

7 Days Intensive Workshop on IFRS
ICAI Tower, BKC, Mumbai

01-July-14, Tuesday

From	To	Details	Faculty
10:00 AM	1:15 PM	IAS 16 : Property, Plant & Equipments	CA. Chintan Patel
		IAS 38 : Intangible Assets	
		Ind AS 40:Investment Property	

IAS 16 Property, Plant & Equipments

Objective

The objective of IAS 16 is to prescribe the accounting treatment for property, plant, and equipment. The principal issues are the recognition of assets, the determination of their carrying amounts, and the depreciation charges and impairment losses to be recognised in relation to them.

Scope

IAS 16 does not apply to

- 1) assets classified as held for sale in accordance with IFRS 5
- 2) exploration and evaluation assets (IFRS 6)
- 3) biological assets related to agricultural activity (see IAS 41) or
- 4) mineral rights and mineral reserves such as oil, natural gas and similar non-regenerative resources

The standard does apply to property, plant, and equipment used to develop or maintain the last two categories of assets. [IAS 16.3]

Recognition

Items of property, plant, and equipment should be recognised as assets when it is probable that: [IAS 16.7]

- 1) it is probable that the future economic benefits associated with the asset will flow to the entity, and
- 2) the cost of the asset can be measured reliably.

This recognition principle is applied to all 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.

If the cost model is used, each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately. [IAS 16.43]

IAS 16 recognises that parts of some items of property, plant, and equipment may require replacement at regular intervals. The carrying amount of an item of property, plant, and equipment will include the cost of replacing the part of such an item when that cost is incurred if the recognition criteria (future benefits and measurement reliability) are met. The carrying amount of those parts that are replaced is derecognised in accordance with the derecognition provisions of IAS 16.67-72. [IAS 16.13]

Also, continued operation of an item of property, plant, and equipment (for example, an aircraft) may require regular major inspections for faults regardless of whether parts of the item are replaced. When each major inspection is performed, its cost is recognised in the carrying amount of the item of property, plant, and equipment as a replacement if the recognition criteria are satisfied. If necessary, the estimated cost of a future similar inspection may be used as an indication of what the cost of the existing inspection component was when the item was acquired or constructed. [IAS 16.14]

Initial Measurement

An item of property, plant and equipment should initially be recorded at cost. [IAS 16.15] Cost includes all costs necessary to bring the asset to working condition for its intended use. This would include not only its original purchase price but also costs of site preparation, delivery and handling, installation, related professional fees for architects and engineers, and the estimated cost of dismantling and removing the asset and restoring the site. [IAS 16.16-17]

If payment for an item of property, plant, and equipment is deferred, interest at a market rate must be recognised or imputed. [IAS 16.23]

If an asset is acquired in exchange for another asset (whether similar or dissimilar in nature), the cost will be measured at the 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. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up. [IAS 16.24]

Measurement Subsequent to Initial Recognition

IAS 16 permits two accounting models:

- Cost Model. The asset is carried at cost less accumulated depreciation and impairment. [IAS 16.30]
- Revaluation Model. The asset is carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment, provided that fair value can be measured reliably. [IAS 16.31]

The Revaluation Model

Under the revaluation model, revaluations should be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the balance sheet date. [IAS 16.31]

If an item is revalued, the entire class of assets to which that asset belongs should be revalued. [IAS 16.36]

Revalued assets are depreciated in the same way as under the cost model (see below).

If a revaluation results in an increase in value, it should be credited to other comprehensive income and accumulated in equity under the heading "revaluation surplus" unless it represents the reversal of a revaluation decrease of the same asset previously recognised as an expense, in which case it should be recognised as income. [IAS 16.39]

A decrease arising as a result of a revaluation should be recognised as an expense to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset. [IAS 16.40]

When a revalued asset is disposed of, any revaluation surplus may be transferred directly to retained earnings, or it may be left in equity under the heading revaluation surplus. The transfer to retained earnings should not be made through the income statement. [IAS 16.41]

Depreciation (Cost and Revaluation Models)

For all depreciable assets:

The depreciable amount (cost less residual value) should be allocated on a systematic basis over the asset's useful life [IAS 16.50].

The residual value and the useful life of an asset should be reviewed at least at each financial year-end and, if expectations differ from previous estimates, any change is accounted for prospectively as a change in estimate under IAS 8. [IAS 16.51]

The depreciation method used should reflect the pattern in which the asset's economic benefits are consumed by the entity [IAS 16.60];

The depreciation method should be reviewed at least annually and, if the pattern of consumption of benefits has changed, the depreciation method should be changed prospectively as a change in estimate under IAS 8. [IAS 16.61]

Depreciation should be charged to the income statement, unless it is included in the carrying amount of another asset [IAS 16.48].

Depreciation begins when the asset is available for use and continues until the asset is derecognised, even if it is idle. [IAS 16.55]

Recoverability of the Carrying Amount

IAS36 requires impairment testing and, if necessary, recognition for property, plant, and equipment. An item of property, plant, or equipment shall not be carried at more than recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Any claim for compensation from third parties for impairment is included in profit or loss when the claim becomes receivable. [IAS 16.65]

Derecognition (Retirements and Disposals)

An asset should be removed from the balance sheet on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is the difference between the proceeds and the carrying amount and should be recognised in the income statement. [IAS 16.67-71]

If an entity rents some assets and then ceases to rent them, the assets should be transferred to inventories at their carrying amounts as they become held for sale in the ordinary course of business. [IAS 16.68A]

Disclosure

For each class of property, plant, and equipment, disclose: [IAS 16.73]

- 1) basis for measuring carrying amount
- 2) depreciation method(s) used
- 3) useful lives or depreciation rates
- 4) gross carrying amount and accumulated depreciation and impairment losses
- 5) reconciliation of the carrying amount at the beginning and the end of the period, showing:
 - a. additions
 - b. disposals
 - c. acquisitions through business combinations
 - d. revaluation increases or decreases
 - e. impairment losses
 - f. reversals of impairment losses
 - g. depreciation
 - h. net foreign exchange differences on translation

i. other movements

Also disclose: [IAS 16.74]

- 1) restrictions on title
- 2) expenditures to construct property, plant, and equipment during the period
- 3) contractual commitments to acquire property, plant, and equipment
- 4) compensation from third parties for items of property, plant, and equipment that were impaired, lost or given up that is included in profit or loss

If property, plant, and equipment is stated at revalued amounts, certain additional disclosures are required: [IAS 16.77]

- 1) the effective date of the revaluation
- 2) whether an independent valuer was involved
- 3) the methods and significant assumptions used in estimating fair values
- 4) the extent to which fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques
- 5) for each revalued class of property, the carrying amount that would have been recognised had the assets been carried under the cost model
- 6) the revaluation surplus, including changes during the period and any restrictions on the distribution of the balance to shareholders

Property, Plant & Equipments

IAS – 16



Scope of IAS 16

- Applies in accounting for PPE except
 - a) PPE classified as held for sale as per IFRS 5
 - b) Biological Assets as per IAS 41
 - c) Recognition and Measurement of exploration and evaluation assets
 - d) Mineral rights and mineral reserves

Applies to PPE used to develop or maintain the assets in (b) to (d)

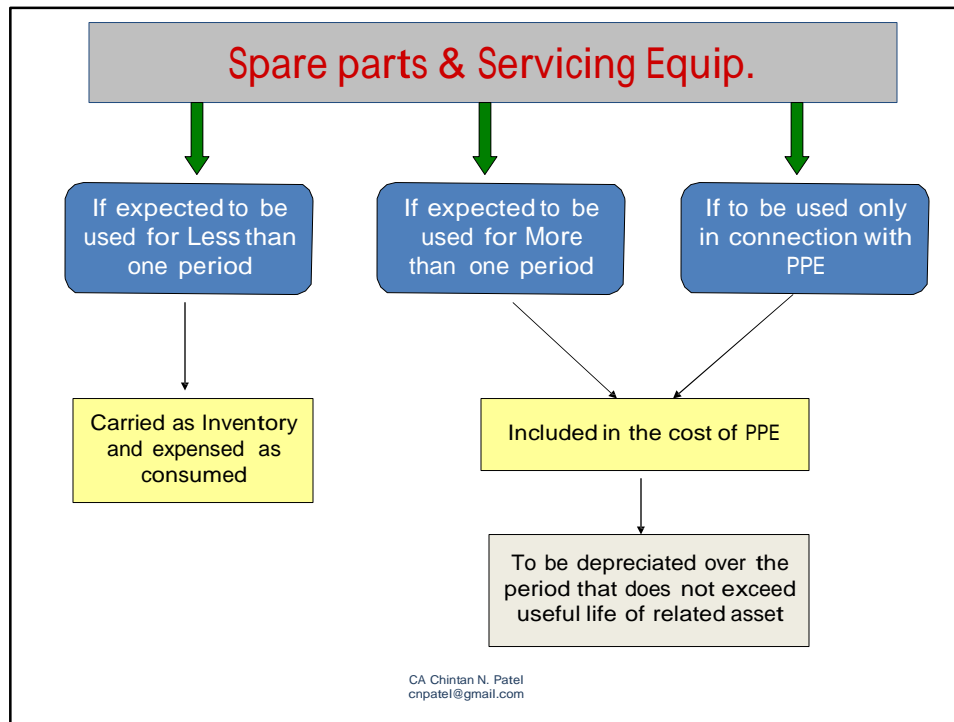
-IAS 17 Leases ?

Property, Plant and Equipment?

- Tangible items that are
 - Held for use
 - In the production or supply of goods or services, for rental to others, or for administrative purposes
 - Expected to be used during more than one period

Recognition Principle

- To be recognised if
 - It is probable that FEB associated with the item will flow to the entity
 - Reliable measurement of the cost of the item
- Safety/Environmental Equipments



Cost of Acquired or Self-Constructed Assets

INCLUDES	EXCLUDES
<p>Purchase price (including import duties and non-refundable purchase taxes)</p> <p>Less</p> <ul style="list-style-type: none"> • any discounts or rebates deducted • implicit interest in deferred payment <p>Plus</p> <ul style="list-style-type: none"> • borrowing costs in the case of “qualifying assets” (refer IAS 23) • any other directly attributable costs (e.g. employee benefits, site preparation, initial delivery and handling costs etc.) • initial estimate of costs of dismantling & removing the item & restoring the site on which it is located 	<p>Costs related to</p> <ul style="list-style-type: none"> • Abnormal amounts of wasted material, labour and other resources • Opening a new facility • introducing a new product or service (including costs of advertising and promotional activities) • Conducting business in a new location or with a new class of customer (including costs of staff training) • Administration & other general overhead costs • Using or redeploying an item • Certain incidental operations • Period when construction is interrupted, unless certain criteria are

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Quick Check?

- Installation or erection charges?
- Testing cost ?
- Administration and general overheads ?
- Initial operating loss while demand for item's output builds up ?
- Sale of samples during trial run ?
- Cost of relocating or re-organising ?

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Issues / Examples

- A Ltd. is constructing a building on a particular site. A Ltd. uses that part of the site pending for construction as a car park. A Ltd. had reduced the cost of the building by the income received from car park. Is the treatment given by A Ltd. proper?

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Component Accounting

Issues involved

- Identification of components
- How much detailed
- Maintaining Fixed Assets Register
- Subjectivity



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Subsequent Costs

- Day-to-day servicing cost
- Major inspection and Replacement



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Acquired in Exchange of Another Asset

- Cost of exchanged asset is measured at fair value unless
 - Exchange transaction lacks commercial substance, or
 - Fair value of neither asset received nor given up can be measured reliably

Cost of PPE acquired in exchange of another Asset

Fair value of asset given up is used, unless fair value of asset received is more clearly evident

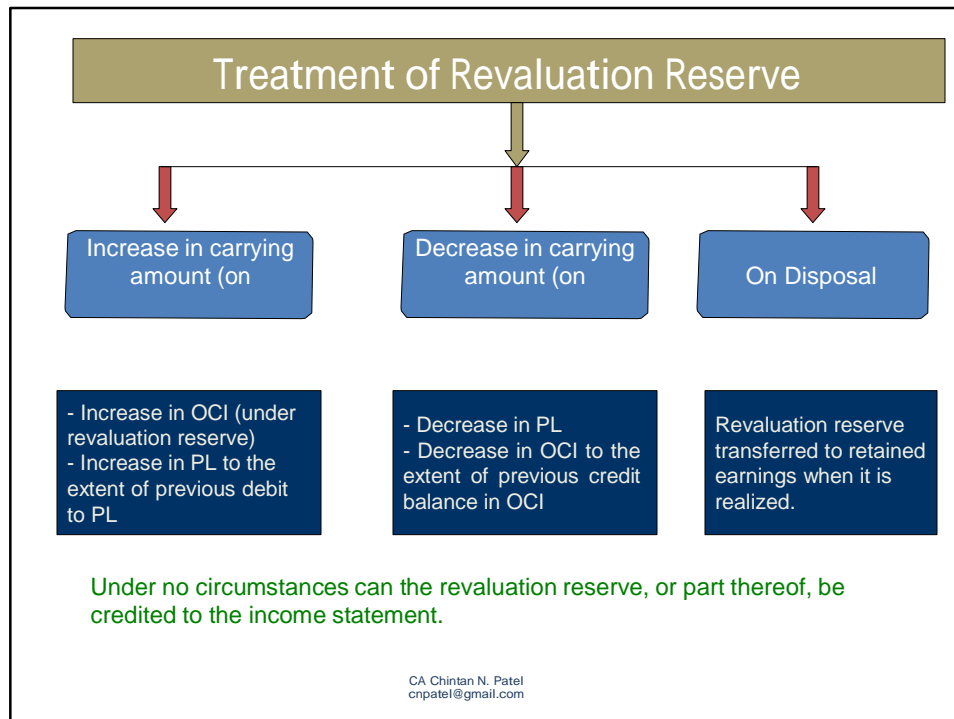


If not measured at fair value, carrying amount of the asset given up becomes the new cost

Subsequent Measurement


- Cost Model
 - At component cost
- Revaluation Model
 - Entire class of PPE to be revalued
 - Methods of Revaluation
 - Gross Adjustment Method
 - Net Adjustment Method
 - Revaluation surplus to be transferred directly to retained earnings, when the asset is derecognised.





Depreciation

- Component depreciation to be recognised in IS
- Begins when the asset is available for use
- Annual review of Useful Life, Residual Value and Depreciation Method
- Treatment of changes in Useful Life, Residual Value and Depreciation Method
- Ceases at the earlier of
 - Classification as Held for Sale
 - Date of derecognition of the Asset



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Derecognition

- To be derecognised
 - On disposal or
 - When no FEBs are expected from its use
- Gain or loss on de-recognition to be recognised in Income Statement
- Gain not to be classified as revenue

Disclosures

- For each class of PPE
 - Measurement bases used
 - The depreciation methods used
 - Useful lives or the depreciation rates used
 - Reconciliation of Carrying Amount

IAS 38 Intangible Assets

(A) Objective

The objective of this Standard is to prescribe the accounting treatment for intangible assets that are not dealt with specifically in another Standard. This Standard requires an entity to recognise an intangible asset if, and only if, specified criteria are met. The Standard also specifies how to measure the carrying amount of intangible assets and requires specified disclosures about intangible assets.

(B) Scope

IAS 38 applies to all intangible assets other than: [IAS 38.2-3]

- Financial assets
- Exploration and evaluation assets (extractive industries)
- Expenditure on the development and extraction of minerals, oil, natural gas, and similar resources
- Intangible assets arising from insurance contracts issued by insurance companies
- Intangible assets covered by another IFRS, such as intangibles held for sale, deferred tax assets, lease assets, assets arising from employee benefits, and goodwill. Goodwill is covered by IFRS 3.

(C) Definition

- ◆ An intangible asset is an identifiable non-monetary asset without physical substance.
- ◆ Identifiability: an intangible asset is identifiable when it: [IAS 38.12]
 - is separable (i.e capable of being separated and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract) or
 - arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

(D) Recognition

- ◆ The recognition of an item as an intangible asset requires an entity to demonstrate that the item meets:
 - the definition of an intangible asset; and
 - the recognition criteria.
- ◆ This requirement applies to costs incurred initially to acquire or internally generate an intangible asset and those incurred subsequently to add to, replace part of, or service it.
- ◆ An intangible asset shall be recognised if, and only if:
 - it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
 - the cost of the asset can be measured reliably.

- ◆ The probability recognition criterion is always considered to be satisfied for intangible assets that are acquired separately or in a business combination.

(E) Measurement

◆ Initial Measurement-

- An intangible asset shall be measured initially at cost.
- The cost of a separately acquired intangible asset comprises:
 - its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
 - any directly attributable cost of preparing the asset for its intended use.
- In accordance with IFRS 3 Business Combinations, if an intangible asset is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date. If an asset acquired in a business combination is separable or arises from contractual or other legal rights, sufficient information exists to measure reliably the fair value of the asset.
- In accordance with this Standard and IFRS 3 (as revised in 2008), an acquirer recognises at the acquisition date, separately from goodwill, an intangible asset of the acquiree, irrespective of whether the asset had been recognised by the acquiree before the business combination. This means that the acquirer recognises as an asset separately from goodwill an in-process research and development project of the acquiree if the project meets the definition of an intangible asset.
- Internally generated intangible assets
 - * Internally generated goodwill shall not be recognised as an asset.
 - * No intangible asset arising from research (or from the research phase of an internal project) shall be recognised. Expenditure on research (or on the research phase of an internal project) shall be recognised as an expense when it is incurred.
 - * An intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:
 - (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
 - (b) its intention to complete the intangible asset and use or sell it.
 - (c) its ability to use or sell the intangible asset.
 - (d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.

- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.
- * Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance shall not be recognised as intangible assets.
- * The cost of an internally generated intangible asset for the purpose of paragraph 24 is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria in paragraphs 21, 22 and 57. Paragraph 71 prohibits reinstatement of expenditure previously recognised as an expense.
- * Expenditure on an intangible item shall be recognised as an expense when it is incurred unless:
 - o it forms part of the cost of an intangible asset that meets the recognition criteria; or
 - o the item is acquired in a business combination and cannot be recognised as an intangible asset. If this is the case, it forms part of the amount recognised as goodwill at the acquisition date.

◆ Measurement after recognition

An entity shall choose either the cost model or the revaluation model as its accounting policy. If an intangible asset is accounted for using the revaluation model, all the other assets in its class shall also be accounted for using the same model, unless there is no active market for those assets.

(A) Cost model:

After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses.

(B) Revaluation model:

After initial recognition, an intangible asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. For the purpose of revaluations under this Standard, fair value shall be determined by reference to an active market. Revaluations shall be made with such regularity that at the end of the reporting period the carrying amount of the asset does not differ materially from its fair value.

An active market is a market in which all the following conditions exist:

- (a) the items traded in the market are homogeneous;
- (b) willing buyers and sellers can normally be found at any time; and
- (c) prices are available to the public.

If an intangible asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus.

However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an intangible asset's carrying amount is decreased as a result of a

revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance in the revaluation surplus in respect of that asset.

(F) Useful life of Intangible Assets

Useful life is:

(a) the period over which an asset is expected to be available for use by an entity;

or

(b) the number of production or similar units expected to be obtained from the asset by an entity.

An entity shall assess whether the useful life of an intangible asset is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. An intangible asset shall be regarded by the entity as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights, but may be shorter depending on the period over which the entity expects to use the asset. If the contractual or other legal rights are conveyed for a limited term that can be renewed, the useful life of the intangible asset shall include the renewal period(s) only if there is evidence to support renewal by the entity without significant cost.

To determine whether an intangible asset is impaired, an entity applies IAS 36 Impairment of Assets.

◆ Intangible assets with finite useful lives

The depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life. Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. Amortisation shall begin when the asset is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation shall cease at the earlier of the date that the asset is classified as held for sale (or 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 and the date that the asset is derecognised. The amortisation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity.

If that pattern cannot be determined reliably, the straight-line method shall be used. The amortisation charge for each period shall be recognised in profit or loss unless this or another Standard permits or requires it to be included in the carrying amount of another asset.

The residual value of an intangible asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless:

- (a) there is a commitment by a third party to purchase the asset at the end of its useful life; or
- (b) there is an active market for the asset and:
 - (i) residual value can be determined by reference to that market; and
 - (ii) it is probable that such a market will exist at the end of the asset's useful life.

The amortisation period and the amortisation method for an intangible asset with a finite useful life shall be reviewed at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with IAS 8.

◆ Intangible assets with indefinite useful lives

An intangible asset with an indefinite useful life shall not be amortised.

In accordance with IAS 36 Impairment of Assets, an entity is required to test an intangible asset with an indefinite useful life for impairment by comparing its recoverable amount with its carrying amount

- (a) annually, and
- (b) whenever there is an indication that the intangible asset may be impaired.

The useful life of an intangible asset that is not being amortised shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite shall be accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

(G) Disclosure

For each class of intangible asset, disclose: [IAS 38.118 and 38.122]

- useful life or amortisation rate
- amortisation method
- gross carrying amount
- accumulated amortisation and impairment losses
- line items in the income statement in which amortisation is included
- reconciliation of the carrying amount at the beginning and the end of the period showing:
 - additions (business combinations separately)
 - assets held for sale
 - retirements and other disposals
 - revaluations
 - impairments
 - reversals of impairments
 - amortisation
 - foreign exchange differences
 - other changes
- basis for determining that an intangible has an indefinite life

- description and carrying amount of individually material intangible assets
- certain special disclosures about intangible assets acquired by way of government grants
- information about intangible assets whose title is restricted
- contractual commitments to acquire intangible assets

Additional disclosures are required about:

- intangible assets carried at revalued amounts [IAS 38.124]
- the amount of research and development expenditure recognised as an expense in the current period [IAS 38.126]

INTANGIBLE ASSETS

IAS – 38, SIC - 32

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SCOPE

The Standard does not apply to those intangible assets covered by other Standards, such as

- Y Intangible assets held for sale in the ordinary course of business (IAS 2)
- Y Deferred tax assets (IAS 12)
- Y Leases within the scope of IAS 17
- Y Assets arising from employee benefit plans (IAS 19)
- Y Financial assets covered by IAS 39; IAS 27, IAS 28, or IAS 31
- Y Goodwill acquired in a business combination (IFRS 3)
- Y Deferred acquisition costs and intangible assets arising from insurance contracts (IFRS 4) (However, the disclosure requirements for such intangible assets are applicable.)
- Y Non-current intangible assets classified as held for sale in accordance with IFRS 5.

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DEFINITIONS OF KEY TERMS

- Y Intangible asset. An identifiable, non-monetary asset without physical substance.
- Y Asset: a resource controlled by an entity as a result of past events and from which FEB are expected to flow to the entity
- Y Useful life. The period over which an asset is expected to be utilized, or the number of production units expected to be obtained from the use of the asset.

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Identifiability

An asset is identifiable if it either:

- (a) is separable i.e is capable of being separated from the entity and sold, transferred, licensed, or rented either individually or in combination with a related contract, asset, or liability, regardless of whether entity intends to do so ; or
- (b) Arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or other rights or obligations.

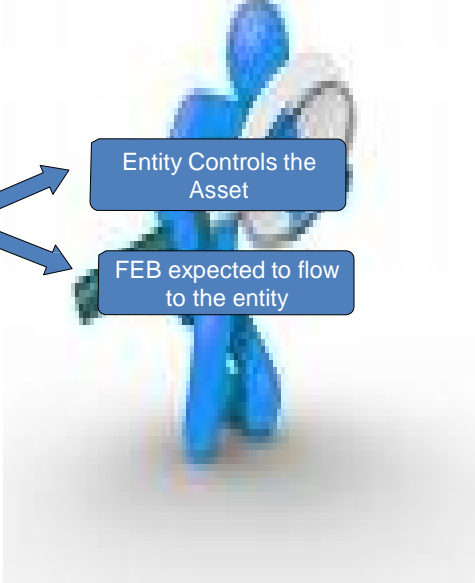
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Recognition of Intangible Assets

(A) Intangible Assets

- Identifiable
- Non- Monetary Asset
- Without Physical

- Entity Controls the Asset
- FEB expected to flow to the entity



(B) Recognition Criteria

- FEB flow to the entity
- Cost Measurable

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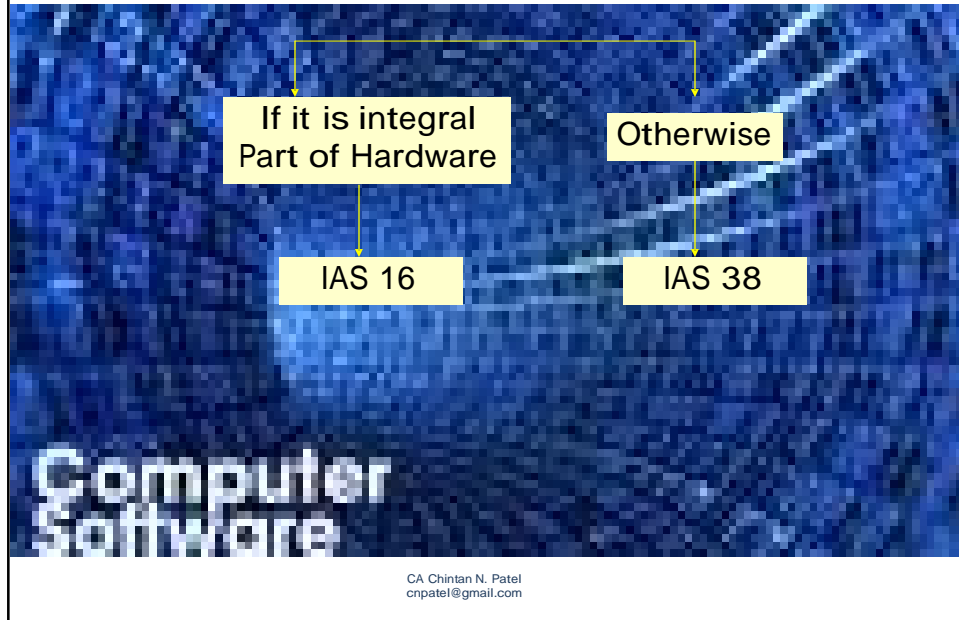
Acquisition of Intangible Assets



Subsequent expenditure - whether intangible asset?

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Intangible Asset – Computer Software



Internally Generated Intangible Assets

YInternally Generated Goodwill

Y internally generated brands, mastheads, publishing titles, customer lists, and similar items, and expenditure thereon

Research and Development Exp.

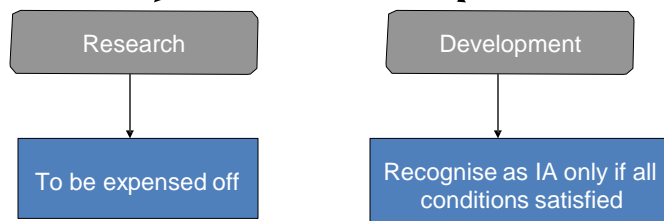
Definition

Research: Original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Development: The application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems, or services before the start of commercial production or use.

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Research and Development Exp.



If above can not be segregated then consider entire expenses as Research

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Research and Development Exp.

Development expenditure may be recognized as an intangible asset when, and only when, **ALL** of the following can be demonstrated:

- ./ The technical feasibility of completing the asset so that it will be available for use or sale
- ./ The intention to complete the asset and use or sell it
- ./ The ability to use or sell the asset
- ./ How the asset will generate probable future economic benefit, including demonstrating a market for the asset's output, or for the asset itself, or the asset's usefulness
- ./ The availability of sufficient technical, financial, and other resources to complete the development and to use or sell the asset
- ./ The ability to reliably measure the expenditure attributable to the asset during its development

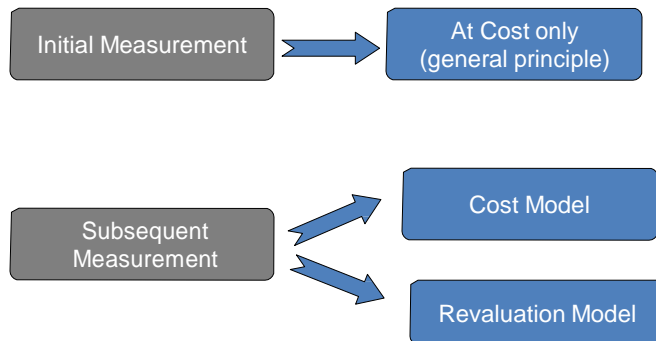
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Quick Check?

S. N.	Nature of Item	Capitalised?
1.	Pre-operating cost of business facility	No
2.	Recipes, secret formulas, models and designs, prototype	Yes
3.	Training, customer loyalty, and market share	No
4.	Licensing, royalty, and stand-still agreements	Yes
5.	In-house– developed software	Yes
6.	Operating and broadcast rights	Yes
7.	Internally generated goodwill	No
8.	A license to manufacture a steroid by means of a government grant	Yes
9.	A television advertisement that will stimulate the sales in the technology industry	No

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Measurement



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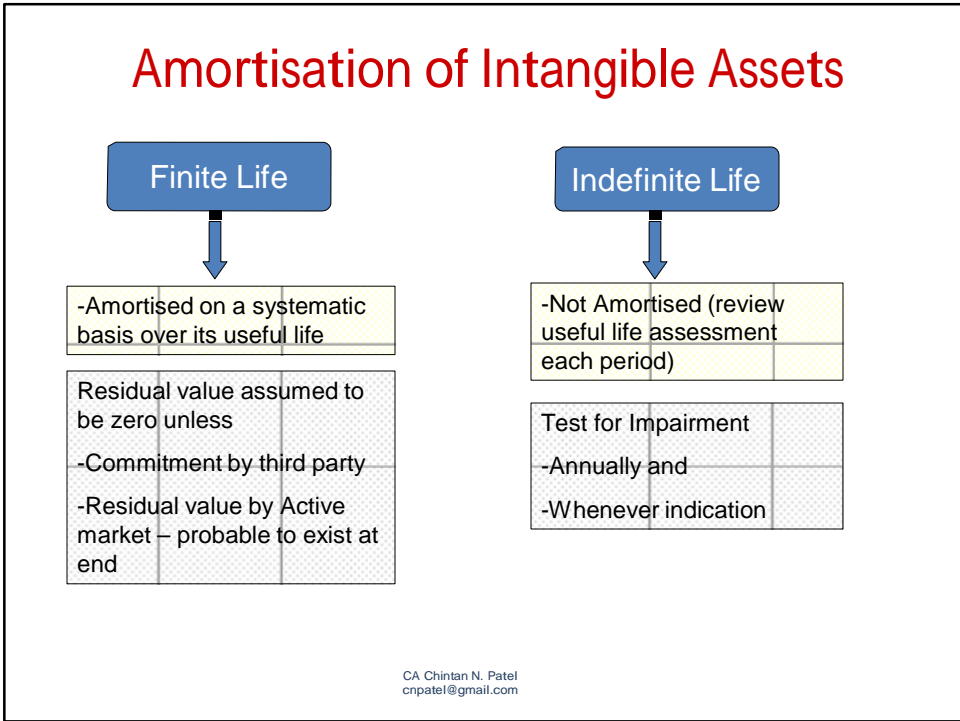
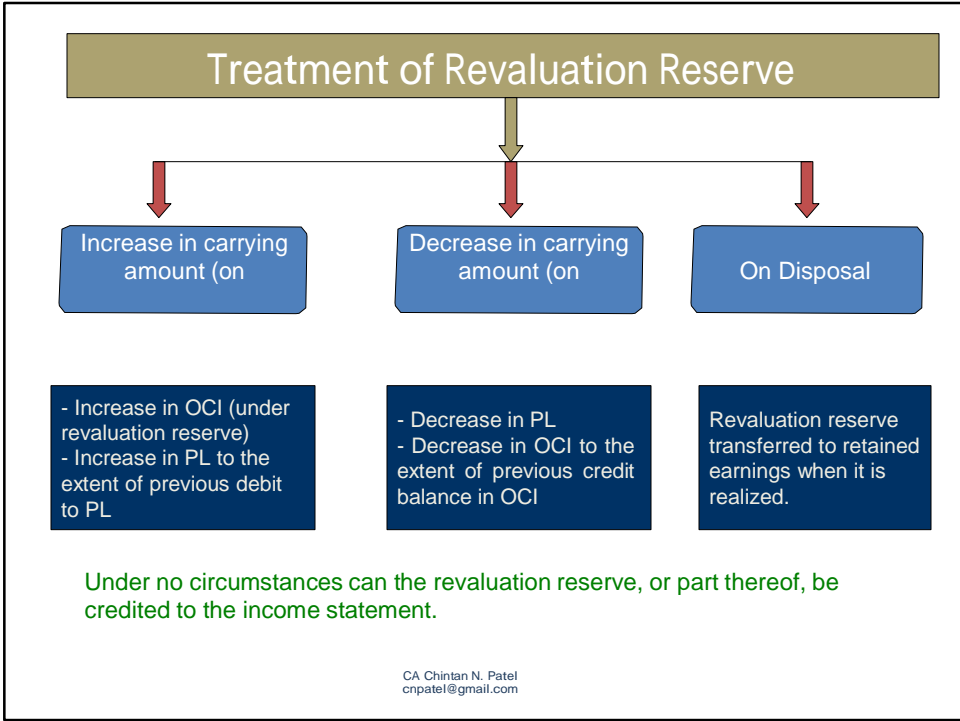
Revaluation Model

- Y Fair values are to be determined from an **active market**
- Y **An active market** is one in which the items traded are homogeneous, willing buyers and sellers can be found at any time, and prices are available to the public. Therefore, **in most instances, the revaluation model will not be a realistically usable model.**
- Y Revaluations are to be determined only by reference to an active market. **Use of valuation models and other techniques is not permitted.**
- Y If an intangible assets in a class of revalued intangible asset can not be revalued ??
- Y If subsequently fair value of revalued intangible asset no

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longer determined as active market not exist ??

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Amortisation of Intangible Assets

- Y Amortization shall commence when the asset is ready for use and shall cease when it is fully depreciated or is reclassified as held for sale
- Y Residual value & Useful Life be reassessed **at each balance sheet date**.
- Y Amortisation period and amortisation method to be reviewed at each balance sheet date.
- Y Any changes are to be treated as changes in accounting estimates.

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SIC 32 Web Site Development Costs

Y SIC 32 lays down guidance on the treatment of Web site costs consistent with the criteria for capitalization of costs established by IAS 38 - a Web site that has been developed for the purposes of promoting and advertising an entity's products and services does not meet the criteria for capitalization of costs under IAS 38. Thus costs incurred in setting up such a Web site should be expensed.

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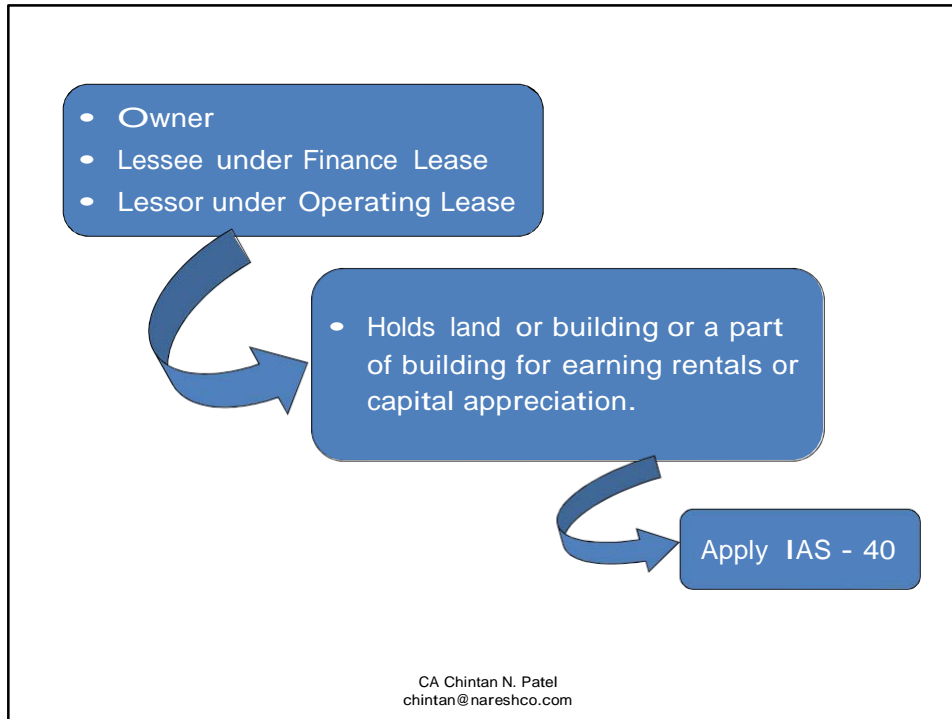


Definition of Investment Property



Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both.

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IAS 40 and IAS 17

- IAS 40 applies to the measurement in a lessee for finance lease and to lessor for operating lease.
- IAS 40 not deal with matters of IAS17 for
 - (a) classification of leases as finance leases or operating leases;
 - (b) recognition of lease income from investment property (see also IAS 18 Revenue);
 - (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.

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Situations



- 1) Property comprises separate portion both for rent and use for production/service
- 2) Owner provides ancillary services to the occupant of the property
- 3) Hotel owner providing services to the guests
- 4) Hotel owner transfers responsibilities to third party under management contract
- 5) Inter-company operating lease

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Case Study

Entity A owns a hotel. Entity B a fellow subsidiary of entity A, manages a chain of hotels and receives management fees for operating its chain, except for the hotel owned by entity A. Entity A's owned hotel is leased to entity B for Rs. 20,00,000 a month for a period of 5 years. Any profit or losses from operating entity A's hotel rests with entity B. The hotel that entity A owns has an estimated remaining useful life of 40 years.

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Quick Check??

S. N.	Situation	Applicability of IAS-40?
1.	An entity has a factory which due to a decline in activity is no longer required and is now being held for sale.	Property held for sale and not investment property.
2.	Farming land is purchased for its investment potential. Planning permission has not been obtained for building construction of any kind.	Land held for long term capital appreciation and therefore investment property.
3.	A factory is in the process of being constructed on behalf of government.	Property being constructed for third party and covered under IAS 11 Construction Contracts.
4.	A new office building used by entity as its head office which was specifically in the center of major city in order to exploit its capital gain potential.	Building generates cashflow as part of larger org. Owner occupied property covered under IAS 16.

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Recognition

- Probable that FEB will flow to the entity
- Cost can be measured reliably

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Measurement

Initial Measurement

At cost - Same as IAS 16

Subsequent Measurement

Fair value model

- measure at fair value
- all gains and losses in income statement

Cost model

- measure at cost less depreciation and impairment losses (in income statement)

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Fair Value Model



- Fair value at the statement of financial position date
 - link with International Valuation Standards
 - encourages, but does not require, use of independent, professionally qualified valuer
- Unable to measure fair value reliably
 - cost model
 - only in exceptional circumstances

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Fair Value



- Usually market value
 - most probable price reasonably obtainable in the market at the statement of financial position date
 - exclude effects of financing arrangements
- Do not deduct sale or disposal costs
- Avoid double counting
 - elevators, air-conditioning
 - Furniture as part of Flat rented

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Case Study

Entity A owns several investment properties and has adopted the fair value model for measurement purposes. It has completed the development of an investment property and intends to lease the property. Entity A's management is not able to determine the entertainment complex's fair value, as there is no active market for such a property. A sale of the complex would be subject to significant negotiations.

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Transfers from Investment Property

(Fair Value model)



S. N.	Transfer from Investment Property To	Treatment
1.	Owner Occupation	IAS 16 deemed cost = FV on transfer
2.	Inventory	IAS 2 deemed cost = FV on transfer

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Transfers to Investment Property

(Fair value model)



S. N.	Transfer To Investment Property From	Treatment
1.	Owner Occupation	IAS 40 deemed cost = FV on transfer Difference between FV and carrying cost recognised in PL
2.	Inventory	IAS 40 deemed cost = FV on transfer
3.	End of construction or development	IAS 40 deemed cost = FV on transfer Difference between FV and carrying cost recognised in PL

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Disposal



- An investment property should be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.
- The gain or loss on disposal to be recognised as income or expense in the income statement.

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Disclosure of Fair value even if Cost model used

- Fair value of investment property. In the exceptional cases when an entity cannot determine the fair value of IP reliably, disclose:
 - (i) a description of the investment property;
 - (ii) an explanation of why fair value cannot be determined reliably; and
 - (iii) if possible, the range of estimates within which fair value is highly likely to lie.
- Methods and significant assumptions applied in determining the fair value of investment property,
- 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. If there has been no such valuation, that fact shall be disclosed.

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Ind AS: Carve Outs

Investment Property

Particulars	IFRS	Ind AS
Subsequent Measurement	Cost Model or Revaluation Model	Permits only Cost Model
Disclosure related to Fair Value (even when cost model is used)	Required	Required

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THANK YOU



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