

*ASBJ Statement No.20*

# **Accounting Standard for Disclosures about Fair Value of Investment and Rental Property**

and

*ASBJ Guidance No.23*

# **Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property**

November 28, 2008

The Accounting Standards Board of Japan

## **Remarks on the Release**

The Accounting Standards Board of Japan (ASBJ), as part of its project on convergence with IFRSs, has been deliberating whether disclosure about fair value of investment property should be required, clarification of the definition and scope and how to measure its fair value.

On November 20, 2008, at the 166th meeting, the ASBJ approved ASBJ Statement No. 20 (hereinafter, the “Accounting Standard”) and ASBJ Guidance No.23 (hereinafter, the “Guidance”) for public release.

Prior to the publication of the Accounting Standards and the Guidance, the ASBJ published exposure drafts of the Accounting Standards and of the Guidance, on June 30, 2008, to invite public comments widely, and revised some parts of the drafts based on the review of the comments received.

## **Outline of the Accounting Standard**

### **Objective**

The objective of the Accounting Standard is to prescribe requirements of disclosures about fair value of investment and rental property in the notes to financial statements.

### **Definitions and scope of investment and rental property**

The term “investment and rental property” is defined as property held to earn rentals or for capital appreciation rather than for inventories. Therefore, a property used in the production or supply of goods or services or for administrative office is not included in investment and rental property.

Investment and rental property includes the following property:

- (1) property that is classified as investment property in the balance sheet.
- (2) idle property that is not expected to be used in the future.
- (3) rented property other than the above.

Investment and rental property also includes property that is being constructed or developed for future use as investment and rental property or that is being redeveloped for continued future use as investment and rental property.

Furthermore, when a property comprises both a portion used as investment and rental property and a portion used in the production or supply of goods or services or for administrative office, the portion used as investment and rental property should be included in investment and rental property.

### **Disclosures regarding investment and rental property**

The following items should be disclosed for investment and rental property. However, when the total amount of investment and rental property is immaterial, these disclosures can be omitted.

- (1) a description of investment and rental property.
- (2) the carrying amount of investment and rental property and its significant changes.
- (3) the fair value of investment and rental property and the method applied in determining it.
- (4) the amounts of income and expenses related to investment and rental property

### **Effective Date**

An entity shall apply the Accounting Standard for the fiscal years ending on or after March 31, 2010, starting from the annual financial statements for the first year. However, an entity may apply the Accounting Standard from the beginning of the fiscal year before it.