



2018

*Comments on Exposure Draft of
Accounting Standard (AS) 40
Investment Property issued by
the Accounting Standards
Board of the Institute of
Chartered Accountants of India*

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Thank you so much for providing an opportunity to comment on the Exposure Draft (ED) of Accounting Standard (AS) 40 *Investment Property*. Given below are our comments on the same:

1. The introductory paragraph in italics states that Companies (Accounting Standards) Rules, 2006, is applicable only to unlisted entities. In this regard, attention is drawn to the provision to sub-rule (1) of Rule 4 of the Companies (Indian Accounting Standards) Rules, 2015, which is as under:

“Provided that nothing in this sub-rule, except clause (1) shall apply to companies whose securities are listed or are in the process of being listed on SME exchange as referred to in Chapter XB or on the Institutional Trading Platform without initial public offering in accordance with the provisions of Chapter XC of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.”

Therefore, Companies (Accounting Standards) Rules, 2006 are applicable to companies listed in SME platform. The Accounting Standards Board (ASB) may suitably amend the introductory paragraph considering the above said requirement.

2. Paragraph 3 and paragraph 25 of the ED states that 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. It is noted that IFRS 16 *Leases* is applicable internationally from 1 January 2019 which has replaced IAS 17 *Leases*. In India, Ind AS 116 *Leases* is expected to be applicable from 1 April 2019. IFRS 16 does not classify leases into operating and finance from lessee’s perspective. Therefore, IAS 40 *Investment Property* has been significantly revised. The ED of AS 40 must be based on Ind AS 116 and revised Ind AS 40 as the upgraded AS will be applicable only after 1 April 2019. The ASB may kindly consider issue of a revised exposure draft of AS 40 based on revised Ind AS 40
3. The definition of cost refers to the requirements of AS 102 *Share-based Payments*. However, no synopsis of the requirements of proposed AS 102 has been provided. This makes it difficult to comprehend the consequences of such definition on financial statements. The ASB is requested to kindly provide the approach paper to upgraded AS approved by the Council of ICAI as an appendix to all the EDs of upgraded AS.
4. Paragraph 9(b), 67 and 70 refers to AS 11 *Construction Contracts* or AS 18 *Revenue*. It is noted that under Ind AS, Ind AS 115 has become applicable from 1 April 2018 replacing Ind AS 11 and Ind AS 18. Whether the ASB intends to change AS 7 based on the outdated Ind AS 11 or the currently applicable Ind AS 115 is not clear. Given the objective of this exercise to bring the AS nearer to Ind AS, references to AS 11 and AS 18 must be replaced with AS 115. The ASB is requested to kindly provide the approach paper to upgraded AS approved by the Council of ICAI as an appendix to all the EDs of upgraded AS.



5. Paragraph 15 of the ED refers to parent only financial statements as individual financial statements. Ind AS 27 defines parent only financial statements as separate financial statements. Financial statements of an entity that is not a parent and that does not include associate or joint venture is called individual financial statements. It is not clear as to whether ASB intends to issue an AS like Ind AS 27. Further, in India, no distinction has practically been kept between separate financial statements and individual financial statements as both these financial statements have been titled as Standalone financial statements even by companies following Ind AS and by auditors in their audit reports despite there being a separate standard on separate financial statements. In view of this practice being widely followed and silence of The Institute of Chartered Accountants of India as to whether such practice is proper, the ASB may change the reference from individual financial statements to standalone financial statements.
6. Paragraph 56 requires an entity to measure all of its investment property in accordance with AS 16's requirements for cost model. However, the said paragraph provides an exception for investment properties that meet the criteria to be classified as held for sale in accordance with AS 105 *Non-current Assets Held for Sale and Discontinued Operations*. In this regard, attention is drawn to the requirements of paragraph 57 of AS 10 *Property, Plant and Equipment* requiring an entity to cease depreciation at the earlier of the date that the asset is retired from active use and is held for disposal and the date that the asset is derecognised. Thus, AS 10 has no concept of Non-current Assets Held for Sale. The AS 10 became applicable from 1 April 2016. Whether ASB intends to revise the recently revised AS is not clear in absence of approach paper to upgraded AS. If the ASB is not intending to revise AS 10 and just change the number from AS 10 to AS 16, the reference in paragraph 56 of the ED to AS 105 needs change.
7. Paragraph 66 of the ED states that 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. It is a well-accepted and universal fact that nothing in this world is permanent. Therefore, an investment property can never be permanently withdrawn from use. This anomaly exists in Ind AS 40 and IAS 40. The ASB may consider changing the words in paragraph 66 to that used in AS 10.