

18 February 2016

The Chairman  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

**Dear Sir**

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

Thank you for the opportunity to comment on the Exposure Draft 2015/9 "*Transfers of Investment Property*" – proposed amendments to IAS 40 "*Investment Property*".

The Institute of Public Accountants (IPA) supports the proposed amendments to IAS 40 as they provide clarity as to the circumstances when it is appropriate for property to be reclassified from or to investment property.

The IPA also believes the issue addressed by the Exposure Draft arises from underlying weaknesses in IAS 40 being:

- (a) The definition of investment property – while IAS 40.7-15 provides much useful guidance in relation to determining whether a property, the IPA is aware of circumstances where the guidance has not been sufficient to ensure appropriate outcomes. Although IAS 40.75(c) requires disclosure when classification is difficult, the IPA's view is this is not sufficient to address such misclassifications. Therefore, the IPA believes the IASB should revisit the definition of investment property and the associated guidance with a view to introducing an increased level of rigour into the classification determination.
- (b) The IPA is of the view there should be no choice of measurement between a fair value model and cost model. The IPA's opinion is that the only appropriate base for measurement of investment properties is fair value. Fair value movements are intrinsic to measuring the performance of properties held for investment purposes. Furthermore, the availability of two different measurement bases obscures comparability of property managers and should be eliminated to enhance the ability of investors to assess performance.

Our comments and responses to the questions in the Exposure Draft are set out in the Appendix to this letter.

If you would like to discuss our comments, please contact me or our technical advisers Mr Stephen La Greca ([stephenlagreca@aol.com](mailto:stephenlagreca@aol.com)) or Mr Colin Parker ([colin@gaap.com.au](mailto:colin@gaap.com.au)) (a former member of the AASB), GAAP Consulting.

Yours sincerely



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Cc Ms Kris Peach, Chairperson, Australian Accounting Standards Board

### About the IPA

The IPA is a professional organisation for accountants recognised for their practical, hands-on skills and a broad understanding of the total business environment. Representing more than 35,000 members in Australia and in over 65 countries, the IPA represents members and students working in industry, commerce, government, academia and private practice. Through representation on special interest groups, the IPA ensures the views of its members are voiced with government and key industry sectors and makes representations to Government including the Australian Tax Office (ATO), Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA) on issues affecting our members, the profession and the public interest. The IPA recently merged with the Institute of Financial Accountants of the UK, making the new IPA Group the largest accounting body in the SMP/SME sector in the world.

## Appendix

### Question 1 – Proposed amendment

*The IASB proposes 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?*

#### IPA Response

The IPA supports the proposed changes IAS 40 as they provide greater clarity to the circumstances when property may be reclassified from/to investment property.

### Question 2 – Transition provisions

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

#### IPA Response

The IPA supports the proposed transition provisions in the Exposure Draft as the IPA believes retrospective application provides for greater comparability.

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