

Amendments to HKAS 40: Transfers of Investment Property

【Background】

The International Accounting Standards Board (the “Board”) received a question regarding the application of paragraph 57 of the International Accounting Standard 40, which specifies requirements on the transfers to, or from, investment property. Having revisited the provision, the Board decided to make certain amendments.

To maintain the convergence with the international standards, the Hong Kong Institute of Certified Public Accountants adopted the equivalent amendments in Hong Kong Accounting Standard (“HKAS”) 40.

【Highlight】

HKAS 40 requires transfers to, or from, investment property when, and only when, there is a change in the use of property evidenced by circumstances listed in paragraph 57 (a) to (d). By the reference to ‘when and only when’, that list is regarded as exhaustive.

The amendments clarify that, to transfer to or from investment property, there must be a change in use. A change in use would involve (i) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (ii) supporting evidence that a change in use has occurred.

The amendments also re-characterised the list of circumstances as a non-exhaustive list of examples to allow for other circumstances to be accounted for as a transfer, as long as that change is supported by appropriate evidence.

【Effective Date】

The amendments are effective for annual periods beginning on or after 1st January, 2018. Earlier application is permitted.

【Transitional Treatment】

An entity shall apply those amendments to changes in use of property 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 to reflect the conditions that exist at that date. Retrospective application is permitted if, and only if, that is possible without the use of hindsight.



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