

**DO YOU KNOW WHICH  
PROPERTIES ARE CLASSIFIED AS  
INVESTMENT PROPERTIES UNDER  
ACCOUNTING STANDARDS?**



# DEFINITION OF INVESTMENT PROPERTY MFRS 140

## Investment Property

Property held by the owner or by the lessee under a finance lease to **earn rentals** or for **capital appreciation** or both.





## EXAMPLES OF INVESTMENT PROPERTY

- land held for **long-term capital appreciation**
- land held for a currently **undetermined future use**
- a building owned by the entity and **leased out** under one or more operating leases.
- a building that is **vacant** but is held to **be leased out**

## EXAMPLES OF NON-INVESTMENT PROPERTY



- Property intended for sale in the **ordinary course of business**
- Property being constructed or developed **on behalf of third parties**
- **Owner-occupied property** ( Property held for use in the production or supply of goods or services or for administrative purposes.

# 1.0 RECOGNITION



Under **Para.16**, investment properties are recognized as an asset when:

1. The **future economic benefits** that are associated with the investment property will **flow to the entity**
2. The **cost** of the investment property can be **measured reliably**

## 2.0 MEASUREMENT AT RECOGNITION



- An investment property shall be measured **initially at its cost including the transaction costs.**
- The cost include its **purchase price** and any **directly attributable expenditure.**

The cost of investment property will not increase due to the following reasons:

- **start-up costs**
- **operating losses** incurred before the investment property achieves the planned level of occupancy
- **abnormal amounts of wasted material**

## 3.0 MEASUREMENT AFTER RECOGNITION

### 3.1 COST MODEL

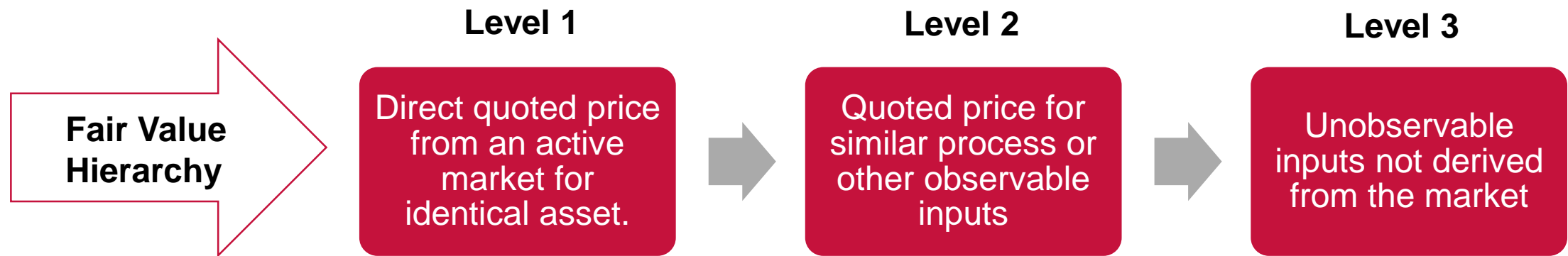


- It requires an asset to be carried at **its initial cost** (also referred as historical cost) **less any accumulated depreciation and impairment losses.**



## 3.2 FAIR VALUE MODEL

- A **gain or loss** arising from a change in the fair value of investment property shall be **recognized in profit or loss** for the period in which it arises.
- The fair value of investment property shall **reflect market conditions** at the end of the reporting period.



## 4.0 TAX TREATMENT FOR INVESTMENT PROPERTY

### 4.1 COST MODEL



- Depreciation and impairment loss are to be added back.
- The owner of the building is entitled to Industrial Building Allowance (IBA)
- Interest expense is allowable against the rental income from each source
- If there are rental and business source, the amount of interest allowable against business income has to be restricted.

### 4.2 FAIR VALUE MODEL



- Depreciation and impairment loss are to be added back.
- The amount of qualifying building expenditure for IBA purposes shall be equal to the amount incurred on that building and any impairment will not affect the qualifying expenditure.
- Tax treatment of interest expense is similar to Cost Model.



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