
In brief

A look at current financial reporting issues

9 December 2016

Amendment to IAS 40 Investment Property

Issue

The IASB has issued an amendment to IAS 40, *Investment Property*, clarifying when assets are transferred to, or from, investment properties.

Impact

The amendment clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. The Board confirmed that a change in intention, in isolation, is not enough to support a transfer.

The issue arose from confusion over whether an entity transfer's property under development from inventory to investment property when there is evidence of a change in use that was not explicitly included in the standard. The list of evidence was therefore re-characterised as a non-exhaustive list of examples to help illustrate the principle. The examples were expanded to include assets under construction and development and not only transfers of completed properties.

The Board provided two options for transition.

1. Prospective application. Any impact from properties that are reclassified would be treated as an adjustment to opening retained earnings as at the date of initial application. There are also special disclosure requirement if this option is selected.
2. Retrospective application. This option can only be selected without the use of hindsight.

When?

This amendment will be effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.



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Ihre Ansprechpartner aus dem National Office



Guido Fladt

Leiter des National Office (Grundsatzabteilung HGB und IFRS)
Frankfurt am Main
Tel.: +49 69 9585-1455
g.fladt@de.pwc.com



Andreas Bödecker

Unternehmenszusammenschlüsse,
Joint Arrangements, assoziierte
Unternehmen und Impairmenttest
nach IFRS
Hannover
Tel.: +49 511 5357-3230
andreas.boedecker@de.pwc.com



Karsten Ganssaue

Bilanzierung von Finanz-
instrumenten und Leasing
nach IFRS
Hamburg
Tel.: +49 40 6378-8164
karsten.ganssaue@de.pwc.com



Dr. Sebastian Heintges

Umsatzrealisierung, Mitarbeiter-
vergütungen und latente Steuern
nach IFRS
Düsseldorf
Tel.: - 49 69 9585-3220
sebastian.heintges@de.pwc.com



Alexander Hofmann

Bilanzierung von Versicherungs-
verträgen nach HGB und IFRS
Düsseldorf
Tel.: +49 221 2084-340
alexander.hofmann@de.pwc.com



Barbara Reitmeier

Handelsbilanzielle Fragestellungen
Frankfurt am Main
Tel.: +49 69 9585-5446
barbara.reitmeier@de.pwc.com



Wolfgang Weigel

Bankspezifische Fragestellungen
nach HGB und IFRS
(Finanzinstrumente)
Frankfurt am Main
Tel.: +49 69 9585-257
wolfgang.weigel@de.pwc.com