Appendix D
Amendments to other Standards

This appendix sets out the amendments to other Standards that are a consequence of the IASB issuing this Standard. An entity shall apply the amendments for annual periods beginning on or after 1 January 2019. If an entity applies this Standard for an earlier period, it shall also apply these amendments for that earlier period.

An entity is not permitted to apply IFRS 16 before applying IFRS 15 Revenue from Contracts with Customers *(see paragraph C1).*

Consequently, for Standards that were effective on 1 January 2016, the amendments in this appendix are presented based on the text of those Standards that was effective on 1 January 2016, as amended by IFRS 15. The text of those Standards in this appendix does not include any other amendments that were not effective at 1 January 2016.

For Standards that were not effective on 1 January 2016, the amendments in this appendix are presented based on the text of the initial publication of that Standard, as amended by IFRS 15. The text of those Standards in this appendix does not include any other amendments that were not effective at 1 January 2016.

Amended paragraphs are shown with deleted text struck through and new text is underlined.

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Paragraph 30 is amended and paragraph 39AB is added.

Use of fair value as deemed cost

30 If an entity uses fair value in its opening IFRS statement of financial position as *deemed cost* for an item of property, plant and equipment, an investment property, ~~or~~ an intangible asset or a right-of-use asset (see paragraphs D5 and D7), the entity's first IFRS financial statements shall disclose, for each line item in the opening IFRS statement of financial position:

(a) ...

Effective date

...

39AB IFRS 16 *Leases*, issued in January 2016, amended paragraphs 30, C4, D1, D7, D8B and D9, deleted paragraph D9A and added paragraphs D9B–D9E. An entity shall apply those amendments when it applies IFRS 16.

Paragraph C4 is amended.

Exemptions for business combinations

...

C4 If a first-time adopter does not apply IFRS 3 retrospectively to a past business combination, this has the following consequences for that business combination:

(a) ...

(f) If an asset acquired, or liability assumed, in a past business combination was not recognised in accordance with previous GAAP, it does not have a deemed cost of zero in the opening IFRS statement of financial position. Instead, the acquirer shall recognise and measure it in its consolidated statement of financial position on the basis that IFRSs would require in the statement of financial position of the acquiree. To illustrate: if the acquirer had not, in accordance with its previous GAAP, capitalised ~~finance~~ leases acquired in a past business combination in which the acquiree was a lessee, it shall capitalise those leases in its consolidated financial statements, as ~~IAS 17~~ IFRS 16 *Leases* would require the acquiree to do in its IFRS statement of financial position. Similarly, if the acquirer had not, in accordance with its previous GAAP, recognised a contingent liability that still exists at the date of transition to IFRSs, the acquirer shall recognise that contingent liability at that date unless IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* would prohibit its recognition in the financial statements of the acquiree. Conversely, if an asset or liability was subsumed in goodwill in accordance with previous GAAP but would have been recognised separately under IFRS 3, that asset or liability remains in goodwill unless IFRSs would require its recognition in the financial statements of the acquiree.

(g) ...

In Appendix D, paragraphs D1, D7, D8B and D9 are amended. Paragraph D9A is deleted. Paragraphs D9B-D9E are added.

Exemptions from other IFRSs

...

D1 An entity may elect to use one or more of the following exemptions:

(a) ...

(d) leases (paragraphs D9 and ~~D9A~~ D9B–D9E);

...

Deemed cost

...

D7 The elections in paragraphs D5 and D6 are also available for:

(a) investment property, if an entity elects to use the cost model in IAS 40 *Investment Property*; ~~and~~

(aa) right-of-use assets (IFRS 16 *Leases*); and

(b) ...

...

D8B Some entities hold items of property, plant and equipment, right-of-use assets or intangible assets that are used, or were previously used, in operations subject to rate regulation. The carrying amount of such items might include amounts that were determined under previous GAAP but do not qualify for capitalisation in accordance with IFRSs. If this is the case, a first-time adopter may elect to use the previous GAAP carrying amount of such an item at the date of transition to IFRSs as deemed cost. If an entity applies this exemption to an item, it need not apply it to all items. At the date of transition to IFRSs, an entity shall test for impairment in accordance with IAS 36 each item for which this exemption is used. For the purposes of this paragraph, operations are subject to rate regulation if they are governed by a framework for establishing the prices that can be charged to customers for goods or services and that framework is subject to oversight and/or approval by a rate regulator (as defined in IFRS 14 *Regulatory Deferral Accounts*).

Leases

D9 ~~A first-time adopter may apply the transitional provisions in IFRIC 4 *Determining whether an Arrangement contains a Lease*. Therefore, a first-time adopter may determine whether an arrangement existing at the date of transition to IFRSs contains a lease on the basis of facts and circumstances existing at that date.~~ A first-time adopter may assess whether a contract existing at the date of transition to IFRSs contains a lease by applying paragraphs 9–11 of IFRS 16 to those contracts on the basis of facts and circumstances existing at that date.

D9A [Deleted] ~~If a first-time adopter made the same determination of whether an arrangement contained a lease in accordance with previous GAAP as that required by IFRIC 4 but at a date other than that required by IFRIC 4, the first-time adopter need not reassess that determination when it adopts IFRSs. For an entity to have made the same determination of whether the arrangement contained a lease in accordance with previous GAAP, that determination would have to have given the same outcome as that resulting from applying IAS 17 *Leases* and IFRIC 4.~~

D9B When a first-time adopter that is a lessee recognises lease liabilities and right-of-use assets, it may apply the following approach to all of its leases (subject to the practical expedients described in paragraph D9D):

(a) measure a lease liability at the date of transition to IFRSs. A lessee following this approach shall measure that lease liability at the present value of the remaining lease payments (see paragraph D9E), discounted using the lessee's incremental borrowing rate (see paragraph D9E) at the date of transition to IFRSs.

(b) measure a right-of-use asset at the date of transition to IFRSs. The lessee shall choose, on a lease-by-lease basis, to measure that right-of-use asset at either:

(i) its carrying amount as if IFRS 16 had been applied since the commencement date of the lease (see paragraph D9E), but discounted using the lessee's incremental borrowing rate at the date of transition to IFRSs; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition to IFRSs.

(c) apply IAS 36 to right-of-use assets at the date of transition to IFRSs.

D9C Notwithstanding the requirements in paragraph D9B, a first-time adopter that is a lessee shall measure the right-of-use asset at fair value at the date of transition to IFRSs for leases that meet the definition of investment property in IAS 40 and are measured using the fair value model in IAS 40 from the date of transition to IFRSs.

D9D A first-time adopter that is a lessee may do one or more of the following at the date of transition to IFRSs, applied on a lease-by-lease basis:

(a) apply a single discount rate to a portfolio of leases with reasonably similar characteristics (for example, a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

(b) elect not to apply the requirements in paragraph D9B to leases for which the lease term (see paragraph D9E) ends within 12 months of the date of transition to IFRSs. Instead, the entity shall account for (including disclosure of information about) these leases as if they were short-term leases accounted for in accordance with paragraph 6 of IFRS 16.

(c) elect not to apply the requirements in paragraph D9B to leases for which the underlying asset is of low value (as described in paragraphs B3-B8 of IFRS 16). Instead, the entity shall account for (including disclosure of information about) these leases in accordance with paragraph 6 of IFRS 16.

(d) exclude initial direct costs (see paragraph D9E) from the measurement of the right-of-use asset at the date of transition to IFRSs.

(e) use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

D9E Lease payments, lessee, lessee's incremental borrowing rate, commencement date of the lease, initial direct costs and lease term are defined terms in IFRS 16 and are used in this Standard with the same meaning.

IFRS 3 *Business Combinations*

Paragraphs 14 and 17 are amended and paragraphs 28A and 28B and their related heading, and paragraph 64M, are added.

Recognition conditions

...

14 Paragraphs ~~B28–B40~~ B31–B40 provide guidance on recognising ~~operating leases and~~ intangible assets. Paragraphs 22–28B specify the types of identifiable assets and liabilities that include items for which this IFRS provides limited exceptions to the recognition principle and conditions.

Classifying or designating identifiable assets acquired and liabilities assumed in a business combination

...

17 This IFRS provides two exceptions to the principle in paragraph 15:

(a) classification of a lease contract in which the acquiree is the lessor as either an operating lease or a finance lease in accordance with ~~IAS 17~~ IFRS 16 *Leases*; and

(b) ...

Leases in which the acquiree is the lessee

28A The acquirer shall recognise right-of-use assets and lease liabilities for leases identified in accordance with IFRS 16 in which the acquiree is the lessee. The acquirer is not required to recognise right-of-use assets and lease liabilities for:

(a) leases for which the lease term (as defined in IFRS 16) ends within 12 months of the acquisition date; or

(b) leases for which the underlying asset is of low value (as described in paragraphs B3–B8 of IFRS 16).

28B The acquirer shall measure the lease liability at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired lease were a new lease at the acquisition date. The acquirer shall measure the right-of-use asset at the same amount as the lease liability, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Effective date

...

64M IFRS 16, issued in January 2016, amended paragraphs 14, 17, B32 and B42, deleted paragraphs B28–B30 and their related heading and added paragraphs 28A–28B and their related heading. An entity shall apply those amendments when it applies IFRS 16.

In Appendix B, paragraphs B28–B30 and their related heading are deleted and paragraphs B32 and B42 are amended.

~~Operating leases~~

B28 [Deleted] ~~The acquirer shall recognise no assets or liabilities related to an operating lease in which the acquiree is the lessee except as required by paragraphs B29 and B30.~~

B29 [Deleted] ~~The acquirer shall determine whether the terms of each operating lease in which the acquiree is the lessee are favourable or unfavourable. The acquirer~~

~~shall recognise an intangible asset if the terms of an operating lease are favourable relative to market terms and a liability if the terms are unfavourable relative to market terms. Paragraph B42 provides guidance on measuring the acquisition-date fair value of assets subject to operating leases in which the acquiree is the lessor.~~

B30 [Deleted] ~~An identifiable intangible asset may be associated with an operating lease, which may be evidenced by market participants' willingness to pay a price for the lease even if it is at market terms. For example, a lease of gates at an airport or of retail space in a prime shopping area might provide entry into a market or other future economic benefits that qualify as identifiable intangible assets, for example, as a customer relationship. In that situation, the acquirer shall recognise the associated identifiable intangible asset(s) in accordance with paragraph B31.~~

Intangible assets

...

B32 An intangible asset that meets the contractual-legal criterion is identifiable even if the asset is not transferable or separable from the acquiree or from other rights and obligations. For example:

(a) [deleted] ~~an acquiree leases a manufacturing facility under an operating lease that has terms that are favourable relative to market terms. The lease terms explicitly prohibit transfer of the lease (through either sale or sublease). The amount by which the lease terms are favourable compared with the terms of current market transactions for the same or similar items is an intangible asset that meets the contractual-legal criterion for recognition separately from goodwill, even though the acquirer cannot sell or otherwise transfer the lease contract.~~

(b) ...

Assets subject to operating leases in which the acquiree is the lessor

B42 In measuring the acquisition-date fair value of an asset such as a building or a patent that is subject to an operating lease in which the acquiree is the lessor, the acquirer shall take into account the terms of the lease. ~~In other words, t~~The acquirer does not recognise a separate asset or liability if the terms of an operating lease are either favourable or unfavourable when compared with market terms ~~as paragraph B29 requires for leases in which the acquiree is the lessee~~.

IFRS 4 *Insurance Contracts*

Paragraph 4, as amended by IFRS 15, is amended and paragraph 41I is added.

Scope

...

4 An entity shall not apply this IFRS to:

(a) ...

(c) contractual rights or contractual obligations that are contingent on the future use of, or right to use, a non-financial item (for example, some licence fees, royalties, ~~contingent~~ variable lease payments and similar items), as well as a lessee's residual value guarantee embedded in a ~~finance~~ lease (see ~~IAS 17~~ IFRS 16 *Leases*, IFRS 15 *Revenue from Contracts with Customers* and IAS 38 *Intangible Assets*).

(d) ...

Effective date and transition

...

41I IFRS 16, issued in January 2016, amended paragraph 4. An entity shall apply that amendment when it applies IFRS 16.

IFRS 7 *Financial Instruments: Disclosures*

Paragraph 29 is amended and paragraph 44CC is added.

Fair value

...

29 Disclosures of fair value are not required:

(a) ...

(b) for an investment in equity instruments that do not have a quoted price in an active market for an identical instrument (ie a Level 1 input), or derivatives linked to such equity instruments, that is measured at cost in accordance with IAS 39 because its fair value cannot otherwise be measured reliably; ~~or~~

(c) for a contract containing a discretionary participation feature (as described in IFRS 4) if the fair value of that feature cannot be measured reliably; or

(d) for lease liabilities.

Effective date and transition

...

44CC IFRS 16 *Leases*, issued in January 2016, amended paragraphs 29 and B11D. An entity shall apply those amendments when it applies IFRS 16.

In Appendix B, paragraph B11D is amended.

Quantitative liquidity risk disclosures (paragraphs 34(a) and 39(a) and (b))

...

B11D The contractual amounts disclosed in the maturity analyses as required by paragraph 39(a) and (b) are the contractual undiscounted cash flows, for example:

(a) gross ~~finance~~ lease ~~obligations~~ liabilities (before deducting finance charges);

(b) ...

IFRS 9 *Financial Instruments*

Paragraph 2.1 and paragraph 5.5.15 are amended and paragraph 7.1.5 is added.

Chapter 2 Scope

2.1 This Standard shall be applied by all entities to all types of financial instruments except:

(a) ...

(b) rights and obligations under leases to which ~~IAS 17~~ IFRS 16 *Leases* applies. However:

(i) finance lease receivables (ie net investments in finance leases) and operating lease receivables recognised by a lessor are subject to the derecognition and impairment requirements of this Standard;

(ii) ~~finance~~ lease ~~payables~~ liabilities recognised by a lessee are subject to the derecognition requirements in paragraph 3.3.1 of this Standard; and

(iii) derivatives that are embedded in leases are subject to the embedded derivatives requirements of this Standard.

(c) ...

Simplified approach for trade receivables, contract assets and lease receivables

5.5.15 Despite paragraphs 5.5.3 and 5.5.5, an entity shall always measure the loss allowance at an amount equal to lifetime expected credit losses for:

(a) ...

(b) lease receivables that result from transactions that are within the scope of ~~IAS 17~~ IFRS 16, if the entity chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses. That accounting policy shall be applied to all lease receivables but may be applied separately to finance and operating lease receivables.

...

7.1 Effective date

...

7.1.5 IFRS 16, issued in January 2016, amended paragraphs 2.1, 5.5.15, B4.3.8, B5.5.34 and B5.5.46. An entity shall apply those amendments when it applies IFRS 16.

In Appendix B, paragraphs B4.3.8, B5.5.34 and B5.5.46 are amended.

Embedded derivatives (Section 4.3)

...

B4.3.8 The economic characteristics and risks of an embedded derivative are closely related to the economic characteristics and risks of the host contract in the following examples. In these examples, an entity does not account for the embedded derivative separately from the host contract.

(a) ...

(f) An embedded derivative in a host lease contract is closely related to the host contract if the embedded derivative is (i) an inflation-related index such as an index of lease payments to a consumer price index (provided that the lease is not leveraged and the index relates to inflation in the entity's own economic environment), (ii) ~~contingent rentals~~ variable lease payments based on related sales or (iii) ~~contingent rentals~~ variable lease payments based on variable interest rates.

(g) ...

Expected credit losses

...

B5.5.34 When measuring a loss allowance for a lease receivable, the cash flows used for determining the expected credit losses should be consistent with the cash flows used in measuring the lease receivable in accordance with ~~IAS 17~~ IFRS 16 *Leases*.

...

Time value of money

...

B5.5.46 Expected credit losses on lease receivables shall be discounted using the same discount rate used in the measurement of the lease receivable in accordance with ~~IAS 17~~ IFRS 16.

...

IFRS 13 *Fair Value Measurement*

Paragraph 6 is amended.

Scope

...

6 The measurement and disclosure requirements of this IFRS do not apply to the following:

(a) ...

(b) leasing transactions ~~within the scope of IAS 17~~ accounted for in accordance with IFRS 16 *Leases*; and

(c) ...

In Appendix C, paragraph C6 is added.

Effective date and transition

...

C6 IFRS 16 *Leases*, issued in January 2016, amended paragraph 6. An entity shall apply that amendment when it applies IFRS 16.

IFRS 15 *Revenue from Contracts with Customers*

Paragraphs 5 and 97 are amended.

Scope

5 An entity shall apply this Standard to all contracts with customers, except the following:

(a) lease contracts within the scope of ~~IAS 17~~ IFRS 16 *Leases*;

(b) ...

Costs to fulfil a contract

...

97 Costs that relate directly to a contract (or a specific anticipated contract) include any of the following:

(a) ...

(c) allocations of costs that relate directly to the contract or to contract activities (for example, costs of contract management and supervision, insurance and depreciation of tools, ~~and~~ equipment and right-of-use assets used in fulfilling the contract);

(d) ...

In Appendix B, paragraphs B66 and B70 are amended.

A forward or a call option

B66 If an entity has an obligation or a right to repurchase the asset (a forward or a call option), a customer does not obtain control of the asset because the customer is limited in its ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset even though the customer may have physical possession of the asset. Consequently, the entity shall account for the contract as either of the following:

(a) a lease in accordance with ~~IAS 17~~ IFRS 16 *Leases* if the entity can or must repurchase the asset for an amount that is less than the original selling price of the asset, unless the contract is part of a sale and leaseback transaction. If the contract is part of a sale and leaseback transaction, the entity shall continue to recognise the asset and shall recognise a financial liability for any consideration received from the customer. The entity shall account for the financial liability in accordance with IFRS 9; or

(b) ...

A put option

B70 If an entity has an obligation to repurchase the asset at the customer's request (a put option) at a price that is lower than the original selling price of the asset, the entity shall consider at contract inception whether the customer has a significant economic incentive to exercise that right. The customer's exercising of that right results in the customer effectively paying the entity consideration for the right to use a specified asset for a period of time. Therefore, if the customer has a significant economic incentive to exercise that right, the entity shall account for the agreement as a lease in accordance with ~~IAS 17~~ IFRS 16, unless the contract is part of a sale and leaseback transaction. If the contract is part of a sale and leaseback transaction, the entity shall continue to recognise the asset and shall recognise a financial liability for any consideration received from the customer. The entity shall account for the financial liability in accordance with IFRS 9.

...

In Appendix C, paragraph C1A is added.

Effective date

...

C1A IFRS 16 *Leases*, issued in January 2016, amended paragraphs 5, 97, B66 and B70. An entity shall apply those amendments when it applies IFRS 16.

IAS 1 *Presentation of Financial Statements*

Paragraph 123 is amended and paragraph 139Q is added.

Disclosure of accounting policies

...

123 In the process of applying the entity's accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts it recognises in the financial statements. For example, management makes judgements in determining:

(a) ...

(b) when substantially all the significant risks and rewards of ownership of financial assets and, for lessors, ~~lease~~ assets subject to leases are transferred to other entities; and

(c) ...

Transition and effective date

...

139Q IFRS 16 *Leases*, issued in January 2016, amended paragraph 123. An entity shall apply that amendment when it applies IFRS 16.

IAS 2 *Inventories*

Paragraph 12 is amended and paragraph 40G is added.

Costs of conversion

12 The costs of conversion of inventories include costs directly related to the units of production, such as direct labour. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. Fixed production overheads are those indirect costs of production that remain relatively constant regardless of the volume of production, such as depreciation and maintenance of factory buildings, ~~and~~ equipment and right-of-use assets used in the production process, and the cost of factory management and administration. Variable production overheads are

those indirect costs of production that vary directly, or nearly directly, with the volume of production, such as indirect materials and indirect labour.

...

Effective date

...

40G IFRS 16 *Leases*, issued in January 2016, amended paragraph 12. An entity shall apply that amendment when it applies IFRS 16.

IAS 7 *Statement of Cash Flows*

Paragraphs 17 and 44 are amended and paragraph 59 is added.

Financing activities

17 The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the entity. Examples of cash flows arising from financing activities are:

(a) ...

(e) cash payments by a lessee for the reduction of the outstanding liability relating to a ~~finance~~ lease.

Non-cash transactions

...

44 Many investing and financing activities do not have a direct impact on current cash flows although they do affect the capital and asset structure of an entity. The exclusion of non-cash transactions from the statement of cash flows is consistent with the objective of a statement of cash flows as these items do not involve cash flows in the current period. Examples of non-cash transactions are:

(a) the acquisition of assets either by assuming directly related liabilities or by means of a ~~finance~~ lease;

(b) ...

Effective date

...

59 IFRS 16 *Leases*, issued in January 2016, amended paragraphs 17 and 44. An entity shall apply those amendments when it applies IFRS 16.

IAS 12 *Income Taxes*

Paragraph 20 is amended for an entity that has not adopted IFRS 9 *Financial Instruments*.

Assets carried at fair value

20 IFRSs permit or require certain assets to be carried at fair value or to be revalued (see, for example, IAS 16 *Property, Plant and Equipment*, IAS 38 *Intangible Assets*, IAS 39 *Financial Instruments: Recognition and Measurement*, ~~and~~ IAS 40 *Investment Property* and IFRS 16 *Leases*). In some jurisdictions, the revaluation or other restatement of an asset to fair value affects taxable profit (tax loss) for the current period. As a result, the tax base of the asset is adjusted and no temporary difference arises. In other jurisdictions, the revaluation or restatement of an asset does not affect taxable profit in the period of the revaluation or restatement and, consequently, the tax base of the asset is not adjusted. Nevertheless, the future recovery of the carrying amount will result in a taxable flow of economic benefits to the entity and the amount that will be deductible for tax purposes will differ from the amount of those economic benefits. The difference between the carrying amount of a revalued asset and its tax base is a temporary difference and gives rise to a deferred tax liability or asset. This is true even if:

(a) ...

Paragraph 20 is amended for an entity that has adopted IFRS 9 *Financial Instruments*.

Assets carried at fair value

20 IFRSs permit or require certain assets to be carried at fair value or to be revalued (see, for example, IAS 16 *Property, Plant and Equipment*, IAS 38 *Intangible Assets*, IAS 40 *Investment Property*, ~~and~~ IFRS 9 *Financial Instruments* and IFRS 16 *Leases*). In some jurisdictions, the revaluation or other restatement of an asset to fair value affects taxable profit (tax loss) for the current period. As a result, the tax base of the asset is adjusted and no temporary difference arises. In other jurisdictions, the revaluation or restatement of an asset does not affect taxable profit in the period of the revaluation or restatement and, consequently, the tax base of the asset is not adjusted. Nevertheless, the future recovery of the carrying amount will result in a taxable flow of economic benefits to the entity and the amount that will be deductible for tax purposes will differ from the amount of those economic benefits. The difference between the carrying amount of a revalued asset and its tax base is a temporary difference and gives rise to a deferred tax liability or asset. This is true even if:

(a) ...

Paragraph 98G is added.

Effective date

...

98G IFRS 16, issued in January 2016, amended paragraph 20. An entity shall apply that amendment when it applies IFRS 16.

IAS 16 *Property, Plant and Equipment*

Paragraphs 4 and 27 are deleted, paragraphs 5, 10, 44 and 68 are amended, paragraph 69, as amended by IFRS 15, is amended and paragraph 81L is added.

Scope

...

4 [Deleted] ~~Other Standards may require recognition of an item of property, plant and equipment based on an approach different from that in this Standard. For example, IAS 17 *Leases* requires an entity to evaluate its recognition of an item of leased property, plant and equipment on the basis of the transfer of risks and rewards. However, in such cases other aspects of the accounting treatment for these assets, including depreciation, are prescribed by this Standard.~~

5 An entity using the cost model for investment property in accordance with IAS 40 *Investment Property* shall use the cost model in this Standard for owned investment property.

Recognition

...

10 An entity evaluates under this recognition principle all its property, plant and equipment costs at the time they are incurred. These costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. The cost of an item of property, plant and equipment may include costs incurred relating to leases of assets that are used to construct, add to, replace part of or service an item of property, plant and equipment, such as depreciation of right-of-use assets.

Measurement of cost

...

27 [Deleted] ~~The cost of an item of property, plant and equipment held by a lessee under a finance lease is determined in accordance with IAS 17.~~

...

Depreciation

...

44 An entity allocates the amount initially recognised in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. For example, it may be appropriate to depreciate separately the airframe and engines of an aircraft~~, whether owned or subject to a finance lease~~. Similarly, if an entity acquires property, plant and equipment subject to an operating lease in which it is the lessor, it may be appropriate to depreciate separately amounts reflected in the cost of that item that are attributable to favourable or unfavourable lease terms relative to market terms.

...

Derecognition

...

68 The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised (unless ~~IAS 17~~ <u>IFRS 16 *Leases*</u> requires otherwise on a sale and leaseback). Gains shall not be classified as revenue.

...

69 The disposal of an item of property, plant and equipment may occur in a variety of ways (eg by sale, by entering into a finance lease or by donation). The date of disposal of an item of property, plant and equipment is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied in IFRS 15. ~~IAS 17~~ <u>IFRS 16</u> applies to disposal by a sale and leaseback.

...

Effective date

...

<u>81L IFRS 16, issued in January 2016, deleted paragraphs 4 and 27 and amended paragraphs 5, 10, 44 and 68–69. An entity shall apply those amendments when it applies IFRS 16.</u>

IAS 21 *The Effects of Changes in Foreign Exchange Rates*

Paragraph 16 is amended and paragraph 60K is added.

Monetary items

16 The essential feature of a monetary item is a right to receive (or an obligation to deliver) a fixed or determinable number of units of currency. Examples include: pensions and other employee benefits to be paid in cash; provisions that are to be settled in cash; <u>lease liabilities;</u> and cash dividends that are recognised as a liability. Similarly, a contract to receive (or deliver) a variable number of the entity's own equity instruments or a variable amount of assets in which the fair value to be received (or delivered) equals a fixed or determinable number of

units of currency is a monetary item. Conversely, the essential feature of a non-monetary item is the absence of a right to receive (or an obligation to deliver) a fixed or determinable number of units of currency. Examples include: amounts prepaid for goods and services ~~(eg prepaid rent)~~; goodwill; intangible assets; inventories; property, plant and equipment; right-of-use assets; and provisions that are to be settled by the delivery of a non-monetary asset.

Effective date and transition

...

60K IFRS 16 *Leases*, issued in January 2016, amended paragraph 16. An entity shall apply that amendment when it applies IFRS 16.

IAS 23 *Borrowing Costs*

Paragraph 6 is amended and paragraph 29C is added.

Definitions

...

6 Borrowing costs may include:

(a) ...

(d) ~~finance charges~~ interest in respect of ~~finance~~ lease~~s~~ liabilities recognised in accordance with ~~IAS 17~~ IFRS 16 *Leases*; and

(e) ...

Effective date

...

29C IFRS 16, issued in January 2016, amended paragraph 6. An entity shall apply that amendment when it applies IFRS 16.

IAS 32 *Financial Instruments: Presentation*

Paragraph 97S is added.

Effective date and transition

...

97S IFRS 16 *Leases*, issued in January 2016, amended paragraphs AG9 and AG10. An entity shall apply those amendments when it applies IFRS 16.

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

Paragraph 5 is amended and paragraph 102 is added.

Scope

...

5 When another Standard deals with a specific type of provision, contingent liability or contingent asset, an entity applies that Standard instead of this Standard. For example, some types of provisions are addressed in Standards on:

(a) ...

(c) leases (see ~~IAS 17~~ IFRS 16 *Leases*). However, ~~as IAS 17 contains no specific requirements to deal with operating leases that have become onerous, this Standard applies to such cases~~ this Standard applies to any lease that becomes onerous before the commencement date of the lease as defined in IFRS 16. This Standard also applies to short-term leases and leases for which the underlying asset is of low value accounted for in accordance with paragraph 6 of IFRS 16 and that have become onerous;

(d) ...

Effective date

...

102 IFRS 16, issued in January 2016, amended paragraph 5. An entity shall apply that amendment when it applies IFRS 16.

IAS 38 *Intangible Assets*

Paragraphs 3, 6 and 113 are amended, paragraph 114, as amended by IFRS 15, is amended and paragraph 130L is added.

Scope

...

3 If another Standard prescribes the accounting for a specific type of intangible asset, an entity applies that Standard instead of this Standard. For example, this Standard does not apply to:

(a) ...

(c) leases ~~that are within the scope of IAS 17~~ of intangible assets accounted for in accordance with IFRS 16 *Leases*.

(d) ...

6 ~~In the case of a finance lease, the underlying asset may be either tangible or intangible. After initial recognition, a lessee accounts for an intangible asset~~

~~held under a finance lease in accordance with this Standard.~~ Rights held by a lessee under licensing agreements for items such as motion picture films, video recordings, plays, manuscripts, patents and copyrights ~~are excluded from the scope of IAS 17 and~~ are within the scope of this Standard and are excluded from the scope of IFRS 16.

...

Retirements and disposals

...

113 **The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognised in profit or loss when the asset is derecognised (unless ~~IAS 17~~ IFRS 16 requires otherwise on a sale and leaseback.) Gains shall not be classified as revenue.**

114 The disposal of an intangible asset may occur in a variety of ways (eg by sale, by entering into a finance lease, or by donation). The date of disposal of an intangible asset is the date that the recipient obtains control of that asset in accordance with the requirements for determining when a performance obligation is satisfied in IFRS 15 *Revenue from Contracts with Customers*. ~~IAS 17~~ IFRS 16 applies to disposal by a sale and leaseback.

Transitional provisions and effective date

...

130L IFRS 16, issued in January 2016, amended paragraphs 3, 6, 113 and 114. An entity shall apply those amendments when it applies IFRS 16.

IAS 39 *Financial Instruments: Recognition and Measurement*

Paragraph 2 is amended and paragraph 103V is added for an entity that has not adopted IFRS 9 *Financial Instruments*. IAS 39 is not amended for an entity that has adopted IFRS 9.

Scope

2 **This Standard shall be applied by all entities to all types of financial instruments except:**

(a) ...

(b) rights and obligations under leases to which ~~IAS 17~~ IFRS 16 *Leases* applies. However:

(i) finance lease receivables (ie net investments in finance leases) and operating lease receivables recognised by a lessor are subject to the derecognition and impairment

provisions of this Standard (see paragraphs 15–37, 58, 59, 63–65 and Appendix A paragraphs AG36–AG52 and AG84–AG93);

(ii) ~~finance~~ lease ~~payables~~ liabilities recognised by a lessee are subject to the derecognition provisions in paragraph 39 of this Standard ~~(see paragraphs 39–42 and Appendix A paragraphs AG57–AG63)~~; and

(iii) ...

Effective date and transition

...

103V IFRS 16, issued in January 2016, amended paragraphs 2 and AG33. An entity shall apply those amendments when it applies IFRS 16.

IAS 40 *Investment Property*

Given the extensive changes to IAS 40 *Investment Property*, the full text of this Standard with the proposed changes to it has been reproduced at the end of Appendix D.

IAS 41 *Agriculture*

Paragraph 2 is amended and paragraph 64 is added.

Scope

...

2 This Standard does not apply to:

(a) ...

(e) right-of-use assets arising from a lease of land related to agricultural activity (see IFRS 16 *Leases*).

...

Effective date and transition

...

64 IFRS 16, issued in January 2016, amended paragraph 2. An entity shall apply that amendment when it applies IFRS 16.

IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*

The References paragraph is amended.

References

- IFRS 16 *Leases*
- IAS 1 *Presentation of Financial Statements* (as revised in 2007)
- ...

Paragraph 2 is amended and paragraph 9B is added.

Scope

2 This Interpretation applies to changes in the measurement of any existing decommissioning, restoration or similar liability that is both:

(a) recognised as part of the cost of an item of property, plant and equipment in accordance with IAS 16 or as part of the cost of a right-of-use asset in accordance with IFRS 16; and

(b) ...

Effective date

...

9B IFRS 16, issued in January 2016, amended paragraph 2. An entity shall apply that amendment when it applies IFRS 16.

IFRIC 12 *Service Concession Arrangements*

The References paragraph is amended.

References

- ...
- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 16 *Leases*
- ...
- ~~IAS 17 *Leases*~~
- ...
- ~~IFRIC 4 *Determining whether an Arrangement contains a Lease*~~
- ...

Paragraph 28F is added.

Effective date

...

28F IFRS 16, issued in January 2016, amended paragraph AG8 and Appendix B. An entity shall apply those amendments when it applies IFRS 16.

In Appendix A, paragraph AG8 is amended.

Appendix A

Scope (paragraph 5)

...

AG8 The operator may have a right to use the separable infrastructure described in paragraph AG7(a), or the facilities used to provide ancillary unregulated services described in paragraph AG7(b). In either case, there may in substance be a lease from the grantor to the operator; if so, it shall be accounted for in accordance with ~~IAS 17~~ IFRS 16.

SIC-29 *Service Concession Arrangements: Disclosures*

The References paragraph is amended.

References

- IFRS 16 *Leases*
- ...
- ~~IAS 17 *Leases* (as revised in 2003)~~
- ...

Paragraph 5 is amended.

Issue

...

5 Certain aspects and disclosures relating to some service concession arrangements are already addressed by existing International Financial Reporting Standards (eg IAS 16 applies to acquisitions of items of property, plant and equipment, ~~IAS 17~~ IFRS 16 applies to leases of assets, and IAS 38 applies to acquisitions of intangible assets). However, a service concession arrangement may involve executory contracts that are not addressed in International

Financial Reporting Standards, unless the contracts are onerous, in which case IAS 37 applies. Therefore, this Interpretation addresses additional disclosures of service concession arrangements.

The Effective date paragraph is amended.

Effective date

...

An entity shall apply the amendment in paragraphs 6(e) and 6A for annual periods beginning on or after 1 January 2008. If an entity applies IFRIC 12 for an earlier period, the amendment shall be applied for that earlier period.

IFRS 16, issued in January 2016, amended paragraph 5. An entity shall apply that amendment when it applies IFRS 16.

SIC-32 *Intangible Assets—Web Site Costs*

The References paragraph is amended.

References

- ...
- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 16 *Leases*
- ...
- ~~IAS 17 *Leases* (as revised in 2003)~~
- ...

Paragraph 6, as amended by IFRS 15, is amended.

Issue

...

6 IAS 38 does not apply to intangible assets held by an entity for sale in the ordinary course of business (see IAS 2 and IFRS 15) or leases ~~that fall within the scope of IAS 17~~ of intangible assets accounted for in accordance with IFRS 16. Accordingly, this Interpretation does not apply to expenditure on the development or operation of a web site (or web site software) for sale to another entity or that is accounted for in accordance with IFRS 16. ~~When a web site is leased under an operating lease, the lessor applies this Interpretation. When a web site is leased under a finance lease, the lessee applies this Interpretation after initial recognition of the leased asset.~~

The Effective date paragraph is amended.

Effective date

...

IFRS 15 *Revenue from Contracts with Customers*, issued in May 2014, amended the 'References' section and paragraph 6. An entity shall apply that amendment when it applies IFRS 15.

IFRS 16, issued in January 2016, amended paragraph 6. An entity shall apply that amendment when it applies IFRS 16.

IAS 40 *Investment Property*

Given the extensive changes to IAS 40 *Investment Property*, the full text of this Standard, as amended by IFRS 15, with the proposed changes to it has been reproduced. New text is underlined and deleted text is struck through.

International Accounting Standard 40 *Investment Property*

Objective

1 The objective of this Standard is to prescribe the accounting treatment for investment property and related disclosure requirements.

Scope

2 This Standard shall be applied in the recognition, measurement and disclosure of investment property.

3 [Deleted] ~~Among other things, 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 and to the measurement in a lessor's financial statements of investment property provided to a lessee under an operating lease. This Standard does not deal with matters covered in IAS 17 *Leases*, including:~~

~~(a) classification of leases as finance leases or operating leases;~~

~~(b) recognition of lease income from investment property (see also IFRS 15 *Revenue from Contracts with Customers*);~~

~~(c) measurement in a lessee's financial statements of property interests held under a lease accounted for as an operating lease;~~

~~(d) measurement in a lessor's financial statements of its net investment in a finance lease;~~

~~(e) accounting for sale and leaseback transactions; and~~

~~(f) disclosure about finance leases and operating leases.~~

4 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.

Definitions

5 The following terms are used in this Standard with the meanings specified:

***Carrying amount* is the amount at which an asset is recognised in the statement of financial position.**

***Cost* is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other IFRSs, eg IFRS 2 *Share-based Payment*.**

***Fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (See IFRS 13 *Fair Value Measurement*).**

***Investment property* is property (land or a building—or part of a building—or both) held (by the owner or by the lessee <u>as a right-of-use asset</u> ~~under a finance lease~~) to earn rentals or for capital appreciation or both, rather than for:**

(a) use in the production or supply of goods or services or for administrative purposes; or

(b) sale in the ordinary course of business.

***Owner-occupied property* is property held (by the owner or by the lessee <u>as a right-of-use asset</u> ~~under a finance lease~~) for use in the production or supply of goods or services or for administrative purposes.**

Classification of property as investment property or owner-occupied property

6 <u>[Deleted]</u> **~~A *property interest* that is held by a lessee under an operating lease may be classified and accounted for as investment property if, and only if, the property would otherwise meet the definition of an investment property and the lessee uses the fair value model set out in paragraphs 33–55 for the asset recognised. This classification alternative is available on a property-by-property basis. However, once this classification alternative is selected for one such property interest held under an operating lease, all property classified as investment property shall be accounted for using the fair value model. When this classification alternative is selected, any interest so classified is included in the disclosures required by paragraphs 74–78.~~**

7 Investment property is held to earn rentals or for capital appreciation or both. Therefore, an investment property generates cash flows largely independently of the other assets held by an entity. This distinguishes investment property from owner-occupied property. The production or supply of goods or services (or the use of property for administrative purposes) generates cash flows that are attributable not only to property, but also to other assets used in the production or supply process. IAS 16 applies to owned owner-occupied property and IFRS 16 applies to owner-occupied property held by a lessee as a right-of-use asset.

8 The following are examples of investment property:

(a) land held for long-term capital appreciation rather than for short-term sale in the ordinary course of business.

(b) land held for a currently undetermined future use. (If an entity has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation.)

(c) a building owned by the entity (or a right-of-use asset relating to a building held by the entity ~~under a finance lease~~) and leased out under one or more operating leases.

(d) a building that is vacant but is held to be leased out under one or more operating leases.

(e) property that is being constructed or developed for future use as investment property.

9 The following are examples of items that are not investment property and are therefore outside the scope of this Standard:

(a) property intended for sale in the ordinary course of business or in the process of construction or development for such sale (see IAS 2 *Inventories*), for example, property acquired exclusively with a view to subsequent disposal in the near future or for development and resale.

(b) [deleted]

(c) owner-occupied property (see IAS 16 and IFRS 16), including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal.

(d) [deleted]

(e) property that is leased to another entity under a finance lease.

10 Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), an entity accounts for the portions separately. If the portions could not be sold

separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

11 In some cases, an entity provides ancillary services to the occupants of a property it holds. An entity treats such a property as investment property if the services are insignificant to the arrangement as a whole. An example is when the owner of an office building provides security and maintenance services to the lessees who occupy the building.

12 In other cases, the services provided are significant. For example, if an entity owns and manages a hotel, services provided to guests are significant to the arrangement as a whole. Therefore, an owner-managed hotel is owner-occupied property, rather than investment property.

13 It may be difficult to determine whether ancillary services are so significant that a property does not qualify as investment property. For example, the owner of a hotel sometimes transfers some responsibilities to third parties under a management contract. The terms of such contracts vary widely. At one end of the spectrum, the owner's position may, in substance, be that of a passive investor. At the other end of the spectrum, the owner may simply have outsourced day-to-day functions while retaining significant exposure to variation in the cash flows generated by the operations of the hotel.

14 Judgement is needed to determine whether a property qualifies as investment property. An entity develops criteria so that it can exercise that judgement consistently in accordance with the definition of investment property and with the related guidance in paragraphs 7–13. Paragraph 75(c) requires an entity to disclose these criteria when classification is difficult.

14A Judgement is also needed to determine whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of IFRS 3 *Business Combinations*. Reference should be made to IFRS 3 to determine whether it is a business combination. The discussion in paragraphs 7–14 of this Standard relates to whether or not property is owner-occupied property or investment property and not to determining whether or not the acquisition of property is a business combination as defined in IFRS 3. Determining whether a specific transaction meets the definition of a business combination as defined in IFRS 3 and includes an investment property as defined in this Standard requires the separate application of both Standards.

15 In some cases, an entity owns property that is leased to, and occupied by, its parent or another subsidiary. The property does not qualify as investment property in the consolidated financial statements, because the property is owner-occupied from the perspective of the group. However, from the perspective of the entity that owns it, the property is investment property if it meets the definition in paragraph 5. Therefore, the lessor treats the property as investment property in its individual financial statements.

Recognition

16 **An owned ~~I~~investment property shall be recognised as an asset when, and only when:**

(a) **it is probable that the future economic benefits that are associated with the investment property will flow to the entity; and**

(b) **the cost of the investment property can be measured reliably.**

17 An entity evaluates under this recognition principle all its investment property costs at the time they are incurred. These costs include costs incurred initially to acquire an investment property and costs incurred subsequently to add to, replace part of, or service a property.

18 Under the recognition principle in paragraph 16, an entity does not recognise in the carrying amount of an investment property the costs of the day-to-day servicing of such a property. Rather, these costs are recognised in profit or loss as incurred. Costs of day-to-day servicing are primarily the cost of labour and consumables, and may include the cost of minor parts. The purpose of these expenditures is often described as for the 'repairs and maintenance' of the property.

19 Parts of investment properties may have been acquired through replacement. For example, the interior walls may be replacements of original walls. Under the recognition principle, an entity recognises in the carrying amount of an investment property the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognised in accordance with the derecognition provisions of this Standard.

19A An investment property held by a lessee as a right-of-use asset shall be recognised in accordance with IFRS 16.

Measurement at recognition

20 **An owned investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement.**

21 The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs.

22 [Deleted]

23 The cost of an investment property is not increased by:

(a) start-up costs (unless they are necessary to bring the property to the condition necessary for it to be capable of operating in the manner intended by management),

(b) operating losses incurred before the investment property achieves the planned level of occupancy, or

(c) abnormal amounts of wasted material, labour or other resources incurred in constructing or developing the property.

24 If payment for an investment property is deferred, its cost is the cash price equivalent. The difference between this amount and the total payments is recognised as interest expense over the period of credit.

25 [Deleted] ~~**The initial cost of a property interest held under a lease and classified as an investment property shall be as prescribed for a finance lease by paragraph 20 of IAS 17, ie the asset shall be recognised at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount shall be recognised as a liability in accordance with that same paragraph.**~~

26 [Deleted] ~~Any premium paid for a lease is treated as part of the minimum lease payments for this purpose, and is therefore included in the cost of the asset, but is excluded from the liability. If a property interest held under a lease is classified as investment property, the item accounted for at fair value is that interest and not the underlying property. Guidance on measuring the fair value of a property interest is set out for the fair value model in paragraphs 33–35, 40, 41, 48, 50 and 52 and in IFRS 13. That guidance is also relevant to the measurement of fair value when that value is used as cost for initial recognition purposes.~~

27 One or more investment properties may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The following discussion refers to an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such an investment property is measured at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. The acquired asset is measured in this way even if an entity cannot immediately derecognise the asset given up. If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

28 An entity determines whether an exchange transaction has commercial substance by considering the extent to which its future cash flows are expected to change as a result of the transaction. An exchange transaction has commercial substance if:

(a) the configuration (risk, timing and amount) of the cash flows of the asset received differs from the configuration of the cash flows of the asset transferred, or

(b) the entity-specific value of the portion of the entity's operations affected by the transaction changes as a result of the exchange, and

(c) the difference in (a) or (b) is significant relative to the fair value of the assets exchanged.

For the purpose of determining whether an exchange transaction has commercial substance, the entity-specific value of the portion of the entity's operations affected by the transaction shall reflect post-tax cash flows. The result of these analyses may be clear without an entity having to perform detailed calculations.

29 The fair value of an asset is reliably measurable if (a) the variability in the range of reasonable fair value measurements is not significant for that asset or (b) the probabilities of the various estimates within the range can be reasonably assessed and used when measuring fair value. If the entity is able to measure reliably the fair value of either the asset received or the asset given up, then the fair value of the asset given up is used to measure cost unless the fair value of the asset received is more clearly evident.

29A An investment property held by a lessee as a right-of-use asset shall be measured initially at its cost in accordance with IFRS 16.

Measurement after recognition

Accounting policy

30 With the exception~~s~~ noted in paragraph~~s~~ 32A ~~and 34~~, an entity shall choose as its accounting policy either the fair value model in paragraphs 33–55 or the cost model in paragraph 56 and shall apply that policy to all of its investment property.

31 IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* states that a voluntary change in accounting policy shall be made only if the change results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows. It is highly unlikely that a change from the fair value model to the cost model will result in a more relevant presentation.

32 This Standard requires all entities to measure the fair value of investment property, for the purpose of either measurement (if the entity uses the fair value model) or disclosure (if it uses the cost model). An entity is encouraged, but not required, to measure the fair value of investment property on the basis of a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

32A An entity may:

(a) choose either the fair value model or the cost model for all investment property backing liabilities that pay a return linked directly to the fair value of, or returns from, specified assets including that investment property; and

(b) choose either the fair value model or the cost model for all other investment property, regardless of the choice made in (a).

32B Some insurers and other entities operate an internal property fund that issues notional units, with some units held by investors in linked contracts and others held by the entity. Paragraph 32A does not permit an entity to measure the property held by the fund partly at cost and partly at fair value.

32C If an entity chooses different models for the two categories described in paragraph 32A, sales of investment property between pools of assets measured using different models shall be recognised at fair value and the cumulative change in fair value shall be recognised in profit or loss. Accordingly, if an investment property is sold from a pool in which the fair value model is used into a pool in which the cost model is used, the property's fair value at the date of the sale becomes its deemed cost.

Fair value model

33 **After initial recognition, an entity that chooses the fair value model shall measure all of its investment property at fair value, except in the cases described in paragraph 53.**

34 [Deleted] ~~**When a property interest held by a lessee under an operating lease is classified as an investment property under paragraph 6, paragraph 30 is not elective; the fair value model shall be applied.**~~

35 **A gain or loss arising from a change in the fair value of investment property shall be recognised in profit or loss for the period in which it arises.**

36–39 [Deleted]

40 When measuring the fair value of investment property in accordance with IFRS 13, an entity shall ensure that the fair value reflects, among other things, rental income from current leases and other assumptions that market participants would use when pricing investment property under current market conditions.

40A When a lessee uses the fair value model to measure an investment property that is held as a right-of-use asset, it shall measure the right-of-use asset, and not the underlying property, at fair value.

41 ~~Paragraph 25~~ IFRS 16 specifies the basis for initial recognition of the cost of ~~an interest in a leased property~~ an investment property held by a lessee as a right-of-use asset. Paragraph 33 requires the ~~interest in the leased property~~ investment property held by a lessee as a right-of-use asset to be remeasured, if necessary, to fair value if the entity chooses the fair value model. ~~In a lease negotiated~~ When lease payments are at market rates, the fair value of ~~an interest in a leased property~~ an investment property held by a lessee as a right-of-use asset at acquisition, net of all expected lease payments (including those relating to recognised lease liabilities), should be zero. ~~This fair value does not change regardless of whether, for accounting purposes, a leased asset and liability are recognised at fair value or at the present value of minimum lease payments, in accordance with paragraph 20 of IAS 17.~~ Thus, remeasuring a ~~leased~~ right-of-use asset from cost in accordance with ~~paragraph 25~~ IFRS 16 to fair value in accordance with paragraph 33 (taking into account the requirements in paragraph 50) should not give rise to any initial gain or loss, unless fair value is

measured at different times. This could occur when an election to apply the fair value model is made after initial recognition.

42–47 [Deleted]

48 In exceptional cases, there is clear evidence when an entity first acquires an investment property (or when an existing property first becomes investment property after a change in use) that the variability in the range of reasonable fair value measurements will be so great, and the probabilities of the various outcomes so difficult to assess, that the usefulness of a single measure of fair value is negated. This may indicate that the fair value of the property will not be reliably measurable on a continuing basis (see paragraph 53).

49 [Deleted]

50 In determining the carrying amount of investment property under the fair value model, an entity does not double-count assets or liabilities that are recognised as separate assets or liabilities. For example:

(a) equipment such as lifts or air-conditioning is often an integral part of a building and is generally included in the fair value of the investment property, rather than recognised separately as property, plant and equipment.

(b) if an office is leased on a furnished basis, the fair value of the office generally includes the fair value of the furniture, because the rental income relates to the furnished office. When furniture is included in the fair value of investment property, an entity does not recognise that furniture as a separate asset.

(c) the fair value of investment property excludes prepaid or accrued operating lease income, because the entity recognises it as a separate liability or asset.

(d) the fair value of investment property held by a lessee as a right-of-use asset ~~under a lease~~ reflects expected cash flows (including ~~contingent rent that is~~ variable lease payments that are 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 carrying amount of the investment property using the fair value model.

51 [Deleted]

52 In some cases, an entity expects that the present value of its payments relating to an investment property (other than payments relating to recognised liabilities) will exceed the present value of the related cash receipts. An entity applies IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to determine whether to recognise a liability and, if so, how to measure it.

Inability to measure fair value reliably

53 There is a rebuttable presumption that an entity can reliably measure the fair value of an investment property on a continuing basis. However, in exceptional cases, there is clear evidence when an entity first acquires an

investment property (or when an existing property first becomes investment property after a change in use) that the fair value of the investment property is not reliably measurable on a continuing basis. This arises when, and only when, the market for comparable properties is inactive (eg there are few recent transactions, price quotations are not current or observed transaction prices indicate that the seller was forced to sell) and alternative reliable measurements of fair value (for example, based on discounted cash flow projections) are not available. If an entity determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value of the property to be reliably measurable when construction is complete, it shall measure that investment property under construction at cost until either its fair value becomes reliably measurable or construction is completed (whichever is earlier). If an entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably measurable on a continuing basis, the entity shall measure that investment property using the cost model in IAS 16 for owned investment property or in accordance with IFRS 16 for investment property held by a lessee as a right-of-use asset. The residual value of the investment property shall be assumed to be zero. The entity shall continue to apply IAS 16 or IFRS 16 until disposal of the investment property.

53A Once an entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it shall measure that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, in accordance with paragraph 53, the property shall be accounted for using the cost model in accordance with IAS 16 for owned assets or IFRS 16 for investment property held by a lessee as a right-of-use asset.

53B The presumption that the fair value of investment property under construction can be measured reliably can be rebutted only on initial recognition. An entity that has measured an item of investment property under construction at fair value may not conclude that the fair value of the completed investment property cannot be measured reliably.

54 In the exceptional cases when an entity is compelled, for the reason given in paragraph 53, to measure an investment property using the cost model in accordance with IAS 16 or IFRS 16, it measures at fair value all its other investment property, including investment property under construction. In these cases, although an entity may use the cost model for one investment property, the entity shall continue to account for each of the remaining properties using the fair value model.

55 If an entity has previously measured an investment property at fair value, it shall continue to measure the property at fair value until disposal (or until the property becomes owner-occupied property or the entity begins to develop the property for subsequent sale in the ordinary course of business) even if comparable market transactions become less frequent or market prices become less readily available.

Cost model

56 ~~**After initial recognition, an entity that chooses the cost model shall measure all of its investment properties in accordance with IAS 16's requirements for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5** *Non-current Assets Held for Sale and Discontinued Operations*. **Investment properties that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) shall be measured in accordance with IFRS 5.**~~

After initial recognition, an entity that chooses the cost model shall measure investment property:

(a) **in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* if it meets the criteria to be classified as held for sale (or is included in a disposal group that is classified as held for sale);**

(b) **in accordance with IFRS 16 if it is held by a lessee as a right-of-use asset and is not held for sale in accordance with IFRS 5; and**

(c) **in accordance with the requirements in IAS 16 for the cost model in all other cases.**

Transfers

57 **Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:**

(a) **commencement of owner-occupation, for a transfer from investment property to owner-occupied property;**

(b) **commencement of development with a view to sale, for a transfer from investment property to inventories;**

(c) **end of owner-occupation, for a transfer from owner-occupied property to investment property; or**

(d) **commencement of an operating lease to another party, for a transfer from inventories to investment property.**

(e) [deleted]

58 Paragraph 57(b) requires an entity to transfer a property from investment property to inventories when, and only when, there is a change in use, evidenced by commencement of development with a view to sale. When an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised (eliminated from the statement of financial position) and does not treat it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment.

59 Paragraphs 60–65 apply to recognition and measurement issues that arise when an entity uses the fair value model for investment property. When an entity uses the cost model, transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

60 For a transfer from investment property carried at fair value to owner-occupied property or inventories, the property's deemed cost for subsequent accounting in accordance with IAS 16, IFRS 16 or IAS 2 shall be its fair value at the date of change in use.

61 If an owner-occupied property becomes an investment property that will be carried at fair value, an entity shall apply IAS 16 for owned property and IFRS 16 for property held by a lessee as a right-of-use asset up to the date of change in use. The entity shall treat any difference at that date between the carrying amount of the property in accordance with IAS 16 or IFRS 16 and its fair value in the same way as a revaluation in accordance with IAS 16.

62 Up to the date when an owner-occupied property becomes an investment property carried at fair value, an entity depreciates the property (or the right-of-use asset) and recognises any impairment losses that have occurred. The entity treats any difference at that date between the carrying amount of the property in accordance with IAS 16 or IFRS 16 and its fair value in the same way as a revaluation in accordance with IAS 16. In other words:

(a) any resulting decrease in the carrying amount of the property is recognised in profit or loss. However, to the extent that an amount is included in revaluation surplus for that property, the decrease is recognised in other comprehensive income and reduces the revaluation surplus within equity.

(b) any resulting increase in the carrying amount is treated as follows:

    (i) to the extent that the increase reverses a previous impairment loss for that property, the increase is recognised in profit or loss. The amount recognised in profit or loss does not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised.

    (ii) any remaining part of the increase is recognised in other comprehensive income and increases the revaluation surplus within equity. On subsequent disposal of the investment property, the revaluation surplus included in equity may be transferred to retained earnings. The transfer from revaluation surplus to retained earnings is not made through profit or loss.

63 For a transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

64 The treatment of transfers from inventories to investment property that will be carried at fair value is consistent with the treatment of sales of inventories.

65 When an entity completes the construction or development of a self-constructed investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

Disposals

66 An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

67 The disposal of an investment property may be achieved by sale or by entering into a finance lease. The date of disposal for investment property that is sold is the date the recipient obtains control of the investment property in accordance with the requirements for determining when a performance obligation is satisfied in IFRS 15. ~~IAS 17~~ IFRS 16 applies to a disposal effected by entering into a finance lease and to a sale and leaseback.

68 If, in accordance with the recognition principle in paragraph 16, an entity recognises in the carrying amount of an asset the cost of a replacement for part of an investment property, it derecognises the carrying amount of the replaced part. For investment property accounted for using the cost model, a replaced part may not be a part that was depreciated separately. If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed. Under the fair value model, the fair value of the investment property may already reflect that the part to be replaced has lost its value. In other cases it may be difficult to discern how much fair value should be reduced for the part being replaced. An alternative to reducing fair value for the replaced part, when it is not practical to do so, is to include the cost of the replacement in the carrying amount of the asset and then to reassess the fair value, as would be required for additions not involving replacement.

69 Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in profit or loss (unless ~~IAS 17~~ IFRS 16 requires otherwise on a sale and leaseback) in the period of the retirement or disposal.

70 The amount of consideration to be included in the gain or loss arising from the derecognition of an investment property is determined in accordance with the requirements for determining the transaction price in paragraphs 47–72 of IFRS 15. Subsequent changes to the estimated amount of the consideration included in the gain or loss shall be accounted for in accordance with the requirements for changes in the transaction price in IFRS 15.

71 An entity applies IAS 37 or other Standards, as appropriate, to any liabilities that it retains after disposal of an investment property.

72 Compensation from third parties for investment property that was impaired, lost or given up shall be recognised in profit or loss when the compensation becomes receivable.

73 Impairments or losses of investment property, related claims for or payments of compensation from third parties and any subsequent purchase or construction of replacement assets are separate economic events and are accounted for separately as follows:

(a) impairments of investment property are recognised in accordance with IAS 36;

(b) retirements or disposals of investment property are recognised in accordance with paragraphs 66–71 of this Standard;

(c) compensation from third parties for investment property that was impaired, lost or given up is recognised in profit or loss when it becomes receivable; and

(d) the cost of assets restored, purchased or constructed as replacements is determined in accordance with paragraphs 20–29 of this Standard.

Disclosure

Fair value model and cost model

74 The disclosures below apply in addition to those in ~~IAS 17~~ IFRS 16. In accordance with ~~IAS 17~~ IFRS 16, the owner of an investment property provides lessors' disclosures about leases into which it has entered. ~~An entity~~ A lessee that holds an investment property as a right-of-use asset ~~under a finance or operating lease~~ provides lessees' disclosures as required by IFRS 16 ~~for finance leases~~ and lessors' disclosures as required by IFRS 16 for any operating leases into which it has entered.

75 An entity shall disclose:

(a) whether it applies the fair value model or the cost model.

(b) [deleted] ~~**if it applies the fair value model, whether, and in what circumstances, property interests held under operating leases are classified and accounted for as investment property.**~~

(c) when classification is difficult (see paragraph 14), the criteria it uses to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business.

(d) [deleted]

(e) the extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in

the location and category of the investment property being valued. If there has been no such valuation, that fact shall be disclosed.

(f) the amounts recognised in profit or loss for:

(i) rental income from investment property;

(ii) direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period;

(iii) direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period; and

(iv) the cumulative change in fair value recognised in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used (see paragraph 32C).

(g) the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal.

(h) contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Fair value model

76 In addition to the disclosures required by paragraph 75, an entity that applies the fair value model in paragraphs 33–55 shall disclose a reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing the following:

(a) additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised in the carrying amount of an asset;

(b) additions resulting from acquisitions through business combinations;

(c) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;

(d) net gains or losses from fair value adjustments;

(e) the net exchange differences arising on the translation of the financial statements into a different presentation currency, and on translation of a foreign operation into the presentation currency of the reporting entity;

(f) transfers to and from inventories and owner-occupied property; and

(g) other changes.

77 **When a valuation obtained for investment property is adjusted significantly for the purpose of the financial statements, for example to avoid double-counting of assets or liabilities that are recognised as separate assets and liabilities as described in paragraph 50, the entity shall disclose a reconciliation between the valuation obtained and the adjusted valuation included in the financial statements, showing separately the aggregate amount of any recognised lease ~~obligations~~ liabilities that have been added back, and any other significant adjustments.**

78 **In the exceptional cases referred to in paragraph 53, when an entity measures investment property using the cost model in IAS 16 or in accordance with IFRS 16, the reconciliation required by paragraph 76 shall disclose amounts relating to that investment property separately from amounts relating to other investment property. In addition, an entity shall disclose:**

- **(a) a description of the investment property;**
- **(b) an explanation of why fair value cannot be measured reliably;**
- **(c) if possible, the range of estimates within which fair value is highly likely to lie; and**
- **(d) on disposal of investment property not carried at fair value:**
  - **(i) the fact that the entity has disposed of investment property not carried at fair value;**
  - **(ii) the carrying amount of that investment property at the time of sale; and**
  - **(iii) the amount of gain or loss recognised.**

Cost model

79 **In addition to the disclosures required by paragraph 75, an entity that applies the cost model in paragraph 56 shall disclose:**

- **(a) the depreciation methods used;**
- **(b) the useful lives or the depreciation rates used;**
- **(c) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period;**
- **(d) a reconciliation of the carrying amount of investment property at the beginning and end of the period, showing the following:**
  - **(i) additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised as an asset;**
  - **(ii) additions resulting from acquisitions through business combinations;**

(iii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;

(iv) depreciation;

(v) the amount of impairment losses recognised, and the amount of impairment losses reversed, during the period in accordance with IAS 36;

(vi) the net exchange differences arising on the translation of the financial statements into a different presentation currency, and on translation of a foreign operation into the presentation currency of the reporting entity;

(vii) transfers to and from inventories and owner-occupied property; and

(viii) other changes.

(e) the fair value of investment property. In the exceptional cases described in paragraph 53, when an entity cannot measure the fair value of the investment property reliably, it shall disclose:

(i) a description of the investment property;

(ii) an explanation of why fair value cannot be measured reliably; and

(iii) if possible, the range of estimates within which fair value is highly likely to lie.

Transitional provisions

Fair value model

80 **An entity that has previously applied IAS 40 (2000) and elects for the first time to classify and account for some or all eligible property interests held under operating leases as investment property shall recognise the effect of that election as an adjustment to the opening balance of retained earnings for the period in which the election is first made. In addition:**

(a) if the entity has previously disclosed publicly (in financial statements or otherwise) the fair value of those property interests in earlier periods (measured on a basis that satisfies the definition of fair value in IFRS 13), the entity is encouraged, but not required:

(i) to adjust the opening balance of retained earnings for the earliest period presented for which such fair value was disclosed publicly; and

(ii) to restate comparative information for those periods; and

(b) if the entity has not previously disclosed publicly the information described in (a), it shall not restate comparative information and shall disclose that fact.

81 This Standard requires a treatment different from that required by IAS 8. IAS 8 requires comparative information to be restated unless such restatement is impracticable.

82 When an entity first applies this Standard, the adjustment to the opening balance of retained earnings includes the reclassification of any amount held in revaluation surplus for investment property.

Cost model

83 IAS 8 applies to any change in accounting policies that is made when an entity first applies this Standard and chooses to use the cost model. The effect of the change in accounting policies includes the reclassification of any amount held in revaluation surplus for investment property.

84 The requirements of paragraphs 27–29 regarding the initial measurement of an investment property acquired in an exchange of assets transaction shall be applied prospectively only to future transactions.

Business Combinations

84A *Annual Improvements Cycle 2011–2013* issued in December 2013 added paragraph 14A and a heading before paragraph 6. An entity shall apply that amendment prospectively for acquisitions of investment property from the beginning of the first period for which it adopts that amendment. Consequently, accounting for acquisitions of investment property in prior periods shall not be adjusted. However, an entity may choose to apply the amendment to individual acquisitions of investment property that occurred prior to the beginning of the first annual period occurring on or after the effective date if, and only if, information needed to apply the amendment to those earlier transactions is available to the entity.

IFRS 16

84B An entity applying IFRS 16, and its related amendments to this Standard, for the first time shall apply the transition requirements in Appendix C of IFRS 16 to its investment property held as a right-of-use asset.

Effective date

85 An entity shall apply this Standard for annual periods beginning on or after 1 January 2005. Earlier application is encouraged. If an entity applies this Standard for a period beginning before 1 January 2005, it shall disclose that fact.

85A IAS 1 *Presentation of Financial Statements* (as revised in 2007) amended the terminology used throughout IFRSs. In addition it amended paragraph 62. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. If an entity applies IAS 1 (revised 2007) for an earlier period, the amendments shall be applied for that earlier period.

85B Paragraphs 8, 9, 48, 53, 54 and 57 were amended, paragraph 22 was deleted and paragraphs 53A and 53B were added by *Improvements to IFRSs* issued in May 2008.

An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2009. An entity is permitted to apply the amendments to investment property under construction from any date before 1 January 2009 provided that the fair values of investment properties under construction were measured at those dates. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact and at the same time apply the amendments to paragraphs 5 and 81E of IAS 16 *Property, Plant and Equipment*.

85C IFRS 13, issued in May 2011, amended the definition of fair value in paragraph 5, amended paragraphs 26, 29, 32, 40, 48, 53, 53B, 78–80 and 85B and deleted paragraphs 36–39, 42–47, 49, 51 and 75(d). An entity shall apply those amendments when it applies IFRS 13.

85D *Annual Improvements Cycle 2011–2013* issued in December 2013 added headings before paragraph 6 and after paragraph 84 and added paragraphs 14A and 84A. An entity shall apply those amendments for annual periods beginning on or after 1 July 2014. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.

85E IFRS 15 *Revenue from Contracts with Customers*, issued in May 2014, amended paragraphs 3(b), 9, 67 and 70. An entity shall apply those amendments when it applies IFRS 15.

85F IFRS 16, issued in January 2016, amended the scope of IAS 40 by defining investment property to include both owned investment property and property held by a lessee as a right-of-use asset. IFRS 16 amended paragraphs 5, 7, 8, 9, 16, 20, 30, 41, 50, 53, 53A, 54, 56, 60, 61, 62, 67, 69, 74, 75, 77 and 78, added paragraphs 19A, 29A, 40A and 84B and its related heading and deleted paragraphs 3, 6, 25, 26 and 34. An entity shall apply those amendments when it applies IFRS 16.

Withdrawal of IAS 40 (2000)

86 This Standard supersedes IAS 40 *Investment Property* (issued in 2000).

