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**International
Accounting Standards
Board**

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These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

Board Meeting: February 2008, London

Project: Annual Improvements Project: Comment letter analysis

Subject: Treatment of investment property under construction
(Addendum to agenda paper 4L)

Background

1. The transitional arrangements in the Annual improvements ED proposed that all amendments should be applied retrospectively. It has come to the staff's attention that this approach may not be suitable for the amendment in respect of investment property under construction. This addendum sets out the staff's considerations as to whether different transitional arrangements should be provided for that amendment.

Staff analysis

2. IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* states that changes in accounting policy should be applied retrospectively except to the extent that it is impracticable to determine either the period-specific or the cumulative effects of the change. IAS 8.52 states that it is impracticable to estimate a fair value not based on an observable price or observable inputs retrospectively.
3. The staff believes that some entities have historically measured investment property under construction at fair value using IAS 16. To the extent that this is

the case, the staff believes that retrospective application of the Board's proposals would be appropriate.

4. Similarly, some entities measure investment property at cost using IAS 40. To the extent that this is the case, retrospective application will have no effect.
5. In some cases, entities have historically measured investment property under construction at cost using IAS 16 and recorded investment property at fair value using IAS 40. Retrospective application may require such entities to determine the fair value of assets that have historically been measured at cost. In accordance with IAS 8.52, the staff does not believe that this is practicable.
6. The staff therefore believes that the transitional arrangements for this amendment should be changed to state that it should be applied prospectively unless the period end fair values of the investment properties under construction have been previously determined.