

CRITICAL ASSESSMENT OF VALUATION METHODS OF INVESTMENT PROPERTY (ACCORDING TO POLISH ACCOUNTING LAW AND IAS/IFRS)

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Abstract:

The business entities in order to manage the free funds and to diversify business risks, carry out its diversification. For this purpose they invest in different types of assets, including investment property. It happens that the value of investment property is an important asset of the company. In such a situation, their proper recognition in accounting, and above all the adoption of an appropriate valuation method significantly affect the image of the unit presented in the financial statements. Both the Polish accounting law as well as IAS/IFRS allow the use of two alternative methods of valuation of investment properties: fair value model or cost model.

Keywords: investment property, IAS 40, fair value model, cost model, financial statement, measurement after recognition

1. PURPOSE

The aim of the article is to present the methods used to measure the value of investments property in Polish accounting law and international standards of accounting and to determine their advantages and disadvantages. Both of these methods are critically evaluated, both in terms of possible applications in the business units, as well as for their effect on the quality and reliability of financial statement.

2. METHODS

Objective methods used in the paper are: the review of legal regulations concerning investment property (mainly IAS 40 and Polish Accounting Act), as well as critical analysis of literature. Main conclusions will be drawn using scenario of deductive methods.

3. CONCLUSIONS AND FINDINGS

The methods of valuation of investment properties, permitted by polish and international law, have advantages and disadvantages. Each entity, selecting the method of valuation of investment properties, should consider its usefulness for true and fair view presentation. The abilities and skills of experts that estimates the value of the property and the costs of their services, are also important.