

БУХГАЛТЕРСЬКИЙ ОБЛІК, АНАЛІЗ ТА АУДИТ

UDC 657

INFORMATION DISCLOSURE ABOUT INVESTMENT PROPERTY IN THE FINANCIAL STATEMENTS ACCORDING TO INTERNATIONAL STANDARDS

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Introduction. Information disclosure about investment property in the financial statements which made according to international standards, should ensure requirements of IAS 1 «Presentation of Financial Statements» regarding the summary of significant accounting policies and more detailed information on investment property.

Also, keep in mind the general requirements of IAS 1 «Presentation of Financial Statements», in particular, that business entity should, as far as possible, to regulate presentation of notes to the financial statements as links to each article submitted in statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flow; information in notes [1, p.113].

Since the typical form of notes to the financial statements according to IFRS does not exist, Ukrainian enterprises should independently to decide an issue of structured disclosure of financial statements information in accordance with IFRS. However, such Ukrainian enterprises can use opportunity from a number of methodical developments of international auditing company «Ernst & Young Global Limited» (hereinafter - EY), which with the goal to improve the efficiency of information disclosure regularly publishes as examples for common use by CIS enterprises so-called models of consolidated financial statements of “Good Group (International) Limited” company in accordance with IFRS.

Herewith in the preface to the latest publication EY there was described the most important problem of financial statement presentation – it’s excessive information disclosure, and the three detected discussion topics which the most related with this problem: format or financial statement structure, financial statements linking with the features of specific companies and materiality [5].

In general, such methodological materials of non-commercial organizations (e.g. Business Educational Alliance) concerning information disclosure in financial statements in accordance with IFRS generally not only are protected by copyright but is a trade secret and not available in the public domain.

Review of recent research and publications. The scientific works by S. Holova and V. Kostiuhenko, M. Voinarenko, N. Ponomarova and O. Zamazii are devoted to general subject of reflection and information disclosure in accordance with IFRS [6]. The research of international accounting approaches to investment property which was published in articles by I. Suprunova, T. Holovko, M. Likhatska [4], T. Davydiuk and O. Mironova are also deserves attention [7].

Thus, by Suprunova I. was published the results of research at the beginning of the 2009 year about recognition and evaluation of investment property of Zhytomyr region enterprises with identified deficiencies in disclosure part of the fair value and an offer of the methodological recommendations development of accounting displaying of investment property.

T. Holovko and M. Likhatska in their publication supported the position by I. Suprunova about recommendation of investment property evaluation in the financial statements which had made in accordance

with IFRS by the fair value model and acceptability of the investment property evaluation in the financial statements which was made in accordance to P(S)A – by the original cost model [4, p.197].

It was the most fundamentally expounded the differences to displaying of investment property in the financial statements which made in accordance to P(S)A 32 and IAS 40 by T. Davydiuk and O. Mironova [7]. However, it was not proposed a structured presentation of information on investment property in the notes to the financial statements.

Task formulation. The purpose of this research is to develop a structured form of information disclosure about the investment property in the financial statements according to international standards.

Fundamental materials and results. The analysis of IAS 40 requirements shows that for structured information disclosure about the investment property in the notes to the financial statements it necessary to provide expositive information about:

1) the criteria of delimitation of the investment property, owner-occupied property, property held for sale [2, p.75c];

2) the facts of recognition as held by the agreement about the operating lease of property as investment property [2, p.75b];

3) the chosen model of investment property evaluation with explanation of:

- in case of application of the fair value model – the facts of authenticity of the fair value evaluation [2, p.75e];

- the reasons of that fair value cannot be measured reliably and the range of estimates within which fair value is [2, p.78];

- in case of application of the prime cost model – the methods of amortization, terms of useful life (or rates of amortization) and inquiry adduction of the fair value of investment property [2, p. 79a, 79b, 79e].

In case of using of any model of the investment property evaluation it should be provided financial information on:

1) the reconciliation of the carrying value of investment property at the beginning and end of the period that recognized in the statement of financial position [2, p.76, 79d];

2) the rental income from investment property and direct operating expenses (including repair and maintenance) that generated the rental income from investment property and not generated the rental income during the accounting period [2, p.75f].

It was found according to the full-year 2014 results of the research of financial statements of the six Ukrainian enterprises, that contained information about the investment property (including three of them, where the provision of real estate for a rent is the main type of economic activity) that none of the listed requirements had not been met. And this means that in accordance with IAS 1 such business entities should not have been characterized financial statements as such that corresponds to IFRS [1, p. 16].

Thus, in the notes to the financial statements PJSC «Electropryladpostach» (the primary activity is the provision of own real estate, Kyiv city) per 2014 year concerning investment property it was expounded literally this following information: «The company estimates its fixed assets in the balance sheet according to the fair value that defined on the basis of estimate of an independent appraiser that was used as a conditional original cost. It was defined the conditional cost for investment property on the basis of estimate that had been made by the independent appraiser» [9].

In the notes to the financial statements PJSC «Mars» (that provides for a rent and exploitation its own and rented real estate, Kyiv city) per 2014 year there is the following information literally: «On the balance sheet of the Company on the reported date is recorded the investment property with original cost to the value of UAH 64,064 th. The sum of the depreciation of investment property on the December, 14, 2014 is amount to UAH 16,737 th. The depreciation of investment property is carried out using the straight-line method» [10].

In the notes to the financial statements PJSC «Trans-Obolon» (that provides for a rent and exploitation its own and rented real estate, Kyiv city) for 2014 year there is absent at all the coverage of any elements of accounting policy about the investment property and the corresponding analytical data [11].

But, this is not the only major drawback of information provision about the investment property in the financial statements of Ukrainian companies. Thus, it was found that some companies which worked in the construction sphere and food industry but had operations with investment property, when they had declared the model of investment property evaluation according to the fair value in the notes to the financial statements, they adduced in the Balance sheets such cumulative depreciation which is corresponding to the prime cost (ref. table 1 data about PJSC «Kryvbashtekhprom» and PJSC «Kholdynhova kompaniia (holding

company) «Eko-Dim»). And while such enterprises don't disclose in the Notes the quantity of fair value of investment property as required by IAS 40.

Table 1

The results of research of the models of investment property evaluation in the financial statements of a number of Ukrainian enterprises per 2014 year [9-14]

Enterprise	The model of investment property evaluation in the balance	The announced model of investment property evaluation in the Notes
PJSC «Electropryladpostach»	Fair value	Fair value
PJSC «Mars»	Prime cost	Prime cost
PJSC «Trans-Obolon»	Prime cost	Not concretized
PJSC «Kryvbastekhprom»	Prime cost	Fair value
PJSC «Kholdynhova kompaniia «Eko-Dim»	Prime cost	Fair value
PJSC «Konotopmiaso»	Prime cost	Prime cost

Also it was analyzed the displaying and disclosure of information about the investment property of two foreign companies, which use alternative models of investment property evaluation. Thus, by the corporation «Growthpoint Properties Limited» (hereinafter – Growthpoint, from July,1, 2013 – Real Estate Investment Trust – REIT), which is the largest company in the property market in South Africa that receives rental income from leasing of land and buildings, in the financial statements there was in detail displayed information about the investment property [15]:

- in the section «Significant accounting policies (Суттєві облікові політики)» it was in detail described the principles of investment property evaluation (including the procedure for determining of initial assessment at prime cost and subsequent evaluation at fair value);

- in the Statement of financial position: in the section of non-current assets there is the quantity of fair value of investment property, in the section of current assets property and there is the quantity of investment property held for sale;

- in the Statement of comprehensive income there is the income and expenses from provision of real estate (table 2);

- in the Statement of cash flow in the section of investment activity there are indicators of investments to the investment property, buying an investment property, investment property that classified as held for sale; proceeds from sale of investment property;

- in segment analysis there was displayed rental income in terms of trade, office and industrial groups of investment property;

- in the Notes of the financial statements there was displayed dynamics of the fair value of investment property per financial year (table 3).

Table 2

Fragment «Statement of Comprehensive Income of Growthpoint for the year ended 30 June 2013» [15]

	Notes	2013 Rm	2012 Rm
Revenue, excluding straight-line lease income adjustment		5 773	5 107
Straight-line lease income adjustment	14.2	9	183
Revenue	2	5 782	5 290
Property expenses	3	(1237)	(1 102)
Net property income		4 545	4 188

Table 3

Fragment «Notes to the Financial Statements of Growthpoint as at 30 June 2013» [15]

14. PROPERTY RELATED ASSETS	2013 Rm	2012 Rm
Fair value of investment property for accounting purposes		
Opening fair value of property assets	47 591	40 380
Additions at cost – acquisitions	1 240	2 016
– development expenditure	1 154	1 067
– capital expenditure	417	639
Disposals at fair value	(1 079)	(347)
Transferred to investment property reclassified as held for sale (note 14.4)	(545)	(388)
Reclassified – previously held for sale (note 14.4)	78	–
Foreign exchange gain	1 092	1 344
Gross fair value adjustment on investment property	3 738	2 038
Property valuation	53 686	46 749
Less: straight-line lease income adjustment (note 14.2)	(1 778)	(1 693)
Fair value of investment property for accounting purposes	51 908	45 056
Straight-line lease income adjustment	1 778	1 693
Payments made to acquire investment property (note 14.3)	–	842
Closing fair value of property related assets	53 686	47 591
– cost	39 797	35 758
– cumulative fair value surplus	13 889	11 833

In the Notes to the financial statements of Canadian national company «Transportation Investment Corporation» (hereinafter - TI Corp) which had created in 2008 year for construction, exploitation and maintenance of highways but which additionally conducts transactions with investment property [16]:

- in the section «BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES» there was described the procedure for determining of initial assessment of land and buildings at prime cost and subsequent evaluation of buildings at amortized cost (on the basis of depreciation using the straight-line method with an expected useful life of 50 years);

- in the section «Investment properties» there was displayed original cost and cumulative depreciation of investment property, rental income, expenses and financial results (table 4).

Table 4

Fragment «Notes to the Financial Statements of TI Corp for the year ended March 31, 2014» [16]

Investment Property (at cost) (\$000's)	Notes	2014	2013
Beginning balance		705	707
Additions		-	-
Depreciation	21	(2)	(2)
		703	705

Rental Operations (\$000's)			
Rental revenue		6	7
Rental expenses			
Repairs and maintenance		-	2
Utilities		1	1
Depreciation		2	2
Total rental expenses		3	5
		3	2

Conclusions. According to the results of research it was elucidated, that as opposed to global trends of excessive information disclosure, the financial statements of Ukrainian enterprises in accordance with IFRS have insufficient, and sometimes nonsignificant, financial information disclosure, at least concerning investment property. For the structured information disclosure about the investment property in the Notes to the financial statements in accordance with IFRS it was proposed an ordered presentation of descriptive and financial information with using the tabular forms of reconciliation of the carrying value of investment property at the beginning and end of the reporting period according to the alternative models of evaluation

(tables 5-6). It was defined the prospects of subsequent research of application of international accounting approach to the investment property evaluation at fair value with taking into account her best and more profitable using.

Table 5

**The proposed presentation of the fair value coordination of investment property
in the Notes to the financial statements according to international standards**

№	Articles	Reporting period	Previous period
1	Fair value of investment property at the beginning of period		
2.1	The increase as a result of the buying		
2.2	The increase as a result of the subsequent expenditure capitalization		
2.3	The increase as a result of the buying by applying of business association		
2.4	The decrease as a result of the transfer to non-current assets structure, that are held for sale and disposal groups	()	()
2.5	The decrease as a result of the transfer to owner-occupied property	()	()
2.6	Adjustments to net income (loss)		
2.7	Adjustments to net exchange differences		
2.8	Other changes		
3	The fair value of investment property at the end of period		

Table 6

**The proposed presentation of the residual value coordination of investment property
in the Notes to the financial statements according to international standards**

№	Articles	Gross carrying value	Accumulated depreciation (aggregated with accumulated losses from the decrease of usefulness)
1	Balance at the beginning of period		
2.1	The increase as a result of the buying		X
2.2	The increase as a result of the subsequent expenditure capitalization		X
2.3	The increase as a result of the buying by applying of business association		
2.4	The decrease as a result of the transfer to non-current assets structure, that are held for sale and disposal groups	()	()
2.5	Amortization	X	()
2.6	The recognition (reversing) of losses from the decrease of usefulness	X	
2.7	Adjustments to net exchange differences		
2.8	The decrease as a result of the transfer to owner-occupied property	()	()
3	Balance at the end of period		

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Valentyna Dubovaya, PhD (Economics), Associate Professor. **Iryna Davydova**, student. Poltava National Technical Yuriy Kondratiuk University. **Information Disclosure about Investment Property in the Financial Statements According to International Standards.** The purpose of the research is elaboration of a structured form for information disclosure of investment property in the financial statements in accordance with international standards. According to the results of research it was elucidated, that as opposed to global trends of excessive information disclosure, the financial statements of Ukrainian enterprises in accordance with IFRS has insufficient, and sometimes non-significant, financial information disclosure, at least concerning investment property. For the structured information disclosure about the investment property in the Notes to the financial statements in accordance with IFRS it was proposed an ordered presentation of descriptive and financial information with using the tabular forms of reconciliation of the carrying value of investment property at the beginning and end of the reporting period according to the alternative models of evaluation. It was defined the prospects of subsequent research of application of

international accounting approach to the investment property evaluation at fair value with taking into account her best and more profitable using.

Keywords: IFRS, information disclosure, investment property, notes to the financial statements.

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Валентина Володимирівна Дубовая, кандидат економічних наук, доцент. **Ірина Вячеславівна Давидова**, студентка. Полтавський національний технічний університет імені Юрія Кондратюка. **Розкриття інформації про інвестиційну нерухомість у фінансовій звітності за міжнародними стандартами.** З'ясовано, що на відміну від загальносвітових тенденцій надмірного розкриття інформації, фінансовій звітності підприємств України за МСФЗ притаманне недостатнє, а іноді й недостовірне, розкриття фінансової інформації, принаймні щодо інвестиційної нерухомості. Для структурованого розкриття інформації про інвестиційну нерухомість згідно з МСФЗ запропоновано упорядковане подання описової і фінансової інформації з використанням табличних форм узгодження балансової вартості інвестиційної нерухомості на початок і кінець звітного періоду за альтернативними моделями оцінки. Визначено перспективність подальших досліджень застосування міжнародного облікового підходу оцінки інвестиційної нерухомості за справедливою вартістю з врахуванням найвигіднішого та найкращого її використання.

Ключові слова: МСФЗ, розкриття інформації, інвестиційна нерухомість, примітки до фінансової звітності.

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Дубовая Валентина Владимировна, кандидат экономических наук, доцент. **Давыдова Ирина Вячеславовна**, студентка. Полтавский национальный технический университет имени Юрия Кондратюка. **Раскрытие информации об инвестиционном имуществе в финансовой отчетности по международным стандартам.** Выяснено, что, в отличие от общемировых тенденций избыточного раскрытия информации финансовой отчетности присуще недостаточное, а иногда и недостоверное, раскрытие финансовой информации, по крайней мере об инвестиционном имуществе. Для структуризации раскрытия информации об инвестиционном имуществе по МСФО предложено упорядоченное представление описательной и финансовой информации с использованием табличных форм сверки балансовой стоимости инвестиционного имущества на начало и конец периода для альтернативных моделей оценки. Определена перспективность дальнейших исследований применения международного учетного подхода инвестиционного имущества по справедливой стоимости с учетом наилучшего и наиболее эффективного его использования.

Ключевые слова: МСФО, раскрытие информации, инвестиционное имущество, примечания к финансовой отчетности.