



INTERNATIONAL VALUATION STANDARDS COMMITTEE

NEWS RELEASE

Contact:
Marianne Tissier
tel/fax +44 (0) 1442 879306
email: mtissier@ivsc.org

FOR IMMEDIATE RELEASE
4 May 2000

‘NEW INTERNATIONAL ACCOUNTING STANDARD FOR INVESTMENT PROPERTY WELCOMED BY VALUERS’

New International Accounting Standard for Investment Property, (IAS 40), released yesterday, 3 May, has been welcomed by the International Valuation Standards Committee (IVSC). IVSC chairman, Greg McNamara (Australia) said, “A wide range of accounting treatments for investment property is currently permitted under international accounting standards. IAS 40 narrows the choice to two – a fair value model or a cost model. IVSC would have preferred to see the single accounting treatment – Fair Value - as proposed in the Exposure Draft but recognises that the International Accounting Standards Committee (IASC) Board was faced with a number of comments from enterprises who felt that they operate in property markets that are not yet sufficiently mature for a Fair Value model to work satisfactorily.”

In developing its guidance on the Fair Value of investment property, the IASC Board took into consideration International Standards issued by the IVSC. The IASC Board states, in the basis for conclusions appended to IAS 40 that it believes the guidance on Fair Value is in substance (and largely in wording as well) identical with guidance in IVS 1. Commenting on this, McNamara said, “I welcome the recognition given by IASC to the IVSC definition of Market Value. In its response to the Exposure Draft, IVSC urged that Market Value be defined, explained and adopted as representing Fair Value in the context of property appraisal. This recognition by IASC of the IVSC definition of Market Value will promote and enhance a single definition world wide, which can only underpin reliability and a common user understanding in the future.”

IAS 40 covers investment property held by all enterprises and is not limited to enterprises whose main activities are in this area. Under IAS 40, an enterprise must choose either a Fair Value model, i.e. investment property should be measured at fair

value and changes in fair value should be recognised in the income statement; or a cost model (the same as the benchmark treatments in IAS 16, Property, Plant and Equipment), i.e. investment property should be measured at depreciated cost (less any accumulated impairment losses). An enterprise that chooses the cost model should disclose the fair value of its investment property.

UK delegate, John Edge, represented the IVSC on the IASC Investment Property steering committee. Edge commented, "I welcome this evolutionary step taken by IASC in introducing, for the first time in IAS 40, a fair value accounting model for non-financial assets. In its response to the IASC Exposure Draft, IVSC disagreed with the IASC conclusion that a lessee's interest in property held under an operating lease is not capable of treatment as an investment property. We urged IASC to carry out a fundamental review of lease accounting in order to resolve this and welcome the publication in February of the recent G4+1 Position Paper: 'Leases: Implementation of a New Approach'".

The 2000 edition of International Valuation Standards, to be published in July, will reflect the requirements of IAS 40, and will also include a Commentary advising the valuation profession of the implications of the new accounting standard.

NOTES TO EDITORS

1. To receive further information on the IVSC and to place advance orders for 'International Valuation Standards 2000', contact IVSC Executive Director
Phone/Fax +44 (0) 1442 879306 E-mail: mtissier@ivsc.org
2. The (country) is represented on IVSC by (member institute). The current (country) delegate is (name and contact details)
3. Copies of International Accounting Standard, IAS 40, Investment Property, can be obtained from International Accounting Standards Committee, Tel: 020 7427 5927
4. Copies of the G4+1 discussion paper 'Leases: Implementation of a New Approach', published February 2000 can also be obtained from IASC.