



**Australian Government**  
**Australian Accounting  
Standards Board**

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8<sup>th</sup> 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. However, the AASB recommends prospective, rather than retrospective, application of the proposed amendments.

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@asb.gov.au](mailto:elee@asb.gov.au)).

Yours sincerely,

A handwritten signature in blue ink that reads 'K. E. Peach'.

Kris Peach  
Chair and CEO

## APPENDIX

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

#### 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. However, the AASB considers the list of examples set out in paragraph 57(a)-(d) to be too limited. The AASB recommends the IASB extend the listing to include further examples of a change in use for properties under construction or development.

In addition, 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, 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 recommends prospective, rather than retrospective, application of the proposed amendments. The AASB considers prospective application to be more appropriate to avoid hindsight in identifying a change in circumstances and in the measurement of the investment property.