

## PRESENTATION OF INFORMATION ABOUT LAND IN THE FINANCIAL STATEMENTS ACCORDING TO IFRS

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Стаття отримана редакцією 26.02.2018 р.

**Introduction.** Today in the Statement of Financial Position it doesn't require the separation of the «Land» article as a specific category of tangible assets with indefinite economic life (which do not require depreciation). And the requirements on the evaluation and disclosure of information about the land as a component of real estate depend on its classification in the Statement of Financial Position by the nature and intent of use: owner-occupied property (IAS 16), investment property (IAS 40), inventory (IAS 2) or property held for sale (IFRS 5).

Certainly, some companies independently identify land in assets of the Statement of Financial Position that is of interest for users of general-purpose financial reporting, but IFRS do not allow companies to use the same land valuation bases of these four categories.

**Review of recent researches and publications.** To the rescue in the preparation of information about real estate (including land) of these four categories in accordance with IFRS, accountants are offered [3, 4] guidance materials and practical manuals [5]. But recent scientific publications draw attention to the standardization of accounting and financial reporting of land resources [6-8]. As rightly pointed out by Podvysotska L.Ya. (2016), in IAS/IFRS uses the terms «land» (IAS 16, IAS 17, IAS 40, IAS 41, IFRS 16), «land asset» (IAS 16), «land element» (IAS 17), «land parcel» (IFRS 16), but without specific definitions.

In Ukraine, in accordance with the Tax Code of Ukraine, a land plot is a part of the earth's surface with established boundaries, a specific location, a targeted (economic) purpose and with defined rights to it [2, paras.14.1.74].

**Object.** The purpose of the article is to make proposals on the improvement of international norms of the delivery of information about the land (land parcels) in financial statements.

**The main materials and results.** A structured comparison of requirements in IAS 16 and IAS 40 regarding the disclosure of financial statements about the land parcels, as a type of property, indicates that the Notes must necessarily disclose a reconciliation between the carrying amounts at the beginning and end of the period (Table 1). And additionally to disclose in the application:

cost model – the gross carrying amount and the accumulated impairment losses, fair value (as part of owner-occupied property it's in the case of a significant difference fair value from cost; in investment property it's necessary);

and in the case of revaluation model it's the gross carrying amount and the accumulated impairment losses, the net carrying amount by cost model for each revalued class of PP&E, the fair value.

In accordance with IFRS 5 in the Statement of Financial Position or in Notes, it should be disclosed the main classes of assets and liabilities classified as held for sale [IFRS 5, P. 38]. Additionally in the period when the non-current asset (or disposal group) was classified as held for sale or sold, any economic entity in the notes should disclose the impairment loss or its reversal [IFRS 5, P.20-22, 41].

In order to study the practice of providing information about the land parcels, it were analyzed the financial statements of seven economic entities for 2016 year, in which was provided land parcels as a part of owner-occupied property [9-15], and three is with the land parcels as part of *investment property* [16-18], including six foreign and four Ukrainian economic entities.

In this case, in three of the six Statements of Financial Position of foreign companies there was included such articles about the land as: «Land» [11], «Land and residential unit inventories» [16], «Land and buildings» [17].

Table 1

**Matrix of financial indicators requiring disclosure about the land parcels  
as a part of ownership-occupied property and investment property**

PP&E		Investment property	
Cost model	Revaluation model	Cost model	Fair value model
For each class of PP&E: a <b>reconciliation of the carrying amount</b> at the beginning and end of the period showing: additions, assets classified as held for sale, impairment losses ets [IAS 16, 73e; IAS 40, 79d]		For investment property: a <b>reconciliation between the carrying amounts</b> at the beginning and end of the period, showing the following: additions, assets classified as held for sale, net gains or losses from fair value adjustments ets [IAS 40,76]	
For each class of PP&E: - the <b>gross carrying amount</b> and the accumulated depreciation (aggregated with <b>accumulated impairment losses</b> ) at the beginning and end of the period [IAS 16, 73d; IAS 40, 79c];			
	For each revalued class of PP&E, the <b>net carrying amount under the cost model</b> [IAS 16, 77e]		
The <b>fair value</b> of PP&E when this is materially different from the carrying amount [IAS 16, 79d]		The <b>fair value</b> of investment property [IAS 40,79e]	
The amounts recognized in profit or loss for: <b>rental income; direct operating expenses</b> ets [IAS 40,75f]			

Thus, in the financial statements of the American company Seneca Foods Corporation, which is a producer and distributor of food products, there was detailed in the Consolidated Balance Sheet the gross residual amount of each class of property, plant and equipment including of the «Land» class (Table 2).

Table 2

**Fragment “Consolidated Balance Sheets of «Seneca Foods Corporation and Subsidiaries»  
as at March 31 2016” [11]**

in thousands \$	2016	2015
Assets		
Property, plant, and equipment:	587,301	568,879
Land	22,430	20,971
Buildings and improvements	204,944	200,739
Equipment	359,927	347,169
Less accumulated depreciation and amortization	398,464	383,322
Net property, plant, and equipment	188,837	185,557

In Ukraine, as is known, the national form of Statement of Financial Position does not provide for possibility of additional inclusion of the article with land.

As a result of studying the Notes of the analyzed ten companies there were selected four examples of the best disclosure of relevant information about the alternative evaluation models of land parcels (Table 3).

Table 3

**Selected illustrative companies with information disclosure about the land parcels under the  
alternative models of balance sheet valuation [9, 12, 16, 17]**

Entity	Class of PP&E / Investment property for Land	Model of measurement for Land
British Petroleum (Great Britain)	Land and land improvements (PP&E)	cost model
Emlak Konut GYO (Turkey)	Land (Investment property)	cost model
PrJSC «Strakhova kompaniia «ASKO-Medservis» (Ukraine)	Land parcels (PP&E)	revaluation model
BTA Baltic Insurance Company (Latvia)	Buildings and land (Investment property)	fair value model

**Cost model (PP&E)**

Thus, in the financial statements of the British transnational monopoly «British Petroleum», which is one of the largest publicly traded oil and gas companies in the world, there was allocated class «Land and land improvements» as a part of property, plant and equipment, by which there were elaborately disclosed a **reconciliation of the gross carrying amount** (cost) and the **accumulated deletion** aggregated with **accumulated impairment losses** (Table 4).

**Table 4**

**Fragment “Notes to the Financial Statements of British Petroleum  
«Property, plant and equipment» as at 31 December 2016” [9, Note 11]**

Land and land improvements		Land and land improvements	
2016	\$ million	2015	\$ million
<b>Cost</b>		<b>Cost</b>	
At 1 January, 2016	3,194	At 1 January, 2015	3,415
Exchange adjustments	(119)	Exchange adjustments	(259)
Additions	106	Additions	96
Acquisitions	46	Acquisitions	-
Remeasurements	-	Transfers	-
Transfers	-	Reclassified as assets held for sale	-
Deletions	(161)	Deletions	(58)
At 31 December 2016	3,06	At 31 December 2015	3,14
<b>Depreciation</b>		<b>Depreciation</b>	
At 1 January, 2016	642	At 1 January, 2015	639
Exchange adjustments	(9)	Exchange adjustments	(10)
Charge for the year	40	Charge for the year	37
Remeasurements	-	Impairment losses	14
Impairment losses	9	Impairment reversals	-
Impairment reversals	(2)	Transfers	-
Transfers	-	Reclassified as assets held for sale	-
Deletions	(96)	Deletions	(38)
At 31 December 2016	584	At 31 December 2015	642
<b>New book amount</b>		<b>New book amount</b>	
at 31 December 2016	2,482	at 31 December 2015	2,552

**Cost model (Investment property)**

The following are provided in the Notes to the financial statements of the Turkish company «Emlak Konut GYO», whose primary activity is coordination and realization of real estate projects (mostly residential):

a **reconciliation of the carrying amount** at the beginning and end of the period under the cost model is presented separately in the part of the «Land» ra «Office A Block» (Table 5);

the **fair values**, determined by independent experts, that twice as much as cost (balance sheet evaluation) in the «Land» part and four times the cost in the «Office A Block» part (Table 6). In this regard, there is the issue of the reliability of the value of total assets in the Statement of Financial Position.

**Table 5**

**The movement of Investment Property of Emlak Konut GYO in the Notes to the financial statements  
as at 31 December 2016 [16, Note 9]**

	İstanbul Dursunköy Land	Atasehir General Management Office A Block	in thousands of Turkish Lira
1 January 2016	16,000	-	16,000
(Impairment charge) / reversal of impairment	-	-	-
Additions	-	-	-
Disposals	-	-	-
Transfer	-	22,199	22,199
31 December 2016	16,000	22,199	38,199

Table 6

The fair values of the Investment Property determined by independent valuation of Emlak Konut GYO in the Notes to the financial statements as at 31 December 2016 [16, Note 9]

	31 December 2016	31 December 2015
Avcılar Land	34,942	18,047
Atasehir General Management Office A Block	82,032	-
	116,974	18,047

By the way, «Emlak Konut GYO» for the previous 2015 year in the Statement of Financial Position has twice identified the article «Land and residential unit inventories» separately as part in current and non-current assets for land parcels that have not yet been used as investment property, with disclosure in Notes on the carrying amount of each parcel at the beginning and end of the period.

#### Revaluation model (PP&E)

In the Notes to the financial statements of PrJSC «Strakhova kompaniia «ASKO-Medservis», whose primary activity is other insurance than life insurance, the «Land parcels» class is allocated as part of fixed assets and in so doing states the following: «Separate fixed assets (property, plant and equipment) after their recognition as an asset, are accounted for at a revalued amount, that is its fair value at the date of revaluation less any further accumulated depreciation and subsequent accumulated impairment losses» [12]. And then in tabular form the fair value and the amount of appraisal of land parcels for 2015-2016 years are given (Table 7).

Table 7

Information disclosure about the land parcels in the Notes to the financial statements of PrJSC «Strakhova kompaniia «ASKO-Medservis» as at 31 December 2016 [12, Note 5]

Indicators	Investment property	Land parcels	Office equipment	Other fixed assets	Total
<b>Initial cost:</b>					
31 December 2014	3899	4795	92	1321	10107
Additions		9 999	28		10027
Disposals			(2)	(3)	(5)
Appraisal					
31 December 2015	3899	14794	118	1381	20129
Additions			32		32
Disposals					
Appraisal	1142	18397			19532
31 December 2016	5041	33191	150	1381	39700
<b>Accumulated depreciation:</b>					
31 December 2014	1538		24	130	1697
Accrual for 2015 year			14	92	106
31 December 2015	1538		37	222	1797
Accrual for 2016 year	(1538)	0	30	109	(1397)
31 December 2016			67	331	398
<b>New book amount:</b>					
31 December 2014	2361	4 795	68	1191	8415
31 December 2015	2361	14 794	81	1096	18332
31 December 2016	5041	33 191	83	987	39302

That is, land parcels as part of PP & E are valued under the revaluation model, while the rest of PP & E is for the cost model. At the same time it's without disclosure when applying the *revaluation model* of mandatory information about the carrying amount that would have been recognized had the assets been carried under the *cost model* [IAS 16, P. 77].

**Fair value model (Investment property)**

The Latvian insurance company «BTA Baltic Insurance Company», which provides a wide range of insurance services not related to life insurance, are also reflected land parcels in the Statement of Financial Position for 2016 year in two articles:

«**Land and buildings**», where is provided other property, that is not included yet directly to investment property with the evaluation under the *cost model*; and «**Investment property**» is with the evaluation under the *fair value* (Table 8).

**Table 8**

**Fragment “Statement of Financial Position of BTA Baltic Insurance Company as at December 31, 2016” [17]**

Assets	N	31.12.2016 EUR'000	31.12.2015 EUR'000
Land and buildings		418	449
Property and equipment		731	876
Investment property		99	99
...		...	...

Since the movement in the *Investment property* of «BTA Baltic Insurance Company» did not take place, the *reconciliation between the carrying amounts* at the beginning and end of the period in Notes to the Financial Statements is given without movements (Table 9), but the fair values are detailed in terms of property tracts of a separate localization (Table 10).

**Table 9**

**Fragment “Notes to the Financial Statements «Investment Property» of BTA Baltic Insurance Company as at December 31, 2016” [17, Note 20(b)]**

	EUR'000
28.10.2014 (inception date)	-
Acquired as a result of reorganization	99
Total as at 31.12.2015	99
Total as at 31.12.2016	99

**Table 10**

Type	Fair value, EUR'000	Valuation technique	Significant unobservable inputs
Buildings and land located in Tukums	78	Discounted cash flows technique	Rental income of EUR 3.50 per m2 Discount rate 10.30%
Buildings and land located in Talsi	21	Discounted cash flows technique	Rental income of EUR 4.50 per m2 Discount rate 10.30%

In the financial statements of ten examined foreign and domestic companies [9-18] non-current assets, held for sale, were available only at:

British «*British Petroleum*» (at the beginning of 2016 year),

French «*Total S. A.*» (as part of business including goodwill, intangible assets, tangible assets, etc.),

South African «*Woolworths Holdings Limited*» (shops, shopping centers), but without the allocation of land parcels.

Regarding land intended for sale, these were only available in the Turkish «*Emlak Konut GYO*», which deals with real estate projects, but in the «*Inventories*» with the disclosure of the book value of the objects.

**Conclusions.** Thus, in order to improve the quality of relevant information on land parcels for users (investors and creditors), it is proposed to improve the international standards of financial reporting as follows:

1. Based on the unique nature of the land (property) as a type of assets of economic entities, to introduce the «**Land**» (or «**Land and buildings**») article into the minimum list of articles of the Statement of Financial Position, that should includes all the land (or land and buildings) held by the owner and leased, with the exception of land (or land and buildings) held for sale, with the relevant general evaluation models.

That is, to introduce in the Statement of Financial Position a grouping of long-term tangible assets not for the intended purpose in the form of articles «**Property, plant and equipment**» and «**Investment property**», and with the allocation of resource (asset) types. But with the requirement of detailing on the value of land parcels in the Notes that the owner takes and leases.

2. Considering that the cost of land is not depreciated to propose, for the book valuation of land parcels held for the purpose of long-term use, to apply a *fair value model*, which is currently allowed by international standards to choose accounting policy only for investment property [IAS 40, P. 30, 33].

3. Given the fundamental importance for investors and creditors of the classification of assets in the Statement of Financial Situation for current and non-current, in particular for the indicator of «*Working capital*» [4, p. 62], to display the land for sale in the current assets segment, but at the net realizable value.

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УДК 657.15:332.6 (477)

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Метою статті є оприлюднення пропозицій з удосконалення міжнародних норм подання інформації про землю (земельні ділянки) у фінансовій звітності. З метою підвищення якості релевантної інформації про земельні ділянки для користувачів (інвесторів і кредиторів) запропоновано вдосконалити міжнародні стандарти фінансової звітності наступним чином: виходячи з унікального характеру землі (нерухомості) як виду активів суб'єктів господарювання, ввести до мінімального переліку статей Звіту про фінансовий стан статтю «Land» (або «Land and buildings»), до якої включати усі землі (або землі і будівлі), що займає власник й здає в оренду, крім земель (або земель і будинків), що утримують для продажу, із відповідними загальними моделями оцінки. Тобто запровадити у Звіті про фінансовий стан групування довгострокових матеріальних активів не за

цільовим призначенням у формі статей «Property, plant and equipment» і «Investment property», а з виокремленням видів ресурсів (активів). Але з вимогою деталізації у Примітках вартості земельних ділянок, що займає та здає в оренду власник.

Враховуючи, що вартість земельних ділянок не амортизують, запропонувати для балансової оцінки земельних ділянок, що утримуються з метою довгострокового використання, застосовувати fair value model, яку зараз згідно міжнародних стандартів дозволено обирати обліковою політикою лише щодо інвестиційної нерухомості.

Враховуючи принципову важливість для інвесторів і кредиторів класифікації активів у Звіті про фінансовий стан на поточні і непоточні, зокрема для визначення показника «Working capital», відобразити утримувані для продажу земельні ділянки у частині поточних активів, але at the net realisable value.

**Ключові слова:** нерухомість, зайнята власником, інвестиційна нерухомість, модель собівартості, модель переоцінки, модель справедливої вартості.

UDK 657.15:332.6 (477)

**Dubovaya Valentyna**, PhD in Economics, Associate Professor. **Davydova Iryna**, student. Poltava National Technical Yuri Kondratyuk University. **Presentation of Information about Land in the Financial Statements according to IFRS.**

The purpose of the article is to make proposals on the improvement of international norms of the delivery of information about the land (land parcels) in financial statements. In order to improve the quality of relevant information on land parcels for users (investors and creditors), it is proposed to improve the international standards of financial reporting as follows: based on the unique nature of the land (property) as a type of assets of economic entities, to introduce the «Land» (or «Land and buildings») article into the minimum list of articles of the Statement of Financial Position, that should include all the land (or land and buildings) held by the owner and leased, with the exception of land (or land and buildings) held for sale, with the relevant general evaluation models.

Considering that the cost of land is not depreciated to propose, for the book valuation of land parcels held for the purpose of long-term use, to apply a fair value model, which is currently allowed by international standards to choose accounting policy only for investment property.

It is given the fundamental importance for investors and creditors of the classification of assets in the Statement of Financial Situation for current and non-current, in particular for the indicator of «Working capital», to display the land for sale in the current assets segment, but at the net realizable value.

**Key words:** property, owner-occupied, investment property, cost model, revaluation model, fair value model.

УДК 657.15:332.6 (477)

**Дубовая Валентина Владимировна**, кандидат экономических наук, доцент. **Давыдова Ирина Вячеславовна**, студентка. Полтавский национальный технический университет имени Юрия Кондратюка. **Представление информации о земельных участках в финансовой отчетности по МСФО.**

Целью статьи является обнародование предложенных по совершенствованию международных норм представления информации о земле (земельные участки) в финансовой отчетности. С целью повышения качества релевантной информации о земельных участках для пользователей (инвесторов и кредиторов) предложено усовершенствовать международные стандарты финансовой отчетности следующим образом: исходя из уникального характера земли (недвижимости) как вида активов субъектов хозяйствования, ввести в минимальный перечень статей Отчета о финансовом состоянии статью «Land» (или «Land and buildings»), в которую включать все земли (или земли и здания), которые занимает владелец и сдает в аренду, кроме земель (или земель и домов), которые содержат для продажи, с соответствующими общими моделями оценки.

Учитывая, что стоимость земельных участков не амортизируют, предложить для балансовой оценки земельных участков, удерживающихся в целях долгосрочного использования, применять fair value model, которую сейчас по международным стандартам разрешено выбирать учетной политикой только касательно инвестиционной недвижимости.

Учитывая принципиальную важность для инвесторов и кредиторов классификации активов в Отчете о финансовом положении на текущие и долгосрочные, в частности для определения показателя «Working capital», отражать удерживаемые для продажи земельные участки в части текущих активов, но at the net realisable value.

**Ключевые слова:** недвижимость, занятая владельцем, инвестиционная недвижимость, модель себестоимости, модель переоценки, модель справедливой стоимости.