Examining The Measurement Methods of Investment Properties of Real Estate Investment Trusts According to Turkish Accounting Standard 40: Investment Properties Standard

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Extensive Summary

The objective of Turkish Accounting Standard 40 is to prescribe the accounting treatment for investment property and related disclosure requirements. This Standard shall be applied in the recognition, measurement and disclosure of investment property. Investment property is held to earn rentals or for capital appreciation or both.

Examples of investment property are land held for long-term capital appreciation, land held for a currently undermined future use, building leased out under operating lease, property that is being constructed or developed for future use as investment property. Investment property should be recognised as an asset when it is probable that the future economic benefits that are associated with the property will flow to the entity and the cost of the property can be reliably measured.

An investment property shall be measured initially at its cost. The Standard permits entities to choose either: (a) a fair value model, under which an investment property is measured, after initial measurement, at fair value with changes in fair value recognised in profit or loss; or (b) a cost model. An entity that chooses the cost model discloses the fair value of its investment property.

After initial recognition, an entity that chooses the fair value model shall measure all of its investment property at fair value, A gain or loss arising from a change in the fair value of investment property shall be recognised in profit or loss for the period in which it arises.

Recently, the real estate industry has developed rapidly in Turkey. As an investment tool, investment in real estate became essential. Within the framework of the Capital Markets Law, organized by the Capital Markets Board of Turkey real estate investment trusts, real estate, real estate-based projects, and real estate capital market
Instruments by investing in a portfolio management company operating in the specific type.

In this study, measurement methods of investment properties after recognition of 31 real estate investment trust companies that traded in Borsa İstanbul is analyzed in order to examine the effect of policy selection on return on equity, return on asset and market to book value ratio of the companies’ financial statements and disclosures by using the nonparametric test of Mann-Whitney U Test. Non-consolidated financial statements and disclosures for 2013 of 21 real estate investment trust companies is included to the examination. Results of the test that is individually applied for each ratio show that the effect of policy selection on the ratios is statistically insignificant.