NZ IAS 40: INVESTMENT PROPERTY

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every effort is made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date ved or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice iorough examination of the particular facts and circumstances of the situation. 30 New Zealand Limited. All Rights Reserved. For more information visit <u>www.bdo.nz</u>. SCOPE Partial own use This Standard must be applied in the recognition, measurement and disclosure of investment property. • If the owner uses part of the property for its own use, and part to earn rentals or for capital appreciation, and the portions can be sold This Standard does not apply to: (a) biological assets related to agricultural activity (see IAS 41 Agriculture and IAS 16 Property, Plant and Equipment); and (b) mineral rights and mineral reserves such as oil, natural gas and similar non-regenerative resources. or leased out separately, they are accounted for separately. The part that is rented out is investment property. • If the portions cannot be sold or leased out separately, the property is investment property only if the owner-occupied (property, plant and equipment) portion is insignificant. 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. ╈ Provision of ancillary services to occupants INCLUDES **EXCLUDES** If those services (e.g. security or maintenance services) are a relatively insignificant component of the arrangement as a whole, then the entity may treat the property as investment property. · Land held for long-term capital appreciation. • Property held for use in the production or supply of goods or services or for administrative purposes (NZ IAS 16 - Property, Plant and Equipment applies) Where the services provided are more significant (such as in the case of · Land held for indeterminate future use. an owner-managed hotel), the property should be classified as owner-· Property intended for sale in the ordinary course of business or in the process of Building leased out under an operating lease. occupied property, plant and equipment. construction or development for such sale (NZ IAS 2 - Inventories applies). · Vacant building held to be leased out under • Owner-occupied property (NZ IAS 16 applies). an operating lease. Property leased to another entity under a finance lease (NZ IFRS 16 applies) Property being constructed/developed for Interrelationship between NZ IFRS 3 and NZ IAS 40 future use as investment property. Judgement is required to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination is the scope of NZ IFRS 3 - Business Combinations. The judgement of whether the acquisition of investment property is a business combination based on the guidance in NZ IFRS 3. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the property will flow to the enterprise, and the cost of the property can be reliably measured. Inter-company rentals Property rented to a parent, subsidiary, or fellow subsidiary is not investment property in consolidated financial statements that include both the lessor and the lessee, because the property is owner-occupied Subsequent Measurement Initial measurement from the perspective of the group. Investment property is initially An entity can choose between the fair value and cost model. The accounting policy choice must be applied to all Such property could qualify as investment property in the separate measured at cost, including investment property. financial statements of the lessor, if the definition of investment transaction costs. Fair value model property is otherwise met. Costs should not include start- Investment properties are measured at fair value, which is the price that would be received to sell the up costs, abnormal waste, or investment property in an orderly transaction between market participants at the measurement date (see NZ initial operating losses IFRS 13 - Fair Value Measurement). Transfers incurred before the Gains or losses arising from changes in the fair value of investment property must be included in profit or loss investment property achieves Only permits assets to be reclassified into or out of the investment for the period in which it arises. the planned level of property category when and only when there is a change in use and occupancy. In rare exceptional circumstances if fair value cannot be determined, the cost model in NZ IAS 16 - Property, provides examples. Plant and Equipment is used to measure the investment property. An investment property held In isolation, a change in management's intention does not provide is received or th fter a thorough e 2024 BDO New 2 by a lessee as a right-of-use Cost model evidence of a change in use. asset is measured initially at

its cost in accordance with NZ

IFRS 16.

Investment property is measured in accordance with requirements set out for that model in NZ IAS 16 - Property, Plant and Equipment.

TIER 2 NZ IFRS RDR REPORTERS

NZ IFRS RDR Reporters must comply fully with the recognition and measurement principles of NZ IAS 40. However, there are certain disclosure exemptions available.