ACCOUNTING STANDARDS BOARD

STANDARD OF GENERALLY RECOGNISED ACCOUNTING PRACTICE

INVESTMENT PROPERTY

(GRAP 16)

Issued by the
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February 2010

GRAP 16

Acknowledgement

The Standard of Generally Recognised Accounting Practice (GRAP) on *Investment Property* is based on the International Public Sector Accounting Standard (IPSAS) 16 on *Investment Property* from the *Handbook of International Public Sector Accounting Pronouncements* of the International Public Sector Accounting Standards Board (IPSASB), published by the International Federation of Accountants (IFAC) and is used with the permission of the IFAC.

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INVESTMENT PROPERTY

This Standard was originally issued by the Accounting Standards Board (the Board) in November 2004. Since then, it has been amended by:

- Improvements to the Standards of GRAP, issued by the Board in February 2010.
- Consequential amendments when the following Standards of GRAP became effective:
  - GRAP 21 *Impairment of Non-cash-generating Assets*
  - GRAP 23 *Revenue from Non-exchange Transactions (Taxes and Transfers)*
  - GRAP 26 *Impairment of Cash-generating Assets*
  - GRAP 103 *Heritage Assets*
- Improvements to the Standards of GRAP, issued by the Board in March 2012.
- Consequential amendments following the revisions to GRAP 100 *Discontinued Operations* in 2013.
- Consequential amendments when the following Standards of GRAP became effective:
  - GRAP 105 *Transfers of Functions Between Entities Under Common Control*
  - GRAP 106 *Transfers of Functions Between Entities Not Under Common Control*
  - GRAP 107 *Mergers*
- Amendments to the Standards of GRAP on *Investment Property* and *Property, Plant and Equipment* (2014) issued on 26 May 2015.
- Improvements to the Standards of GRAP, issued by the Board in April 2017.
- Consequential amendments when the following Standard of GRAP became effective:
  - GRAP 32 *Service Concession Arrangements: Grantor*
- Consequential amendments when the following Standard of GRAP became effective:
  - GRAP 110 *Living and Non-living Resources*
- Improvements to the Standards of GRAP, issued by the Board in March 2020.

Introduction

This pronouncement is set out in paragraphs .01 to .106. All paragraphs in this pronouncement have equal authority. The status and authority of appendices are dealt with in the preamble to each appendix. This pronouncement should be read in the context of its objective, its basis for conclusions and/or the basis for conclusions of its international equivalent, if applicable, the *Preface to the Standards of GRAP* and the *Framework for the Preparation and Presentation of Financial Statements*[1].

Standards of GRAP and Interpretations of the Standards of GRAP should also be read in conjunction with any directives issued by the Board prescribing transitional provisions, as well as any regulations issued by the Minister of Finance regarding the effective dates of the Standards, published in the Government Gazette.

Directives should be read in conjunction with the applicable Standards of GRAP and Interpretations of the Standards of GRAP.

[1] In June 2017, the Board replaced the *Framework for the Preparation and Presentation of Financial Statements* with the *Conceptual Framework for General Purpose Financial Reporting*.

Objective

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

Scope

.02 An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for investment property.

.03 This Standard applies to the accounting for investment property including 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 the Standard of GRAP on *Leases* (GRAP 13), including:

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

(b) recognition of lease revenue from investment property (see the Standard of GRAP on *Revenue from Exchange Transactions* (GRAP 9));

(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.

.03A This Standard applies to investment property after its initial recognition and measurement in accordance with the Standard of GRAP on *Service Concession Arrangements: Grantor* (GRAP 32).

.04 This Standard does not apply to:

(a) biological assets related to agricultural activity (see the Standards of GRAP on *Agriculture* and *Property, Plant and Equipment* (GRAP 17));

(aA) living and non-living resources other than land (see the Standard of GRAP on *Living and Non-living Resources* (GRAP 110));

(b) mineral rights;

(c) heritage assets (see the Standard of GRAP on *Heritage Assets*); and

(d) the initial recognition and initial measurement of investment property acquired in a transfer of functions between entities under common control (see the Standard of GRAP on *Transfer of Functions Between Entities Under Common*

Control (GRAP 105)), a transfer of functions between entities not under common control (see the Standard of GRAP on *Transfer of Functions Between Entities Not Under Common Control* (GRAP 106)) or a merger (see the Standard of GRAP on *Mergers*).

Definitions

.05 ***The following terms are used in this Standard with the meanings specified:***

***Carrying amount** (for the purpose of this Standard) 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 the other consideration given to acquire an asset at the time of its acquisition or construction.*

***Exchange transactions** are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.*

***Fair value** is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.*

***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, 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 operations.

***Non-exchange transactions** are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.*

***Owner-occupied property** is property held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes.*

Terms defined in other Standards of GRAP are used in this Standard with the same meaning as in those other Standards.

Classification of property as investment property

.06 ***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 .46 to .70 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 .90 to .95.

.07 Entities in the public sector often own a significant number of properties. While the properties are most often used to deliver goods or services in accordance with each entity's respective mandated functions, some entities use them to provide additional sources of revenue, e.g. through rental, or through the value that could be realised if the properties are sold.

.08 Investment property comprises land and buildings (or part of a building), or both, that is held for capital appreciation or rental to others rather than for:

(a) use in the production or supply of goods or services or for administrative purposes (referred to as owner occupied property and is accounted for in accordance with GRAP 17); or

(b) for sale in the ordinary course of operations (which is accounted for in accordance with the Standard of GRAP on *Inventories* (GRAP 12)).

.09 In determining whether land and buildings (or part of a building) meet the circumstances in paragraph .07, an entity considers:

(a) Whether it uses the land and/or buildings to provide goods or services in accordance with its mandated functions specified in legislation or similar means. Legislation or similar means may include a review of the Constitution of the Republic of South Africa, 1996 and its Regulations, any other relevant legislation, both nationally and provincially and their related regulations, municipal by-laws, ministerial directions or cabinet decisions. An entity may need to consider, on an ongoing basis, substance over form in assessing whether land and/or buildings are used to deliver on its mandated functions. For example, an entity may acquire land and/or buildings that are initially used to deliver goods or services in accordance with its mandated functions but over time changes its use of the asset such that it meets the definition of an investment property.

(b) If the land and/or buildings are not used to provide goods or services in accordance with an entity's mandated functions, whether it uses its other assets, in conjunction with the land and/or buildings, to provide certain goods or services. In these instances, an entity should assess the nature of the fee charged, particularly whether the fee is for the use of the property, or a fee for the goods or services it provides. If the fee charged relates to goods or services provided, then the property is used to provide goods or services rather than for rental.

(c) Whether it holds the land and/or buildings for disposal, through sale or transfer, in its ordinary course of operations, e.g. an entity that frequently acquires and transfers or sells land to beneficiaries of a land redistribution programme.

If an entity holds land and/or buildings (or part thereof) in any of the situations described in paragraphs (a) to (c), then this Standard is not applicable and GRAP 12, GRAP 17 or another applicable Standard should be applied.

.10 There are a number of circumstances in which entities may hold property to earn rental and for capital appreciation. For example, an entity may be established to manage a municipality's property portfolio on a commercial basis. In this case, the property held by the entity, other than property held for sale in the ordinary course of operations, meets the definition of an investment property. Other entities may also hold property for rentals or capital appreciation and use the cash generated to finance their other (service delivery) activities. For example, an entity may own a building for the purpose of leasing on a commercial basis to external parties, rather than to produce or supply goods and services. This property would also meet the definition of investment property.

.11 Investment property is held to earn rentals or for capital appreciation or both. Therefore, an investment property generates revenue largely independently of the other assets held by an entity. This distinguishes investment property from other land or buildings controlled by entities, including owner-occupied property. The production or supply of goods or services (or the use of property for administrative purposes) can also generate revenue. For example, entities may use a building to provide goods or services to recipients in return for a fee, which is based on either a full or partial cost recovery. However, the building is held to facilitate the production of goods or services and the revenue is attributable not only to the building, but also to other assets used in the production or supply process. GRAP 17 applies to owner-occupied property.

.12 In assessing whether a property is investment property or property, plant and equipment, it is not relevant how much revenue is generated through the activity, but rather why the activity is being undertaken. If the entity merely earns revenue from the use of the property, then it may be appropriate to classify it as investment property. However, if the entity earns revenue because providing such facilities is part of its mandated functions, or because it provides goods or services using both the property and its other assets, then it may be appropriate to classify the property as property, plant and equipment.

.13 Certain administrative arrangements exist such that an entity may control an asset that may be legally owned by another entity. For example, an entity may control and account for certain buildings that are legally owned by another entity. In such circumstances, references to owner-occupied property mean property occupied by the entity that recognises the property in its financial statements.

.14 The following are examples of investment property:

(a) land held for long-term capital appreciation rather than for disposal, e.g. through sale or transfer, in the ordinary course of operations. For example, land held by a hospital for capital appreciation which may be sold at a beneficial time in the future;

(b) Land held for a currently undetermined future use. Land is held for a currently undetermined future use when:

(i) An entity has not determined that it will use the land as owner-occupied property.

(ii) An entity does not hold the land for sale in the ordinary course of operations.

(iii) An entity has not determined that it holds the land for strategic purposes as outlined in paragraph .18(c).

(c) A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases on a commercial basis. For example, a property management company may own a building that it leases on a commercial basis to external parties.

(d) A property owned by the entity and leased out at a below market rental. For example, a municipality may own an office building which it leases to external parties at a below market rental to promote urban regeneration.

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

.15 The existence of a lease does not in itself mean that the property is an investment property. An entity can also lease properties which are classified as property, plant and equipment. However, property that is leased to another entity under a finance lease is not investment property (see GRAP 13).

.16 The rent earned does not have to be on a commercial basis or market related for the property to be classified as investment property. Entities may own properties which they hold solely for the purposes of renting to external parties, but for which they cannot charge a commercial or market related rental because of specific policy decisions, e.g. to promote growth and development in specific areas, or because prevailing economic conditions do not permit the charging of such rentals.

.17 The following are examples of items that are not investment property and are within the scope of GRAP 12 or the Standard of GRAP on *Construction Contracts* (GRAP 11):

(a) Property held for disposal, either through sale or transfer, in the ordinary course of operations (see GRAP 12). For example, land held by municipalities for transfer to beneficiaries of a housing scheme, or housing stock held by the

Department of Housing which it sells in the ordinary course of its operations as a result of changing demographics.

(b) Property being constructed or developed for third parties. For example, a municipality may develop or construct houses for the Department of Housing for distribution as part of the Department's housing scheme (see GRAP 11).

.18 The following are examples of items that are not investment property and are within the scope of GRAP 17:

(a) Owner-occupied property (see GRAP 17), including (among other things):

(i) property held for future use as owner-occupied property;

(ii) property held for future development and subsequent use as owner-occupied property;

(iii) property occupied by employees such as housing for military, official or similar personnel which are required as part of their employment to be located in a specific area (whether or not the employees pay rent at market rates); and

(iv) owner-occupied property awaiting disposal.

(b) Property held to provide goods and services and which also generates revenue. These properties are typically used by entities to fulfil their mandated function to provide certain goods and or services rather than for rentals or capital appreciation. Rental revenue generated is often incidental to the purposes for which the property is held. Examples of these properties include:

(i) Housing: An entity may hold a large housing stock used to provide housing to low income families, or to provide housing to communities at affordable rates closer to their places of employment. Where the provision of housing is within the entity's mandate, the property is held to fulfil its mandate to provide housing services rather than to generate rental revenue.

(ii) Recreational, sporting or similar facilities: Some entities operate recreational facilities such as resorts, camping sites and caravan parks; sporting facilities such as stadiums, golf courses, athletics tracks, and tennis courts; and similar facilities such as community halls, in accordance with their specific mandated function. Entities receive a fee for the use of these facilities. These facilities are held and operated by entities to provide specific services to communities rather than to generate rental revenue. As these facilities are provided to communities as part of their mandated function, any fees received are compensation for services provided. An entity should however consider paragraph .23 to assess whether it merely acts as a passive investor in the property, in which case it will be classified as investment property.

(c) Property held for strategic purposes which would be accounted for in accordance with GRAP 17. Land and/or buildings held for strategic purposes is property that, although not currently used as property, plant and equipment, is likely to be used in the production or supply of goods and services or for administrative purposes in future because of certain legislation, policies, decisions or plans adopted by an entity. Such property may or may not generate rental revenue at present. For example, land held by a municipality which is currently vacant, but is adjacent to a growing suburban area. In terms of the municipality's spatial planning, this land could be used to develop housing, or it could be used to expand the current infrastructure network. Although a firm decision has not been made by the entity on the use of this land, given current plans in place, the land is likely to be used to fulfil its mandate. When property is classified as being held for strategic purposes, specific disclosure of the types of property classified as such is required (see paragraph .91(c)).

.19 Some entities hold property to deliver goods and services rather than to earn rental or for capital appreciation. In such situations the property will not meet the definition of investment property as its main purpose is the delivery of goods and services. This Standard is applicable if the main purpose and most significant use of the property is to earn rental or for capital appreciation. For example, when an entity owns a building, mainly used for the delivery of social housing but rents out a floor of the building to shops, banks and other external parties, the building should be accounted for as property, plant and equipment as its main purpose and most significant use is the provision of social services. This should be the case irrespective of whether the rental earned from the one floor of the building is significant in relation to the rental earned from the remainder of the building.

.20 In some cases, entities hold some property that includes a portion that is held to earn rentals or for capital appreciation rather than to provide goods or services and another portion that is held for use in the production or supply of goods or services or for administrative purposes. For example, a hospital or a university may own a building, part of which is used for administrative purposes, and part of which is leased out as apartments on a commercial basis. 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.

.21 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 would be where an entity owns an office building which is held exclusively for rental purposes and rented on a commercial basis and also provides security and maintenance services to the lessees who occupy the building.

.22 In other cases, the services provided are significant. For example, an entity may own a hostel. The services provided to residents are a significant component of the arrangement as a whole. Therefore, an owner-managed hostel is owner-occupied property, rather than investment property because the main purpose and most significant use of the property is the provision of services to residents.

.23 It may be difficult to determine whether ancillary services are so significant that a property does not qualify as investment property. For example, entities which own stadiums or other sporting facilities often transfer certain responsibilities to third parties under a management contract. The terms of such contracts vary widely. At one end of the spectrum, the entity's position may, in substance, be that of a passive investor in a property. At the other end of the spectrum, the entity may simply have outsourced the actual performance of the day-to-day functions while retaining significant exposure to variation in the volume or quality of services provided and in the cash flows generated by operating the stadiums or sporting facilities.

.24 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 .07 to .18. Paragraph .91(c) requires an entity to disclose these criteria when classification is difficult.

.24A 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 transfer of functions within the scope of GRAP 105 and GRAP 106. Reference should be made to GRAP 105 and GRAP 106 to determine whether it is a transfer of functions. The discussion in paragraphs .07 to .24 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 transfer of functions as defined in GRAP 105 and GRAP 106. Determining whether a specific transaction meets the definition of a transfer of functions as defined in GRAP 105 and GRAP 106 and includes an investment property as defined in this Standard requires the separate application of these Standards.

.25 In some cases, an entity owns property that is leased to, and occupied by, its controlling entity or another controlled entity. The property does not qualify as investment property in the consolidated financial statements, because the property is owner-occupied from the perspective of the economic entity as a whole. However, from the perspective of the entity that owns it, the property is investment property if it meets the definition (see paragraph .05). Therefore, the lessor treats the property as investment property in its individual financial statements. This situation may arise where government establishes a property management entity to manage part of government's property portfolio on a commercial basis. Buildings are then leased out to other entities, which may include government entities. In the financial statements of the property management entity, the property would be accounted for as investment property. However, in the consolidated financial statements of the government, any property leased to other government entities would be accounted for as property, plant and equipment in accordance with GRAP 17.

Recognition

.26 ***Investment property shall be recognised as an asset when, and only when:***

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

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

.27 In determining whether an item satisfies the first criterion for recognition, an entity needs to assess the degree of certainty attaching to the flow of future economic benefits or service potential on the basis of the available evidence at the time of initial recognition. Existence of sufficient certainty that the future economic benefits or service potential will flow to the entity necessitates an assurance that the entity will receive the rewards attaching to the asset and will undertake the associated risks. This assurance is usually only available when the risks and rewards have passed to the entity. Before this occurs, the transaction to acquire the asset can usually be cancelled without significant penalty and, therefore, the asset is not recognised.

.28 The second criterion for recognition is usually readily satisfied because the exchange transaction evidencing the purchase of the asset identifies its cost. As specified in paragraph .33, under certain circumstances an investment property may be acquired through a non-exchange transaction. In such cases, cost is the investment property's fair value as at the date of acquisition.

.29 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.

.30 Under the recognition principle in paragraph .26, 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 surplus or deficit 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.

.31 Parts of investment property 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.

Measurement at recognition

.32 ***An investment property shall be measured initially at its cost (transaction costs shall be included in this initial measurement).***

.33 ***Where an investment property is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.***

.34 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.

.35 The cost of 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.

.36 If payment for 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.

.37 An investment property may be acquired through a non-exchange transaction. For example, an entity may transfer, at no charge, a building to another entity, which then lets it out at market rent. An investment property may also be acquired through a non-exchange transaction by the exercise of powers of expropriation. In these circumstances, the cost of the property is its fair value as at the date it is acquired. Any transaction costs incurred are recognised in accordance with the requirements of paragraphs .34 to .35.

.38 Where an entity initially recognises its investment property at fair value in accordance with paragraph .33, the fair value is the cost of the property. The entity may decide, subsequent to initial recognition, to adopt either the fair value model (paragraphs .46 to .70) or the cost model (paragraph .71).

.39 ***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 .26 of GRAP 13, i.e. 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.

.40 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 determining the fair value of a property interest is set out for the fair value model in paragraphs .46 to .65. That guidance is also relevant to the determination of fair value when that value is used as cost for initial recognition purposes.

.41 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 simply 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 the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the asset given up. The acquired asset is measured in this way even if an entity cannot immediately derecognise the asset given up.

.42 The fair value of an asset for which comparable market transactions do not exist is reliably measurable if (a) the variability in the range of reasonable fair value estimates is not significant for that asset or (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value. If the entity is able to determine 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.

Measurement after recognition

Accounting policy

.43 With the exceptions noted in paragraph .47 an entity shall choose as its accounting policy either the fair value model in paragraphs .46 to .70 or the cost model in paragraph .71 and shall apply that policy to all of its investment property.

.44 The Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* (GRAP 3) 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, 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.

.45 An entity is encouraged, but not required, to determine the fair value of investment property on the basis of a valuation by a valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. Another expert with the requisite competence to undertake such appraisals in accordance with the requirements of the applicable Standards of GRAP may also be used. The valuer or other expert may be employed by the entity.

Fair value model

.46 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 .66.

.47 When a property interest held by a lessee under an operating lease is classified as an investment property under paragraph .06, paragraph .43 is not elective; the fair value model shall be applied.

.48 A gain or loss arising from a change in the fair value of investment property shall be included in surplus or deficit for the period in which it arises.

.49 The fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction (see paragraph .05). Fair value specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale.

.50 An entity determines fair value without any deduction for transaction costs it may incur on sale or other disposal.

.51 The fair value of investment property shall reflect market conditions at the reporting date.

.52 Fair value is time specific as of a given date. Because market conditions may change, the amount reported as fair value may be incorrect or inappropriate if estimated as of another time. The definition of fair value also assumes simultaneous exchange and completion of the contract for sale without any variation in price that might be made in an arm's length transaction between knowledgeable, willing parties if exchange and completion are not simultaneous.

.53 The fair value of investment property reflects, among other things, rental revenue from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental revenue from future leases in the light of current conditions. It also reflects, on a similar basis, any cash outflows (including rental payments and other outflows) that could be expected in respect of the property. Some of those outflows are reflected in the liability whereas others relate to outflows that are not recognised in the financial statements until a later date (e.g. periodic payments such as contingent rents).

.54 Paragraph .39 specifies the basis for initial recognition of the cost of an interest in a leased property. Paragraph .46 requires the interest in the leased property to be remeasured, if necessary, to fair value. In a lease negotiated at market rates, the fair value of an interest in a leased property at acquisition, net of all expected lease payments (including those relating to recognised 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 .26 of GRAP 13. Thus, remeasuring a leased asset from cost in accordance with paragraph .39 to fair value in accordance with paragraph .46 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.

.55 The definition of fair value refers to "knowledgeable, willing parties". In this context, "knowledgeable" means that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the investment property, its actual and potential uses, and market conditions at the reporting date. A willing buyer is motivated, but not compelled, to buy. This buyer is neither over-eager nor determined to buy at any price. The assumed buyer would not pay a higher price than a market comprising knowledgeable, willing buyers and sellers would require.

.56 A willing seller is neither an over-eager nor a forced seller, prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in current market conditions. The willing seller is motivated to sell the investment property at market terms for the best price obtainable. The factual circumstances of the actual investment property owner are not a part of this consideration because the willing seller is a hypothetical owner (e.g. a willing seller would not take into account the particular tax circumstances of the actual investment property owner).

.57 The definition of fair value refers to an arm's length transaction. An arm's length transaction is one between parties that do not have a particular or special relationship that makes prices of transactions uncharacteristic of market conditions. The transaction is presumed to be between unrelated parties, each acting independently.

.58 The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition and subject to similar lease and other contracts. An entity takes care to identify any differences in the nature, location or condition of the property, or in the contractual terms of the leases and other contracts relating to the property.

.59 In the absence of current prices in an active market of the kind described in paragraph .58, an entity considers information from a variety of sources, including:

(a) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

.60 In some cases, the various sources listed in the previous paragraph may suggest different conclusions about the fair value of an investment property. An entity considers the reasons for those differences, in order to arrive at the most reliable estimate of fair value within a range of reasonable fair value estimates.

.61 In exceptional cases, there is clear evidence when an entity first acquires an investment property (or when an existing property first becomes an investment property after a change in use) that the variability in the range of reasonable fair value estimates will be so great, and the probabilities of the various outcomes so difficult to assess, that the usefulness of a single estimate of fair value is negated. This may indicate that the fair value of the property will not be reliably determinable on a continuing basis (see paragraph .66).

.62 Fair value differs from value in use, as defined in the Standards of GRAP on *Impairment of Non-cash-generating Assets* and *Impairment of Cash-generating Assets* (GRAP 26). Fair value reflects knowledge and estimates of knowledgeable, willing buyers and sellers. In contrast, value in use reflects the entity's estimates, including the effects of factors that may be specific to the entity and not applicable to entities in general. For example, fair value does not reflect any of the following factors to the extent that they would not be generally available to knowledgeable, willing buyers and sellers:

(a) additional value derived from the creation of a portfolio of properties in different locations;

(b) synergies between investment property and other assets;

(c) legal rights or legal restrictions that are specific only to the current owner; and

(d) tax benefits or tax burdens that are specific to the current owner.

.63 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 revenue 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 revenue, because the entity recognises it as a separate liability or asset; and

(d) the fair value of investment property held under a lease reflects expected cash flows (including contingent rent that is 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.

.64 The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure.

.65 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 the Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Assets* (GRAP 19) to determine whether to recognise a liability and, if so, how to measure it.

Inability to determine fair value reliably

.66 ***There is a rebuttable presumption that an entity can reliably determine 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 determinable on a continuing basis. This arises when, and only when, comparable market transactions are infrequent and alternative estimates 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 determinable 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 determinable 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 determinable on a continuing basis, the entity shall measure that investment property using the cost model in GRAP 17. The residual value of the investment property shall be assumed to be zero. The entity shall apply the GRAP 17 until disposal of the investment property.

.67 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 .66, the property shall be accounted for using the cost model in accordance with GRAP 17.

.68 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 completed investment property cannot be determined reliably.

.69 In the exceptional cases when an entity is compelled, for the reason given in paragraph .66, to measure an investment property using the cost model in accordance with GRAP 17, it measures at fair value all its other investment property at fair value, 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.

.70 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 operations) even if comparable market transactions become less frequent or market prices become less readily available.

Cost model

.71 After initial recognition, an entity that chooses the cost model shall measure all of its investment property in accordance with GRAP 17, i.e. at cost less any accumulated depreciation and any accumulated impairment losses.

Transfers

.72 An entity shall transfer a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in

management's intentions for the use of a property does not provide evidence of a change in use. Examples of a change in use include:

(a) commencement of owner-occupation, or development with a view to 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; and

(d) inception of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property.

.73 An entity's use of property may change over time. For example, an entity may decide to occupy a building currently used as an investment property or to convert a building currently used as naval quarters or for administrative purposes into a hotel and to let that building to private sector operators. In the former case, the building would be accounted for as an investment property until commencement of occupation. In the latter case, the building would be accounted for as property, plant and equipment until its occupation ceased and it is reclassified as an investment property.

.74 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 reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the entity remains an investment property and is not reclassified as owner-occupied property during the redevelopment.

.75 An entity may identify, and hold, certain buildings for sale. These buildings may be considered inventory. However, if the entity decided to hold the building for its ability to generate rent revenue and its capital appreciation potential it would be reclassified as an investment property on commencement of any subsequent operating lease.

.76 Paragraphs .77 to .82 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.

.77 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 GRAP 17 or GRAP 12 shall be its fair value at

the date of change in use.

.78 ***If an owner-occupied property becomes an investment property that will be carried at fair value, an entity shall apply GRAP 17 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 GRAP 17 and its fair value in the same way as a revaluation in accordance with GRAP 17.***

.79 Up to the date when an owner-occupied property becomes an investment property carried at fair value, an entity depreciates the property 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 GRAP 17 and its fair value in the same way as a revaluation in accordance with GRAP 17. In other words:

(a) Any resulting decrease in the carrying amount of the property is recognised in surplus or deficit. However, to the extent that an amount is included in revaluation surplus for that property, the decrease is charged against that revaluation surplus.

(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 surplus or deficit. The amount recognised in surplus or deficit 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 credited directly to net assets in revaluation surplus. On subsequent disposal of the investment property, the revaluation surplus included in net assets may be transferred to accumulated surpluses or deficits. The transfer from revaluation surplus to accumulated surpluses or deficits is not made through surplus or deficit.

.80 ***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 surplus or deficit.***

.81 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.

Guidance on initially measuring self-constructed investment property at fair value

.82 ***When an entity completes the construction or development of a self-constructed investment property that will be carried at fair value, or when its fair value becomes reliably measurable (whichever is earlier), any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in surplus or deficit.***

Disposals

.83 ***An investment property shall be derecognised (eliminated from the statement of financial position):***

(a) ***on disposal (including disposal through a non-exchange transaction); or***

(b) ***when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.***

.84 The disposal of an investment property may be achieved by sale or by entering into a finance lease. In determining the date of disposal for investment property, an entity applies the criteria in GRAP 9 for recognising revenue from the sale of goods and considers the related guidance in the Appendix to GRAP 9. GRAP 13 applies to a disposal effected by entering into a finance lease and to a sale and leaseback.

.85 If, in accordance with the recognition principle in paragraph .26, 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.

.86 ***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 surplus or deficit (unless GRAP 13 requires otherwise on a sale and leaseback) in the period of the retirement or disposal.***

.87 The consideration receivable on disposal of an investment property is recognised initially at fair value. In particular, if payment for an investment property is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue in accordance with GRAP 9 using the effective interest method. (Guidance on accounting for liabilities such as those that the entity retains after disposal of an investment property may be found in GRAP 19.)

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

.89 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 GRAP 21 or GRAP 26;

(b) retirements or disposals of investment property are recognised in accordance with paragraphs .83 to .87;

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

(d) the cost of assets restored, purchased or constructed as replacements is determined in accordance with paragraphs .32 to .42.

Disclosure

Fair value model and cost model

.90 The disclosures below apply in addition to those in GRAP 13. In accordance with GRAP 13 the owner of an investment property provides lessors' disclosures about leases into which it has entered. An entity that holds an investment property under a finance lease or operating lease provides lessees' disclosures for finance leases and lessors' disclosures for any operating leases into which it has entered.

.91 An entity shall disclose:

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

(b) 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 .24), the criteria it uses to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes in accordance with paragraph .18(c);

(d) the methods and significant assumptions applied in determining the fair value of investment property, including a statement whether the determination of fair value was supported by market evidence or was more heavily based on other factors (which the entity shall disclose) because of the nature of the property and lack of comparable market

data;

(e) the amounts recognised in surplus or deficit for:

(i) rental revenue from investment property;

(ii) direct operating expenses, separately disclosing repairs and maintenance arising from investment property that generated rental revenue during the period; and

(iii) direct operating expenses, separately disclosing repairs and maintenance arising from investment property that did not generate rental revenue during the period;

(f) the existence and amounts of restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal; and

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

.92 An entity shall disclose the following in the notes to the financial statements in relation to investment property which is in the process of being constructed or developed:

(a) The cumulative expenditure recognised in the carrying value of investment property.

(b) The carrying value of investment property that is taking a significantly longer period of time to complete than expected, including reasons for any delays.

(c) The carrying value of investment property where construction or development has been halted either during the current or previous reporting period(s). The entity shall also disclose reasons for halting the construction or development of the asset and indicate whether any impairment losses have been recognised in relation to these assets.

In providing the disclosures in paragraphs .92(b) and (c) an entity shall decide how to present the information required, i.e. individually or in aggregate, for example per asset, per project or another relevant basis.

Fair value model

.93 In addition to the disclosures required by paragraph .91, an entity that applies the fair value model in paragraphs .46 to .70 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 a transfer of functions between entities under common control, a transfer of functions between entities not under common control or a merger;

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

(d) 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 controlling entity;

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

(f) other changes.

.94 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 .63, 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 that have been added back, and any other significant adjustments.

.95 In exceptional cases where an entity measures investment property using the cost model in GRAP 17 because the fair value of investment property is not reliably determinable on a continuing basis (see paragraph .66), the reconciliation required by paragraph .93 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 determined 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

.96 In addition to the disclosures required by paragraph .91, an entity that applies the cost model in paragraph .71 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; and***

(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 a transfer of functions between entities under common control, a transfer of functions between entities not under common control or a merger;***

(iii) ***depreciation;***

(iv) ***the amount of impairment losses recognised, and the amount of impairment losses reversed, during the period in accordance with GRAP 21 or GRAP 26;***

(v) ***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;***

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

(vii) ***other changes.***

Transitional provisions

Initial adoption of the Standards of GRAP

.97 ***The transitional provisions to be applied by entities on the initial adoption of this Standard are prescribed in a directive(s). The provisions of this Standard should be read in conjunction with each applicable directive.***

Amendments to Standards of GRAP

.98 ***Paragraphs .19, .22, .41, .83, .91 and .95 were amended by the Improvements to the Standards of GRAP issued on 1 April 2012. An entity shall apply these amendments prospectively in accordance with GRAP 3.***

.99 ***Any other amendments to the Standards of GRAP shall be applied retrospectively, in accordance with GRAP 3.***

.100 ***Paragraphs .07, .08, .09, .12, .14, .15, .16, .17, .18, .20, .23, .25 and .91(c) were***

amended by the Amendments to the Standards of GRAP on Investment Property* (GRAP 16) *and Property Plant and Equipment (GRAP 17) (2014) issued on 26 May 2015. An entity shall apply these amendments retrospectively in accordance with GRAP 3, unless applying these requirements retrospectively requires the application of hindsight about management's intention in prior periods.

.101 Amendments to paragraph .89, relating to the deletion of encouraged disclosures, shall be applied retrospectively.

.102 Amendments to paragraph .91(e) relating to the disclosure of expenditure incurred to repair and maintain investment property, shall be applied prospectively.

.103 Paragraphs .45, .91(e) and .92 were amended by the Amendments to GRAP 16 and GRAP 17 (2014) issued on 26 May 2015. An entity shall apply these amendments prospectively in accordance with GRAP 3.

.103A The following paragraphs were amended by the Improvements to the Standards of GRAP issued in April 2017. These amendments are effective for annual periods beginning on or after 1 April 2018. An entity shall apply these amendments as follows:

(a) paragraphs .24A and .37 shall be applied prospectively in accordance with GRAP 3; and

(b) paragraph .41 shall be applied retrospectively in accordance with GRAP 3.

Earlier application is encouraged. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Effective date

Initial adoption of the Standards of GRAP

.104 An entity shall apply this Standard for annual financial statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(b) of the Public Finance Management Act, Act No. 1 of 1999, as amended.

Entities already applying Standards of GRAP

.105 [Deleted].

.105A Paragraph .03A was added by GRAP 32 issued in August 2013. An entity shall apply this amendment for annual financial statements covering periods beginning on or after 1 April 2019. Earlier application is encouraged. If an entity applies the amendment for a period beginning before 1 April 2019, it shall disclose that fact.

.105B ***Paragraph .04 was amended by GRAP 110 issued March 2017. An entity shall apply this amendment retrospectively for annual financial periods beginning on or after 1 April 2020. If an entity elects to apply this amendment earlier, it shall disclose this fact.***

.105C ***The following paragraphs were amended by the Improvements to the Standards of GRAP (2020) issued March 2020. These amendments are effective for annual periods beginning on or after 1 April 2023. Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact. An entity shall apply these amendments as follows:***

- ***(a) paragraphs .72 and .74 shall be applied prospectively for property held on 1 April 2023 and, if applicable, reclassify property applying paragraphs .07 to .24 to reflect the conditions that exist at that date.***
- ***(b) paragraph .82 shall be applied retrospectively in accordance with GRAP 3; and***
- ***(c) paragraphs .89 and .96 shall be applied prospectively in accordance with GRAP 3.***

.105D ***If, in accordance with paragraph .105C(a) an entity reclassifies property on or after the beginning of the reporting period in which the entity first applies the amendments ("the date of initial application"), the entity shall:***

- ***(a) account for the reclassification applying the requirements in paragraphs .76 to .81. In applying paragraphs .76 to .81, and entity shall:***
  - ***(i) read any difference to the date of change in use as the date of initial application; and***
  - ***(ii) recognise any amount that, in accordance with paragraphs .76 to .78, would have been recognised in surplus or deficit as an adjustment to the opening balance of accumulated surplus or deficit at the date of initial application; and***
- ***(b) disclose the amounts reclassified to, or from investment property in accordance with paragraph .105C(a). The entity shall disclose those amounts reclassified as part of the reconciliation of the carrying amount of investment property as at the beginning and end of the period as required by paragraphs .93 and .96.***

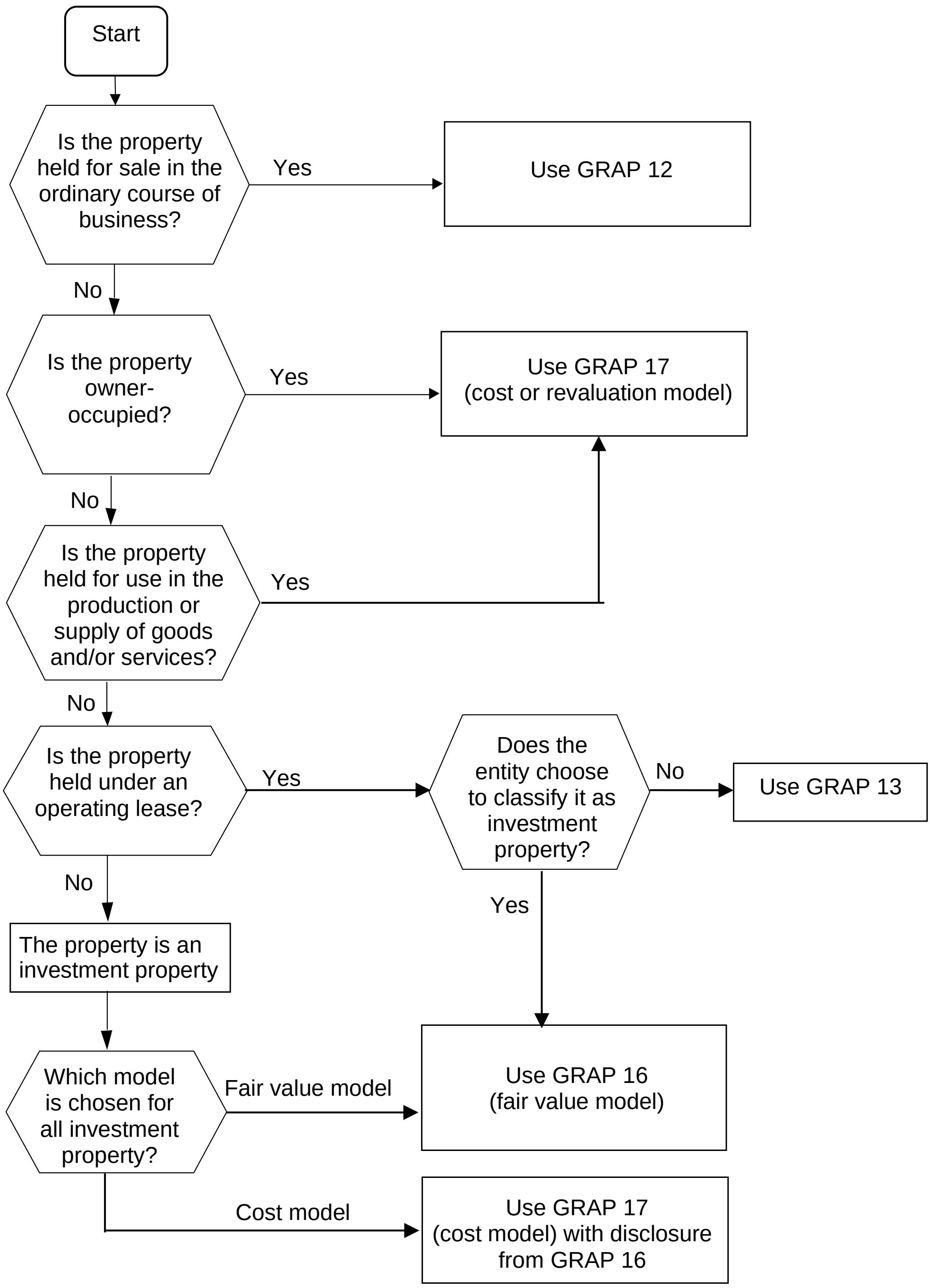
Withdrawal of the Standard of GRAP on *Investment Property* (2004)

.106 This Standard supersedes the previous Standard of GRAP on *Investment Property* issued in November 2004.

Appendix - Decision tree

This appendix is illustrative only and does not form part of this Standard. The purpose of this appendix is to illustrate the application of this Standard and to assist in clarifying its meaning.

The purpose of the following decision tree is to summarise which Standards of GRAP apply to various kinds of property. This appendix should be read in the context of the full Standard.



Comparison with International Public Sector Accounting Standard on *Investment Property* (December 2006)

This Standard is drawn primarily from the International Public Sector Accounting Standard on *Investment Property* (IPSAS 16). The main differences between this Standard and IPSAS 16 are as follows:

- IPSAS 16 provides guidance on investment property that may be acquired in exchange for non-monetary assets, where the exchange transaction lacks commercial substance. This guidance has been excluded from this Standard, as guidance is included in the Standard of GRAP on *Revenue from Non-exchange Transactions*.
- Additional examples are provided which indicate the classification of certain types of assets.
- This Standard includes a description of properties that could be classified as "land and/or buildings held for strategic purposes". This Standard also requires disclosure about the nature or type of properties held for strategic purposes.
- In addition to the use of an independent member of the valuation profession to undertake appraisals, this Standard allows appraisals to be performed by a member of a valuation profession or by an expert with the requisite competence to undertake such appraisals in accordance with the requirements of the applicable Standards of GRAP. The valuer or expert may be internal or external to an entity and there is no requirement to disclose the independence of the valuer or expert.
- This Standard requires additional disclosures in relation to investment property that is in the process of being constructed or developed. It requires the disclosure of the cumulative expenditure recognised in the carrying value of investment property. It further requires disclosure of the carrying value of investment property that is taking a significantly longer period of time to complete than expected, including reasons for any delays. Disclosure is also required on the carrying value of investment property where construction or development has been halted either during the current or previous reporting period(s), including reasons for halting as well as whether any impairment losses have been recognised in relation to these assets.
- This Standard requires the separate disclosure of expenditure incurred to repair and maintain investment properties that generated or did not generate rental revenue during the period.
- Transitional provisions to this Standard are different to those included in IPSAS 16.