

Introduction and Invitation to Comment

In this exposure draft the International Accounting Standards Board proposes to amend IAS 40 *Investment Property* to make clear how an investment property under lease should be recorded.

The Board invites comments on the proposed amendment to IAS 40. It would particularly welcome answers to the question set out below. Comments are most helpful if they contain a clear rationale and, when applicable, provide a suggestion for alternative wording.

The Board is not requesting comments on matters in IAS 40 not addressed in the exposure draft.

Question

Should paragraph 50(d) of IAS 40 be amended to clarify the accounting for investment property held under a lease? If not, why?

Proposed amendment to IAS 40 *Investment Property*

In the Standard, paragraph 50(d) is amended (new text is underlined and deleted text is struck through)

Measurement after recognition

Fair value model

- 50 In determining the fair value of investment property, an entity does not double-count assets or liabilities that are recognised as separate assets or liabilities. For example:
- (a) ...
 - (d) the fair value of investment property held under a lease reflects expected cash flows (including contingent rent that is expected to become payable). Accordingly, if a valuation obtained for a property is net of all payments expected to be made, it will be necessary to add back any recognised lease liability, to arrive at the fair value~~carrying amount~~ of the investment property using the fair value model~~for accounting purposes~~.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, the draft amendment.

Fair value of investment property held under a lease

BC1 Paragraph 50(d) states that, if a valuation obtained for an investment property is net of all payments expected to be made, the fair value of the investment property held under a lease is determined for accounting purposes by adding back any separately recognised lease liability. The Board considered that this statement was misleading because it implied that the fair value of an investment property asset held under a lease was equal to the net fair value plus the carrying amount of any recognised lease liability. Therefore, the Board proposes to amend paragraph 50(d) to clarify the intended meaning.