Main differences in recognition, measurement or presentation requirements

The *IFRS for SMEs* requires subsequent measurement at fair value unless the fair value of an investment property cannot be measured reliably without undue cost or effort, in which case it is accounted for under Section 17 *Property Plant and Equipment*.

- AASB 140 requires subsequent measurement at either cost or fair value, unless the property is held by a lessee under an operating lease, in which case fair value must be used to value the property interest held under the lease.
- AASB 140 requires not-for-profit entities that acquire a property at nominal or no cost to deem its cost to be the fair value at the date of acquisition.

Disclosure proposals

It is proposed to:

- exclude paragraphs 75(b), 75(c), 75(d) second part, 75(f), 76(a) second part, 76(e), 77, 78, 79(d)(i) second part, 79(d)(vi), 79(d)(vii) and 79(e) from the Reduced Disclosure Regime (RDR); and
- add paragraph RDR76.1 to provide relief from presenting the reconciliation required by paragraph 76 for prior periods.

2. Analysis of disclosure requirements

Text in AASB 140 <i>Investment Property</i>	Text in <i>IFRS for SMEs</i> Section 16 <i>Investment Property</i>	Comment
<p>Fair Value Model and Cost Model</p> <p>74 The disclosures below apply in addition to those in AASB 117. In accordance with AASB 117, the owner of an investment property provides lessors' disclosures about leases into which it has entered. An entity that holds an investment property under a finance or operating lease provides lessees' disclosures for finance leases and lessors' disclosures for any operating leases into which it has entered.</p>	<p>16.11 In accordance with Section 20, the owner of an investment property provides lessors' disclosures about leases into which it has entered. An entity that holds an investment property under a finance lease or operating lease provides lessees' disclosures for finance leases and lessors' disclosures for any operating leases into which it has entered.</p>	<p>Paragraph 74 and paragraph 16.11 of the <i>IFRS for SMEs</i> correspond. Paragraph 74 should be retained in the RDR.</p>
<p>75 An entity shall disclose:</p> <p>(a) whether it applies the fair value or the cost model;</p> <p>(b) if it applies the fair value model, whether, and in what circumstances, property interests held under operating leases are classified and accounted for as investment property;</p> <p>(c) when classification is difficult (see paragraph 14), the criteria it uses to distinguish investment property from owner ordinary course of business;</p> <p>(d) the methods and significant assumptions applied in determining the fair value of investment property, including a statement whether the determination of fair value was supported by market evidence or was more heavily based on other factors (which the entity shall disclose) because of the nature of the property and lack of comparable market data;</p>	<p>16.10 An entity shall disclose the following for all investment property accounted for at fair value through profit or loss (paragraph 16.7):</p> <p>(a) the methods and significant assumptions applied in determining the fair value of investment property.</p> <p>(b) 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 class of the investment property being valued. If there has been no such valuation, that fact shall be disclosed.</p> <p>(c) the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal.</p> <p>(d) contractual obligations to purchase, construct or develop investment property or for repairs,</p>	<p>Paragraph 75(a) does not have an equivalent in the <i>IFRS for SMEs</i> since the <i>IFRS for SMEs</i> only allows the fair value model on subsequent measurement of investment property. The disclosure relates to an accounting policy choice and, consistent with paragraph IN6(d) of this Appendix, should be retained in the RDR.</p> <p>Paragraphs 75(b) and 75(c) have no equivalent in the <i>IFRS for SMEs</i> and based on reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p> <p>The first clause of paragraph 75(d) up to 'fair value of investment property' and paragraph 16.10(a) of the <i>IFRS for SMEs</i> correspond. The first clause of paragraph 75(d) should be retained in the RDR.</p> <p>The remainder of paragraph 75(d) has</p>

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<p>(e) 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;</p> <p>(f) the amounts recognised in profit or loss for:</p> <p>(i) rental income from investment property;</p> <p>(ii) direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period;</p> <p>(iii) direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period; and</p> <p>(iv) the cumulative change in fair value recognised in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used (see paragraph 32C);</p> <p>(g) the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal; and</p> <p>(h) contractual obligations to purchase, construct</p>	<p>maintenance or enhancements.</p> <p>(e) a reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing separately:</p> <p>(i) additions, disclosing separately those additions resulting from acquisitions through business combinations.</p> <p>(ii) net gains or losses from fair value adjustments.</p> <p>(iii) transfers to property, plant and equipment when a reliable measure of fair value is no longer available without undue cost or effort (see paragraph 16.8).</p> <p>(iv) transfers to and from inventories and owner-occupied property.</p> <p>(v) other changes.</p> <p>This reconciliation need not be presented for prior periods.</p>	<p>no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, the remainder of paragraph 75(d) should be excluded from the RDR.</p> <p>Paragraph 75(e) and paragraph 16.10(b) of the <i>IFRS for SMEs</i> correspond. Paragraph 75(e) should be retained in the RDR.</p> <p>Paragraph 75(f) has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p> <p>Paragraph 75(g) and paragraph 16.10(c) of the <i>IFRS for SMEs</i> correspond. Paragraph 75(g) should be retained in the RDR.</p> <p>Paragraph 75(h) and paragraph 16.10(d) of the <i>IFRS for SMEs</i> correspond. Paragraph 75(h) should be retained in the RDR.</p>

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<p>or develop investment property or for repairs, maintenance or enhancements.</p>		
<p>Fair Value Model</p> <p>76 In addition to the disclosures required by paragraph 75, an entity that applies the fair value model in paragraphs 33-55 shall disclose a reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing the following:</p> <ul style="list-style-type: none"> (a) additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised in the carrying amount of an asset; (b) additions resulting from acquisitions through business combinations; (c) assets classified as held for sale or included in a disposal group in accordance with AASB 5 and other disposals; (d) net gains or losses from fair value adjustments; (e) 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; (f) transfers to and from inventories and owner-occupied property; and (g) other changes. 		<p>The first part of subparagraph 76(a) requiring disclosure of additions and subparagraph 76(b) together correspond to paragraph 16.10(e)(i) and should be retained in the RDR. The second part of subparagraph 76(a) requiring separate disclosure of additions has no equivalent in the <i>IFRS for SMEs</i> and, based on paragraph IN3 of this Appendix, should be excluded from the RDR.</p> <p>Paragraph 76(c) has no equivalent in the <i>IFRS for SMEs</i> but relates to differences in measurement. Based on user needs and consistent with paragraph IN5 of this Appendix, it should be retained in the RDR.</p> <p>Paragraph 76(d) and paragraph 16.10(e)(ii) of the <i>IFRS for SMEs</i> correspond. Paragraph 76(d) should be retained in the RDR.</p> <p>Paragraph 76(e) has no equivalent in the <i>IFRS for SME</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p> <p>Paragraph 76(f) and paragraph 16.10(e)(iv) of the <i>IFRS for SMEs</i> correspond. Paragraph 76(f) should be retained in the RDR.</p>

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		<p>Paragraph 76(g) and paragraph 16.10(e)(v) of the <i>IFRS for SMEs</i> correspond. Paragraph 76(g) should be retained in the RDR.</p> <p>Paragraph 16.10 of the <i>IFRS for SMEs</i> provides relief from presentation of the reconciliation for prior periods. Consistent with paragraph IN3 of this Appendix, an RDR paragraph should be added to provide similar relief.</p>
<p>77 When a valuation obtained for investment property is adjusted significantly for the purpose of the financial statements, for example to avoid double-counting of assets or liabilities that are recognised as separate assets and liabilities as described in paragraph 50, the entity shall disclose a reconciliation between the valuation obtained and the adjusted valuation included in the financial statements, showing separately the aggregate amount of any recognised lease obligations that have been added back, and any other significant adjustments.</p>		<p>Paragraph 77 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>
<p>78 In the exceptional cases referred to in paragraph 53, when an entity measures investment property using the cost model in AASB 116, the reconciliation required by paragraph 76 shall disclose amounts relating to that investment property separately from amounts relating to other investment property. In addition, an entity shall disclose:</p> <ul style="list-style-type: none"> (a) a description of the investment property; (b) an explanation of why fair value cannot be determined reliably; 		<p>Paragraph 78 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p> <p>Under the <i>IFRS for SMEs</i>, if an investment property cannot be measured at its fair value, the entity must account for it under Section 17 <i>Property Plant and Equipment</i>. Therefore the disclosures for Section</p>

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<ul style="list-style-type: none"> (c) if possible, the range of estimates within which fair value is highly likely to lie; and (d) on disposal of investment property not carried at fair value: <ul style="list-style-type: none"> (i) the fact that the entity has disposed of investment property not carried at fair value; (ii) the carrying amount of that investment property at the time of sale; and (iii) the amount of gain or loss recognised. 		<p>17 are used for comparison with the cost model under AASB 140.</p>
<p>Cost Model</p> <p>79 In addition to the disclosures required by paragraph 75, an entity that applies the cost model in paragraph 56 shall disclose:</p> <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (i) additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised as an asset; (ii) additions resulting from acquisitions 	<p>17.31 An entity shall disclose the following for each class of property plant and equipment that was deemed appropriate in accordance with paragraph 4.11(a):</p> <ul style="list-style-type: none"> (a) the measurement bases used for determining the gross carrying amount. (b) the depreciation methods used. (c) the useful lives or the depreciation rates used. (d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and the end of the reporting period. (e) a reconciliation of the carrying amount at the beginning and end of the reporting period showing separately: <ul style="list-style-type: none"> (i) additions. (ii) disposals. (iii) acquisitions through business combinations. (iv) transfers to investment property if a reliable 	<p>Paragraph 17.31(a) of the <i>IFRS for SMEs</i> has no equivalent in AASB 140 and should not be added to the RDR based on paragraph IN4 of this Appendix.</p> <p>Paragraph 79(b) and paragraph 17.31(c) of the <i>IFRS for SMEs</i> correspond. Paragraph 79(b) should be retained in the RDR.</p> <p>Paragraph 79(c) and paragraph 17.31(d) of the <i>IFRS for SMEs</i> correspond. Paragraph 79(c) should be retained in the RDR.</p> <p>Paragraph 79(d)(i) and paragraph 17.31(e)(i) of the <i>IFRS for SMEs</i> correspond, except for separate disclosure of different types of additions. Based on paragraphs IN2 and IN3 of this Appendix, disclosure of ‘additions’ in Paragraph 79(d)(i) should be retained but the separate</p>

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<p>through business combinations;</p> <p>(iii) assets classified as held for sale or included in a disposal group in accordance with AASB 5 and other disposals;</p> <p>(iv) depreciation;</p> <p>(v) the amount of impairment losses recognised, and the amount of impairment losses reversed, during the period in accordance with AASB 136;</p> <p>(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;</p> <p>(vii) transfers to and from inventories and owner-occupied property; and</p> <p>(viii) other changes; and</p> <p>(e) the fair value of investment property. In the exceptional cases described in paragraph 53, when an entity cannot determine the fair value of the investment property reliably, it shall disclose:</p> <p>(i) a description of the investment property;</p> <p>(ii) an explanation of why fair value cannot be determined reliably; and</p> <p>(iii) if possible, the range of estimates within which fair value is highly likely to lie.</p>	<p>measure of fair value becomes available (see paragraph 16.8).</p> <p>(v) impairment losses recognised or reversed in profit or loss in accordance with Section 27 [Impairment of assets].</p> <p>(vi) depreciation.</p> <p>(vii) other changes.</p> <p>This reconciliation need not be presented for prior periods.</p> <p>17.32 The entity shall also disclose the following:</p> <p>(a) the existence and carrying amounts of property, plant and equipment to which the entity has restricted title or that is pledged as security for liabilities.</p> <p>(b) the amount of contractual commitments for the acquisition of property, plant and equipment.</p>	<p>disclosure of ‘additions resulting from acquisitions and those resulting from subsequent expenditure recognised as an asset’ should be excluded from the RDR.</p> <p>Paragraph 79(d)(ii) and paragraph 17.31(e)(iii) of the <i>IFRS for SMEs</i> correspond. Paragraph 79(d)(ii) should be retained in the RDR.</p> <p>Paragraph 79(d)(iii) has no equivalent in the <i>IFRS for SMEs</i> because the <i>IFRS for SMEs</i> does not have an ‘assets held for sale’ classification. Paragraph 79(d)(iii) should be retained in the RDR.</p> <p>Paragraph 79(d)(iv) and paragraph 17.31(e)(vi) of the <i>IFRS for SMEs</i> correspond. Paragraph 79(d)(iv) should be retained in the RDR.</p> <p>Paragraph 79(d)(v) and paragraph 17.31(e)(v) of the <i>IFRS for SMEs</i> correspond. Paragraph 79(d)(v) should be retained in the RDR.</p> <p>Paragraph 79(d)(vi) has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p> <p>Paragraph 79(d)(vii) has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the</p>

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		<p>RDR.</p> <p>Paragraph 79(d)(viii) and paragraph 17.31(e)(vii) of the <i>IFRS for SMEs</i> correspond. Paragraph 79(d)(viii) should be retained in the RDR.</p> <p>Paragraph 79(e) has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p> <p>Paragraph 17.32 of the <i>IFRS for SMEs</i> has no equivalent in AASB 140 and, based on paragraph IN4 of this Appendix, should not be added to the RDR.</p>

3. AASB 140 *Investment Property*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 140 *Investment Property*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

Fair Value Model and Cost Model

- 74 The disclosures below apply in addition to those in AASB 117. In accordance with AASB 117, the owner of an investment property provides lessors' disclosures about leases into which it has entered. An entity that holds an investment property under a finance or operating lease provides lessees' disclosures for finance leases and lessors' disclosures for any operating leases into which it has entered.
- 75 An entity shall disclose:
- (a) whether it applies the fair value or the cost model;
 - (b) if it applies the fair value model, whether, and in what circumstances, property interests held under operating leases are classified and accounted for as investment property;
 - (c) when classification is difficult (see paragraph 14), the criteria it uses to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business;
 - (d) the methods and significant assumptions applied in determining the fair value of investment property, including a statement whether the determination of fair value was supported by market evidence or was more heavily based on other factors (which the entity shall disclose) because of the nature of the property and lack of comparable market data.
 - (e) 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;
 - (f) 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;
 - (iii) direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period; and
 - (iv) the cumulative change in fair value recognised in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used (see paragraph 32C);

- (g) the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal; and
- (h) contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Fair Value Model

76 In addition to the disclosures required by paragraph 75, an entity that applies the fair value model in paragraphs 33-55 shall disclose a reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing the following:

- (a) additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised in the carrying amount of an asset;
- (b) additions resulting from acquisitions through business combinations;
- (c) assets classified as held for sale or included in a disposal group in accordance with AASB 5 and other disposals;
- (d) net gains or losses from fair value adjustments;
- (e) 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;
- (f) transfers to and from inventories and owner-occupied property; and
- (g) other changes.

RDR76.1 Entities applying the Reduced Disclosure Regime need not present the reconciliation in paragraph 76 for prior periods.

77 When a valuation obtained for investment property is adjusted significantly for the purpose of the financial statements, for example to avoid double-counting of assets or liabilities that are recognised as separate assets and liabilities as described in paragraph 50, the entity shall disclose a reconciliation between the valuation obtained and the adjusted valuation included in the financial statements, showing separately the aggregate amount of any recognised lease obligations that have been added back, and any other significant adjustments.

78 In the exceptional cases referred to in paragraph 53, when an entity measures investment property using the cost model in AASB 116, the reconciliation required by paragraph 76 shall disclose amounts relating to that investment property separately from amounts relating to other investment property. In addition, an entity shall disclose:

- (a) a description of the investment property;
- (b) an explanation of why fair value cannot be determined reliably;
- (c) if possible, the range of estimates within which fair value is highly likely to lie; and
- (d) on disposal of investment property not carried at fair value:
 - (i) the fact that the entity has disposed of investment property not carried at fair value;

- (ii) the carrying amount of that investment property at the time of sale; and
- (iii) the amount of gain or loss recognised.

Cost Model

79 In addition to the disclosures required by paragraph 75, an entity that applies the cost model in paragraph 56 shall disclose:

- (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 in accordance with AASB 5 and other disposals;
 - (iv) depreciation;
 - (v) the amount of impairment losses recognised, and the amount of impairment losses reversed, during the period in accordance with AASB 136;
 - (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; and
- (e) the fair value of investment property. In the exceptional cases described in paragraph 53, when an entity cannot determine 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 determined reliably; and
 - (iii) if possible, the range of estimates within which fair value is highly likely to lie.