

Indian Accounting Standard (Ind AS) 40

Investment Property[#]

(This Indian Accounting Standard includes paragraphs set in **bold** type and plain type, which have equal authority. Paragraphs in bold type indicate the main principles.)

Objective

- 1 The objective of this Standard is to prescribe the accounting treatment for investment property and related disclosure requirements.

Scope

- 2 **This Standard shall be applied in the recognition, measurement and disclosure of investment property.**
- 3 Among other things, this Standard applies to the measurement in a lessee's financial statements of investment property interests held under a lease accounted for as a finance lease and to the measurement in a lessor's financial statements of investment property provided to a lessee under an operating lease. This Standard does not deal with matters covered in Ind AS 17, *Leases*, including:
 - (a) classification of leases as finance leases or operating leases;
 - (b) ¹recognition of lease income from investment property (see also Ind AS 115, *Revenue from Contracts with Customers*);
 - (c) measurement in a lessee's financial statements of property interests held under a lease accounted for as an operating lease;
 - (d) measurement in a lessor's financial statements of its net investment in a finance lease;
 - (e) accounting for sale and leaseback transactions; and
 - (f) disclosure about finance leases and operating leases.

[#] This Ind AS was notified vide G.S.R. 111(E) dated 16th February, 2015 and was amended vide Notification No.G.S.R. 365(E) dated 30th March, 2016 and G.S.R. 310(E) dated 28th March, 2018.

¹ Substituted vide Notification No. G.S.R. 365(E) dated 30th March, 2016 and, thereafter, substituted vide Notification No. G.S.R. 310(E) dated 28th March, 2018. Prior to substitution in 2016, the sub-paragraph read as under:

(b) recognition of lease income from investment property (see also Ind AS 115, *Revenue from Contracts with Customers*);

Prior to substitution in 2018, the sub-paragraph read as under:

(b) recognition of lease income from investment property (see also Ind AS 18, *Revenue*);

- 4 This Standard does not apply to:
- (a) biological assets related to agricultural activity (see Ind AS 41, *Agriculture* and Ind AS 16 *Property, Plant and Equipment*); and
 - (b) mineral rights and mineral reserves such as oil, natural gas and similar non-regenerative resources.

Definitions

- 5 The following terms are used in this Standard with the meanings specified:

Carrying amount is the amount at which an asset is recognised in the balance sheet.

Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Ind ASs, eg Ind AS 102, *Share-based Payment*.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (See Ind AS 113, *Fair Value Measurement*).

Investment property is property (land or a building—or part of a building—or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- (a) use in the production or supply of goods or services or for administrative purposes;
or
- (b) sale in the ordinary course of business.

Owner-occupied property is property held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes.

Classification of property as investment property or owner-occupied property

- 6 [Refer Appendix 1]

7 Investment property is held to earn rentals or for capital appreciation or both. Therefore, an investment property generates cash flows largely independently of the other assets held by an entity. This distinguishes investment property from owner-occupied property. The production or supply of goods or services (or the use of property for administrative purposes) generates cash flows that are attributable not only to property, but also to other assets used in the production or supply process. Ind AS 16 applies to owner-occupied property.

- 8 The following are examples of investment property:

- (a) land held for long-term capital appreciation rather than for short-term sale in the ordinary course of business.
 - (b) land held for a currently undetermined future use. (If an entity has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation.)
 - (c) a building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases.
 - (d) a building that is vacant but is held to be leased out under one or more operating leases.
 - (e) property that is being constructed or developed for future use as investment property.
- 9 The following are examples of items that are not investment property and are therefore outside the scope of this Standard:
- (a) property intended for sale in the ordinary course of business or in the process of construction or development for such sale (see Ind AS 2, *Inventories*), for example, property acquired exclusively with a view to subsequent disposal in the near future or for development and resale.
 - (b) Omitted².
 - (c) owner-occupied property (see Ind AS 16), including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal.
 - (d) [Refer Appendix 1]
 - (e) property that is leased to another entity under a finance lease.
- 10 Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), an entity accounts for the portions separately. If the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.
- 11 In some cases, an entity provides ancillary services to the occupants of a property it holds. An entity treats such a property as investment property if the services are insignificant to the arrangement as a whole. An example is when the owner of an office building provides security and maintenance services to the lessees who occupy the building.

² Refer Appendix 1. Substituted vide Notification No. G.S.R. 365(E) dated 30th March, 2016 and, thereafter, omitted vide Notification No. G.S.R. 310(E) dated 28th March, 2018. Prior to substitution in 2016, the sub-paragraph read as under:

(b) [Refer Appendix 1]

Prior to omission in 2018, the sub-paragraph read as under:

(b) property being constructed or developed on behalf of third parties (see Ind AS 11, *Construction Contracts*)

- 12 In other cases, the services provided are significant. For example, if an entity owns and manages a hotel, services provided to guests are significant to the arrangement as a whole. Therefore, an owner-managed hotel is owner-occupied property, rather than investment property.
- 13 It may be difficult to determine whether ancillary services are so significant that a property does not qualify as investment property. For example, the owner of a hotel sometimes transfers some responsibilities to third parties under a management contract. The terms of such contracts vary widely. At one end of the spectrum, the owner's position may, in substance, be that of a passive investor. At the other end of the spectrum, the owner may simply have outsourced day-to-day functions while retaining significant exposure to variation in the cash flows generated by the operations of the hotel.
- 14 Judgement is needed to determine whether a property qualifies as investment property. An entity develops criteria so that it can exercise that judgement consistently in accordance with the definition of investment property and with the related guidance in paragraphs 7–13. Paragraph 75(c) requires an entity to disclose these criteria when classification is difficult.
- 14A Judgement is also needed to determine whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of Ind AS 103, *Business Combinations*. Reference should be made to Ind AS 103 to determine whether it is a business combination. The discussion in paragraphs 7–14 of this Standard relates to whether or not property is owner-occupied property or investment property and not to determining whether or not the acquisition of property is a business combination as defined in Ind AS 103. Determining whether a specific transaction meets the definition of a business combination as defined in Ind AS 103 and includes an investment property as defined in this Standard requires the separate application of both Standards.
- 15 In some cases, an entity owns property that is leased to, and occupied by, its parent or another subsidiary. The property does not qualify as investment property in the consolidated financial statements, because the property is owner-occupied from the perspective of the group. However, from the perspective of the entity that owns it, the property is investment property if it meets the definition in paragraph 5. Therefore, the lessor treats the property as investment property in its individual financial statements.

Recognition

- 16 Investment property shall be recognised as an asset when, and only when:**
- (a) it is probable that the future economic benefits that are associated with the investment property will flow to the entity; and**
 - (b) the cost of the investment property can be measured reliably.**
- 17 An entity evaluates under this recognition principle all its investment property costs at the time they are incurred. These costs include costs incurred initially to acquire an investment property and costs incurred subsequently to add to, replace part of, or service a property.
- 18 Under the recognition principle in paragraph 16, an entity does not recognise in the carrying amount of an investment property the costs of the day-to-day servicing of such a property. Rather, these costs are recognised in profit or loss as incurred. Costs of day-to-day servicing are primarily

the cost of labour and consumables, and may include the cost of minor parts. The purpose of these expenditures is often described as for the 'repairs and maintenance' of the property.

- 19 Parts of investment properties may have been acquired through replacement. For example, the interior walls may be replacements of original walls. Under the recognition principle, an entity recognises in the carrying amount of an investment property the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognised in accordance with the derecognition provisions of this Standard.

Measurement at recognition

- 20 An investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement.**

- 21 The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs.

- 22 [Refer Appendix 1]

- 23 The cost of an investment property is not increased by:

- (a) start-up costs (unless they are necessary to bring the property to the condition necessary for it to be capable of operating in the manner intended by management),
- (b) operating losses incurred before the investment property achieves the planned level of occupancy, or
- (c) abnormal amounts of wasted material, labour or other resources incurred in constructing or developing the property.

- 24 If payment for an investment property is deferred, its cost is the cash price equivalent. The difference between this amount and the total payments is recognised as interest expense over the period of credit.

- 25 The initial cost of a property interest held under a lease and classified as an investment property shall be as prescribed for a finance lease by paragraph 20 of Ind AS 17, ie the asset shall be recognised at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount shall be recognised as a liability in accordance with that same paragraph.**

- 26 Any premium paid for a lease is treated as part of the minimum lease payments for this purpose, and is therefore included in the cost of the asset, but is excluded from the liability. If a property interest held under a lease is classified as investment property, the item accounted for at fair value is that interest and not the underlying property. Guidance on measuring the fair value of a property interest is set out in paragraphs 33–52 and in Ind AS 113. That guidance is also relevant to the measurement of fair value when that value is used as cost for initial recognition purposes.

- 27 One or more investment properties may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The following discussion refers to

an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such an investment property is measured at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. The acquired asset is measured in this way even if an entity cannot immediately derecognise the asset given up. If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

- 28 An entity determines whether an exchange transaction has commercial substance by considering the extent to which its future cash flows are expected to change as a result of the transaction. An exchange transaction has commercial substance if:
- (a) the configuration (risk, timing and amount) of the cash flows of the asset received differs from the configuration of the cash flows of the asset transferred, or
 - (b) the entity-specific value of the portion of the entity's operations affected by the transaction changes as a result of the exchange, and
 - (c) the difference in (a) or (b) is significant relative to the fair value of the assets exchanged.

For the purpose of determining whether an exchange transaction has commercial substance, the entity-specific value of the portion of the entity's operations affected by the transaction shall reflect post-tax cash flows. The result of these analyses may be clear without an entity having to perform detailed calculations.

- 29 The fair value of an asset is reliably measurable if (a) the variability in the range of reasonable fair value measurements is not significant for that asset or (b) the probabilities of the various estimates within the range can be reasonably assessed and used when measuring fair value. If the entity is able to measure reliably the fair value of either the asset received or the asset given up, then the fair value of the asset given up is used to measure cost unless the fair value of the asset received is more clearly evident.

Measurement after recognition

Accounting policy

- 30 **An entity shall adopt as its accounting policy the cost model prescribed in paragraph 56 to all of its investment property.**

31 [Refer Appendix 1]

- 32 This Standard requires all entities to measure the fair value of investment property, for the purpose of disclosure even though they are required to follow the cost model. An entity is encouraged, but not required, to measure the fair value of investment property on the basis of 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.

32A-32C [Refer Appendix 1]

Fair value measurement

33-35 [Refer Appendix 1]

36-39 [Refer Appendix 1]

40 When measuring the fair value of investment property in accordance with Ind AS 113, an entity shall ensure that the fair value reflects, among other things, rental income from current leases and other assumptions that market participants would use when pricing investment property under current market conditions.

41 [Refer Appendix 1]

42-47 [Refer Appendix 1]

48 In exceptional cases, there is clear evidence when an entity first acquires an investment property (or when an existing property first becomes investment property after a change in use) that the variability in the range of reasonable fair value measurements will be so great, and the probabilities of the various outcomes so difficult to assess, that the usefulness of a single measure of fair value is negated. This may indicate that the fair value of the property will not be reliably measurable on a continuing basis (see paragraph 53).

49-52 [Refer Appendix 1]

Inability to measure fair value reliably

53 There is a rebuttable presumption that an entity can reliably measure the fair value of an investment property on a continuing basis. However, in exceptional cases, there is clear evidence when an entity first acquires an investment property (or when an existing property first becomes investment property after a change in use) that the fair value of the investment property is not reliably measurable on a continuing basis. This arises when, and only when, the market for comparable properties is inactive (eg there are few recent transactions, price quotations are not current or observed transaction prices indicate that the seller was forced to sell) and alternative reliable measurements of fair value (for example, based on discounted cash flow projections) are not available. If an entity determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value of the property to be reliably measurable when construction is complete, it shall measure the fair value of that investment property either when its fair value becomes reliably measurable or construction is completed (whichever is earlier). If an entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably measurable on a continuing basis, the entity shall make the disclosures required by paragraphs 79(e)(i), (ii) and (iii).

53A Once an entity becomes able to measure reliably the fair value of an investment property under construction for which the fair value was not previously measured, it shall measure the fair value of that property. Once construction of that property is complete, it is presumed that fair value can

be measured reliably. If this is not the case, in accordance with paragraph 53, the entity shall make the disclosures required by paragraphs 79(e)(i), (ii) and (iii).

- 53B The presumption that the fair value of investment property under construction can be measured reliably can be rebutted only on initial recognition. An entity that has measured the fair value of an item of investment property under construction may not conclude that the fair value of the completed investment property cannot be measured reliably.
- 54 In the exceptional cases when an entity is compelled, for the reason given in paragraph 53, to make the disclosures required by paragraphs 79(e)(i), (ii) and (iii), it shall determine the fair value of all its other investment property, including investment property under construction. In these cases, although an entity may make the disclosures required by paragraphs 79(e)(i), (ii) and (iii) for one investment property, the entity shall continue to determine the fair value of each of the remaining properties for disclosure required by paragraph 79(e).
- 55 If an entity has previously measured the fair value of an investment property, it shall continue to measure the fair value of that property until disposal (or until the property becomes owner-occupied property or the entity begins to develop the property for subsequent sale in the ordinary course of business) even if comparable market transactions become less frequent or market prices become less readily available.**

Cost model

- 56 After initial recognition, an entity shall measure all of its investment properties in accordance with Ind AS 16's requirements for cost model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*. Investment properties that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) shall be measured in accordance with Ind AS 105.**

Transfers

- 57 ³An entity shall transfer a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a

³ Substituted vide Notification No. G.S.R. 310(E) dated 28th March, 2018. Prior to substitution, the paragraph read as under:

- 57 Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:
- (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
 - (d) commencement of an operating lease to another party, for a transfer from inventories to investment property.
 - (e) [Refer Appendix 1]

change in management's intentions for the use of a property does not provide evidence of a change in use. Examples of evidence of a change in use include:

- (a) commencement of owner-occupation, or of development with a view to 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; and**
- (d) inception of an operating lease to another party, for a transfer from inventories to investment property.**
- (e) ***

58 ⁴When 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 balance sheet) and does not reclassify 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.

59 Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

60-65 [Refer Appendix 1]

Disposals

66 An investment property shall be derecognised (eliminated from the balance sheet) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

* Refer Appendix 1

⁴ Substituted vide Notification No. G.S.R. 310(E) dated 28th March, 2018. Prior to substitution, the paragraph read as under:

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 balance sheet) 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.

- 67 ⁵The disposal of an investment property may be achieved by sale or by entering into a finance lease. The date of disposal for investment property is the date the recipient obtains control of the investment property in accordance with the requirements for determining when a performance obligation is satisfied in Ind AS 115. Ind AS 17 applies to a disposal effected by entering into a finance lease and to a sale and leaseback.
- 68 If, in accordance with the recognition principle in paragraph 16, an entity recognises in the carrying amount of an asset the cost of a replacement for part of an investment property, it derecognises the carrying amount of the replaced part. A replaced part may not be a part that was depreciated separately. If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed.
- 69 Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in profit or loss (unless Ind AS 17 requires otherwise on a sale and leaseback) in the period of the retirement or disposal.**
- 70 ⁶The amount of consideration to be included in the gain or loss arising from the derecognition of an investment property is determined in accordance with the requirements for determining the transaction price in paragraphs 47-72 of Ind AS 115. Subsequent changes to the estimated amount of the consideration included in the gain or loss shall be accounted for in accordance with the requirements for changes in the transaction price in Ind AS 115.
- 71 An entity applies Ind AS 37 or other Standards, as appropriate, to any liabilities that it retains after disposal of an investment property.

⁵ Substituted vide Notification No. G.S.R. 365(E) dated 30th March, 2016 and, thereafter, substituted vide Notification No. G.S.R. 310(E) dated 28th March, 2018. Prior to substitution in 2016, the paragraph read as under:

67 The disposal of an investment property may be achieved by sale or by entering into a finance lease. The date of disposal for investment property is the date the recipient obtains control of the investment property in accordance with the requirements for determining when a performance obligation is satisfied in Ind AS 115. Ind AS 17 applies to a disposal effected by entering into a finance lease and to a sale and leaseback.

Prior to substitution in 2018, the paragraph read as under:

67 The disposal of an investment property may be achieved by sale or by entering into a finance lease. In determining the date of disposal for investment property, an entity applies the criteria in Ind AS 18 for recognising revenue from the sale of goods. Ind AS 17 applies to a disposal effected by entering into a finance lease and to a sale and leaseback.

⁶ Substituted vide Notification No. G.S.R. 365(E) dated 30th March, 2016 and, thereafter, substituted vide Notification No. G.S.R. 310(E) dated 28th March, 2018. Prior to substitution in 2016, the paragraph read as under:

70 The amount of consideration to be included in the gain or loss arising from the derecognition of an investment property is determined in accordance with the requirements for determining the transaction price in paragraphs 47-72 of Ind AS 115. Subsequent changes to the estimated amount of the consideration included in the gain or loss shall be accounted for in accordance with the requirements for changes in the transaction price in Ind AS 115.

Prior to substitution in 2018, the paragraph read as under:

70 The consideration receivable on disposal of an investment property is recognised initially at fair value. In particular, if payment for an investment property is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue in accordance with Ind AS 18 using the effective interest method.

- 72 **Compensation from third parties for investment property that was impaired, lost or given up shall be recognised in profit or loss when the compensation becomes receivable.**
- 73 Impairments or losses of investment property, related claims for or payments of compensation from third parties and any subsequent purchase or construction of replacement assets are separate economic events and are accounted for separately as follows:
- (a) impairments of investment property are recognised in accordance with Ind AS 36;
 - (b) retirements or disposals of investment property are recognised in accordance with paragraphs 66–71 of this Standard;
 - (c) compensation from third parties for investment property that was impaired, lost or given up is recognised in profit or loss when it becomes receivable; and
 - (d) the cost of assets restored, purchased or constructed as replacements is determined in accordance with paragraphs 20–29 of this Standard.

Disclosure

- 74 The disclosures below apply in addition to those in Ind AS 17. In accordance with Ind AS 17, 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 provides lessees' disclosures for finance leases and lessors' disclosures for any operating leases into which it has entered.
- 75 **An entity shall disclose:**
- (a) **its accounting policy for measurement of investment property.**
 - (b) **[Refer Appendix 1]**
 - (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) **[Refer Appendix 1]**
 - (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; and**

- (iii) **direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period.**
- (iv) **[Refer Appendix 1]**
- (g) **the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal.**
- (h) **contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.**

76-78 [Refer Appendix 1]

79 In addition to the disclosures required by paragraph 75, an entity 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 classified as held for sale in accordance with Ind AS 105 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 Ind AS 36;**
 - (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.**
- (e) **the fair value of investment property. In the exceptional cases described in paragraph 53, when an entity cannot measure 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 measured reliably; and
- (iii) if possible, the range of estimates within which fair value is highly likely to lie.

⁷Transitional Provisions

80 *
81 *
82 *
83 *
84 *
84A *
84B *

Transfers of investment property

84C *Transfers of Investment Property* (Amendments to Ind AS 40), amended paragraphs 57–58. An entity shall apply those amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments (the date of initial application). At the date of initial application, an entity shall reassess the classification of property held at that date and, if applicable, reclassify property applying paragraphs 7–14 to reflect the conditions that exist at that date.

84D Notwithstanding the requirements in paragraph 84C, an entity is permitted to apply the amendments to paragraphs 57–58 retrospectively in accordance with Ind AS 8 if, and only if, that is possible without the use of hindsight.

84E If, in accordance with paragraph 84C, an entity reclassifies property at the date of initial application, the entity shall:

(a) account for the reclassification applying the requirements in paragraph 59.

- (i) *
- (ii) *

(b) disclose the amounts reclassified to, or from, investment property in accordance with paragraph 84C. The entity shall disclose those amounts reclassified as part of the reconciliation of the carrying amount of investment property at the beginning and end of the period as required by paragraph 79.

Effective date

85 *
85A *

⁷ Headings and paragraphs 80-85G inserted vide Notification No. G.S.R. 310(E) dated 28th March, 2018.

* Refer Appendix 1

85B *
85C *
85D *

85E As a consequence of issuance of Ind AS 115, *Revenue from Contracts with Customers*, paragraphs 3(b), 9, 67 and 70 are amended. An entity shall apply those amendments when it applies Ind AS 115.

85F *

85G *Transfers of Investment Property* (Amendments to Ind AS 40), amended paragraphs 57–58 and added paragraphs 84C–84E. An entity shall apply those amendments for annual periods beginning on or after 1st April, 2018.

* Refer Appendix 1

Appendix 1

Note: This Appendix is not a part of the Indian Accounting Standard. The purpose of this Appendix is only to bring out the major differences, if any, between Indian Accounting Standard (Ind AS) 40 and the corresponding International Accounting Standard (IAS) 40, Investment Property, issued by the International Accounting Standards Board.

Comparison with IAS 40, *Investment Property*

- 1 IAS 40 permits both cost model and fair value model (except in some situations) for measurement of investment properties after initial recognition. Ind AS 40 permits only the cost model. The following paragraphs of IAS 40 which deal with fair value model have been deleted in Ind AS 40. In order to maintain consistency with paragraph numbers of IAS 40, the paragraph numbers are retained in Ind AS 40:
 - (i) Paragraph 6
 - (ii) Paragraph 31
 - (iii) Paragraphs 32A-32C
 - (iv) Paragraphs 33-35
 - (v) Paragraph 41
 - (vi) Paragraph 50
 - (vii) Paragraph 52
 - (viii) Paragraphs 60-65
 - (ix) Paragraph 75(b)
 - (x) Paragraph 75(f)(iv)
 - (xi) Paragraphs 76-78
 - (xii) ⁸Paragraphs 84E(i) - (ii)
- 2 The transitional provisions given in IAS 40 have not been included in Ind AS 40 since all transitional provisions related to Ind ASs, wherever considered appropriate have been included in Ind AS 101, *First-time Adoption of Indian Accounting Standards*, corresponding to IFRS 1, *First-time Adoption of International Financial Reporting Standards*.
- 3 IAS 40 requires disclosure of fair values of investment property when cost model is used. Since this requirement is retained in Ind AS 40, paragraphs 53, 53A, 53B, 54 and 55 and certain other paragraphs of IAS 40 have been modified. The modifications include deletion of reference to use of cost model when fair value measurement is unreliable.

⁸ Inserted vide Notification No. G.S.R. 310(E) dated 28th March, 2018.

- 4 IAS 40 permits treatment of property interest held in an operating lease as investment property, if the definition of investment property is otherwise met and fair value model is applied. In such cases, the operating lease would be accounted as if it were a finance lease. Since Ind AS 40 prohibits the use of fair value model, this treatment is prohibited in Ind AS 40. As a result, paragraph 6 of IAS 40 has been deleted in Ind AS 40 (see point 1(i) above). In addition, the expression ‘investment property under a finance or operating lease’ appearing in paragraph 74 of IAS 40 has been modified as ‘investment property under a finance lease’ in Ind AS 40.
- 5 As a result of prohibition of use of fair value model in Ind AS 40, there are some modifications in the wording of paragraph 26 (removal of the words ‘for the fair value model’), paragraphs 30 and 32 (Accounting policy), heading above paragraph 33 (‘Fair value determination’ instead of ‘Fair value model’), paragraph 56, paragraph 59 (deletion of portion relating to fair value model), paragraph 68 (deletion of a portion dealing with fair value model), heading above paragraph 74 (deletion of the heading ‘Fair value model and cost model’), 75(a) (disclosure of accounting policy) as compared to the wording used in IAS 40, heading above paragraph 76 (deletion of the heading ‘Fair value model’), heading above paragraph 79 (deletion of the heading ‘Cost model’) and paragraph 79 (deletion of the words ‘ that applies the cost model in paragraph 56’).
- 6 Different terminology is used in this Standard eg, the term ‘balance sheet’ is used instead of ‘Statement of financial position’.
- 7 The following paragraphs appear as ‘Deleted’ in IAS 40. In order to maintain consistency with paragraph numbers of IAS 40, the paragraph numbers are retained in Ind AS 40:
- (i) ⁹Paragraph 9(b)
 - (ii) Paragraph 9(d)
 - (iii) Paragraph 22
 - (iv) Paragraphs 36-39
 - (v) Paragraphs 42-47
 - (vi) Paragraph 49
 - (vii) Paragraph 51
 - (viii) Paragraph 57(e)
 - (ix) Paragraph 75(d)
- 8 ¹⁰Paragraphs 80 to 84A of IAS 40 which deals with the transitional provisions have not been included in Ind AS 40 as all transitional provisions related to Ind ASs, wherever considered appropriate have been included in Ind AS 101, *First-time Adoption of Indian Accounting*

⁹ Omitted vide Notification No. G.S.R. 365(E) dated 30th March, 2016 and, thereafter, inserted vide Notification No. G.S.R. 310(E) dated 28th March, 2018. Prior to omission in 2016, the sub-paragraph read as under:

(i) Paragraph 9(b)

¹⁰ Inserted vide Notification No. G.S.R. 310(E) dated 28th March, 2018.

Standards corresponding to IFRS 1, *First-time Adoption of International Financial Reporting Standards*. Paragraphs 85 to 85D in IAS 40 have not been included in Ind AS 40 as these paragraphs relate to effective date which are not relevant in Indian context. However, in order to maintain consistency with paragraph numbers of IAS 40, the paragraph numbers are retained in Ind AS 40.

- 9 ¹¹In IAS 40, paragraphs 84B and 85F are added consequent to the issuance of new standard on leases (IFRS 16, Leases). Ind AS corresponding to IFRS 16 is under formulation in India. Accordingly, these paragraphs will be finalised once Ind AS 116 is finalised.

¹¹ *ibid*