Query No. 27

Subject: Accounting treatment of land and building components on purchase of Built-Up commercial space including undivided share in land, where future increase in Floor Area Ratio (FAR) or redevelopment rights are retained by Seller, under Ind AS framework.[1]

A. Facts of the Case

1. A company (hereinafter referred to as 'the Company') is a public limited company incorporated in India on September 27, 1999 under the Companies Act, with the registered office at New Delhi. The Company is listed on the stock exchanges in India and the Government of India holds a majority stake. The Company is required to prepare its financial statements in accordance with the applicable Indian Accounting Standards (Ind AS) as notified under section 133 of the Companies Act, 2013. The statutory audit of the Company is required to be carried out by auditors appointed under section 139 of the Companies Act, 2013 and supplementary audit of accounts is carried by the Comptroller and Auditor General of India (C&AG).

2. The Company acquired a built-up commercial office space in New Delhi from Ministry of Housing and Urban Affairs (MoHUA) pursuant to allotment letters dated 23rd September 2022 and 13th February 2023 (collectively referred to as 'the Allotment Letters') issued by N Corporation allocating Units D-200, D-300 and D-400, Tower-D, along with 167 Equivalent Car Parking Space (ECS). The Company has incurred total cost of Rs. 39,512.38 lakhs towards acquisition and development of the said commercial office space.

3. As per the Allotment Letter*s*, "Any future increase in floor area ratio (FAR) and redevelopment rights that may arise shall remain with the Government of India (GoI) and allottee (purchaser) has only rights of the purchased freehold specific Built up area (BUA)."

4. As per explanation (i) to clause 1.2 of Agreement To Sale (ATS) executed between the Company (Buyer) and Land and Development Office (L&DO)/MoUHA (Seller) for the said built-up commercial office floor, *"The Total Price of the Unit includes recovery of price of proportionate share in the Said Land, construction of not only the Unit but also the Common Areas ..."*. (Emphasis supplied by the querist.)

5. ATS Recitals A–E confirm MoHUA/L&DO as owner of 24.96 acres at N Nagar, earmarked for the Project (World Trade Centre, New Delhi); and that the Company applied for and has been allotted the above Unit.

6. The querist has referred to the following relevant clauses of Draft Sale Deed, which guides that land is also part of commercial built-up space:

(i) Clause 4: That the Seller hereby assures the Buyer that the said Commercial Space and the said Land are free from all the encumbrances, lien, charge, mortgage, lease, court or other attachments or claims from any third party and that the Sellers are the sole and absolute owners of the said Commercial Space and the said Land with all attendant rights of ownership, possession, enjoyment and that the *Seller*

[1] Opinion finalised by the Committee on 29.3.2026.

is entitled to and has in itself, good right and full power to convey and transfer by way of sale, the said Commercial Space and the said Land hereby conveyed or intended so to unto and to the use of the Buyer in the manner aforesaid. (Emphasis supplied by the querist.)

(ii) Clause 8: That the Seller hereby assures the Buyer that all taxes, levies and charges on the said land or said premises stand paid till the date of issuance of allotment letter and any arrears if any, till the issuance of the allotment letter will be paid by the Seller. However, the Buyer shall be liable for all future taxes, duties etc., charged by the concerned statutory /municipal authority/local authority as well as for the payment of the maintenance charges and charges toward utilities to the respective authority/body from the date of issuance of offer of possession.

(iii) Clause 9: That, the Buyer shall be responsible for making payment of Vacant Land Tax to statutory authorities, through the Seller on a pro-rata basis proportionate to the Commercial Space purchased by the Buyer in the Complex with effect from the date of issuance of the allotment letter.

(iv) Clause 22: That the Buyer undertakes and agrees that in case the Buyer sells or transfers the said Commercial Space then all the terms of this Deed, terms and conditions of the Application, terms and conditions of Agreement for Sale, separate maintenance agreement, as well as other documents/agreements executed in respect of the said Land and the, said Commercial Space, shall be, mutatis-mutandis, binding on any subsequent buyer.

(v) Clause 29 (a): That the Buyer shall comply with and carry out from time to time in respect of the said Commercial Space all the requirements, requisitions, demands and repairs which are required to be complied with, by the concerned Municipal Authority, local bodies, Government or any other competent authority in respect of the said Commercial Space, and the building and land on which the said building is standing, at her own cost and keep the Seller indemnified, secured and harmless against all costs, consequences and all damages, arising on account of delay/non-compliance with the said requirements, requisition, demands and repairs.

7. As per the querist, the above-mentioned paragraph 6 clearly establishes that seller is absolute owner of land and seller *is entitled to and has in itself, good right and full power to convey and transfer by way of sale, the said Commercial Space and the said Land is hereby conveyed or intended so to unto and to the use of the Buyer in the manner aforesaid.* It is also established that for all taxes related to land from the date of allotment letter, buyer shall be responsible. Also, buyer is responsible for all the requirements, requisitions, demands and repairs which are required to be complied with, by the concerned municipal authority, local bodies, Government or any other competent authority in respect of the said Commercial Space, and the building and land on which the said building is standing, at its own cost. Stamp duty and registration charges have been paid; registration of the sale deed is in process. (Emphasis supplied by the querist.)

8. The querist has mentioned that since allocation of price between land and building was not determinable from the allotment letter, the Company obtained a valuation report from an IBBI registered valuer for allocation of price paid between building and land. The valuer considered market benchmarks including circle rates/comparable transactions.

9. An amount of Rs. 36,646.55 lakh has been capitalised under freehold land and Rs. 4,301.67 lakh has been capitalised under freehold building in Property Plant and Equipment out of total cost of Rs. 39,512.38 lakhs. For determining the undivided share (UDS) of land, the valuer used a market-based approach by referring to published circle rates, authority schedules and comparable government/commercial transactions in the N Nagar World Trade Centre (WTC). For the building valuation, the valuer also considered Public Works Department (PWD) Plinth area rates with some adjustments to include value of false ceiling, centralised AC system, wooden wall/ceiling panelling, storage cabinets etc. to match with commercial space developed by N Corporation.

Accounting treatment adopted by the Company

10. The Company capitalised the total cost of Rs. 39,512.38 lakhs (for N Corporation's space) by allocating between land and building, based on a registered valuer's report dated 26th May 2025 assessing the relative fair values at the acquisition date. Depreciation has been charged only on the building component in accordance with the requirements of Indian Accounting Standard (Ind AS) 16, 'Property, Plant and Equipment'.

11. The land – Undivided Share (UDS) has been recognised as a non-depreciable asset, considering that land has an indefinite useful life. The building component has been recognised as a depreciable asset, and depreciation has been charged accordingly. Stamp duty and registration charges have been capitalised to the carrying cost of the asset in accordance with paragraph 16 of Ind AS 16.

Observation made by C&AG and Response of the Company

12. Office of CAG during audit of financial statements did not agree to the accounting treatment carried out by the Company and issued the following provisional comments:

(i) Provisional Comments

In its audit of financial statements for the year ended 31st March 2025, the Comptroller and Auditor General (C&AG) of India made the following provisional comments on financial statements of the financial year (F.Y.) 2024-25:

"The Company had acquired built-up commercial space in New Delhi from N Corporation for Rs. 37,098.55 lakhs. As per the terms of the Allotment letters (dt. 23.09.2022 and dt.11.02.2023), the allottee (purchaser) had only rights of the purchased freehold specific built-up area (BUA) while any future increase in Floor Area Ratio (FAR) or redevelopment rights that may arise there shall remain with Government of India. Despite these terms, out of above value of the commercial space, the Company capitalised an amount of Rs. 36,646.55 lakhs under 'Freehold Land', based on valuation (dt. 26.05.2025) provided by ABC Consultants instead of capitalising the entire amount of Rs. 37,098.55 lakhs under the head 'Freehold Building'. This has resulted in an overstatement of Gross Value of 'Freehold Land', and understatement of Gross Value of 'Freehold Building' by Rs. 36,646.55 lakhs.

This has also resulted in understatement of depreciation on the office building and overstatement of profit before tax by Rs. 127.24 lakhs."

Management Reply to Audit Provisional Comments

13. Following management reply to provisional comment was submitted by the Company to CAG office:

> "This is in reference to the provisional comments regarding the accounting treatment and depreciation claimed on the freehold office premises acquired by the Company, specifically in relation to the bifurcation of the total purchase cost into land and building components. We respectfully submit the following:
>
> **Nature of Property Rights**
>
> The property is legally registered as freehold, conferring upon the Company, ownership rights over both the land and the building. The mere existence of future development rights (including any increase in FAR or redevelopment rights) with the Government of India does not in any way affect or dilute the Company's legal ownership of the existing built-up area and the underlying land. Consequently, the classification of the land component separately under 'Freehold Land' is justified.
>
> **Relevant Accounting Standards**
>
> As per paragraph 43 of Ind AS 16, **"Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.**"
>
> Further as per paragraph 58 of Ind AS 16, the cost of land and buildings acquired together shall be allocated between the land and the building in proportion to their relative fair values at the date of acquisition.
>
> In compliance with the above, an independent valuation was carried out by a registered valuer, and based on this valuation, cost allocation was performed. Depreciation has been claimed only on the building component, while land (which has an indefinite useful life) has not been depreciated.
>
> **Tax and Judicial Position**
>
> Under the Income-tax Act, land is not a depreciable asset, and depreciation is permissible only on the cost attributable to buildings. In ITO v. Millennium Spire India Management Pvt. Ltd. (Delhi ITAT), depreciation on the full composite purchase cost was disallowed in cases where no segregation of cost between land and building existed. The judicial position thus emphasises the necessity of bifurcation, as carried out by the Company in this case.
>
> **Supporting Documentation**
>
> The draft sale deed as shared by N Corporation, under registration, clearly states that "the total price of the unit includes recovery of price of proportionate share in the said land and construction evidencing that the transaction includes both land and building.
>
> **Commercial Substance**
>
> Furthermore, it is pertinent to highlight that the Company has full legal rights to sell this property in the future. Such sale will be at prevailing market rates of both land and building. Hence, treating the entire property as only a depreciable building asset, as

implied in the audit view does not reflect the commercial substance of the acquisition, given that the Company will continue to enjoy land appreciation benefits in future periods.

In view of the above facts and supporting legal, accounting, and commercial considerations, we submit that the accounting treatment adopted by the Company is technically accurate, legally tenable, and compliant with applicable Ind AS. Nevertheless, acknowledging the difference in interpretation, we assure audit that we will refer this matter to the Institute of Chartered Accountants of India (ICAI) for an expert opinion. Based on the guidance received, we will do necessary accounting treatment in the next financial year 2025–26, as applicable.

Therefore, audit is requested to drop the provisional comment."

14. The issue raised by CAG in its observation is that as per the terms of the allotment letters (dt. 23.09.2022 and dt.11.02.2023), the allottee (purchaser) had only rights of the purchased freehold specific Built-up area (BUA) while any future increase in Floor Area Ratio (FAR) or redevelopment rights that may arise there shall remain with the Government of India. Therefore, cost incurred towards land and building cannot be bifurcated between land and building and entire cost should be recognised as building only. Accordingly, in line with the assurance given to the office of the CAG, the Company seeks the opinion of the Expert Advisory Committee (EAC) of the ICAI on the above matter.

Points for consideration by EAC

15. In this whole issue along with reply submitted to the office of CAG, the Company also submits the following for the consideration of EAC:

a. ATS Recitals A–E confirm MoHUA/L&DO's title to the 'Said Land' (part of a larger tract of 24.96 acres) and the allotment to the Company of Units D-200, D-300 & D-400 (Tower-D) with specified BUA and ECS clearly establishes that as allotment is on freehold basis, land is also transferred to the Company.

b. The Company has obtained a valid ownership interest in the land attached to the allotted Built-up Area (BUA). The restriction on future Floor Area Ratio (FAR) or redevelopment rights held by the Government relates only to additional construction potential and does not affect the existing land interest already transferred to the Company.

c. The Allotment Letter reserves future FAR/redevelopment rights with the GoI. This restricts incremental development potential but does not extinguish the present land interest conveyed with the Unit. The ATS Explanation (i) to clause 1.2 explicitly includes 'recovery of price of proportionate share in the Said Land' within the total price. Accordingly, the asset controlled today comprises (i) the BUA and (ii) the appurtenant UDS in land; the unacquired future development right is a separate interest retained by GoI.

d. ATS Clause 1.2 (Explanation (i)): expressly states that the total price includes recovery of price of proportionate share in the said land, together with construction

and common areas. This clause evidences that consideration covers both land (UDS) and building.

e. Separability of land and building: Ind AS 16, paragraph 58 states that land and buildings are separable assets and are accounted for separately even when acquired together; land typically has an indefinite useful life and is not depreciated. Extract of paragraph 58 of Ind AS 16 is reproduced as below:

   "Land and buildings are separable assets and are accounted for separately, even when they are acquired together. With some exceptions, such as quarries and sites used for landfill, land has an unlimited useful life and therefore is not depreciated. Buildings have a limited useful life and therefore are depreciable assets. An increase in the value of the land on which a building stands does not affect the determination of the depreciable amount of the building."

f. Where land and building are acquired for a composite price, allocation based on relative fair values at acquisition date is supported by Ind AS 16.

g. Recognition of land as a non-depreciable asset and building as a depreciable asset is consistent with Ind AS 16, paragraphs 58 and 43, which require separate accounting for land and building components even when acquired together.

h. If the entire assets were treated as a depreciable building, the land portion which inherently has an indefinite life and appreciation potential, would be inappropriately depreciated, resulting in misstatement of asset value.

i. Whether it be will correct to keep depreciating the land value, which is bound to increase in the future, counting the entire asset as building.

j. As per the Income-tax Act, land carries a NIL depreciation rate. Treating the entire cost as building and claiming depreciation on the land share may lead to tax disputes due to excess depreciation allowance.

k. The Company's cost allocation methodology is based on a registered valuer's relative fair value assessment which is robust and appropriately considers the FAR reservation while determining present land value.

l. Valuer while carrying out valuation also considered the value of building valuation for comparable cross-check; it estimated the building component with reference to Central Public Works Department (CPWD) Plinth area rates with required adjustments.

m. It is established principal of law that there cannot be a building without land beneath it. Therefore, saying that entire consideration paid is towards cost of building and no part is allocable towards cost of land is not justifiable when all taxes, duties and responsibilities related to land are transferred to buyer as stated in draft sale deed.

B. Query

16. On the basis of the above, the querist has sought the opinion of the Expert Advisory Committee on the following issues:

(i) In light of the ATS Explanation (i) to Clause 1.2 stating that the total price includes 'recovery of price of proportionate share in the said land', and recitals confirming MoHUA/L&DO's title to the land along with justification and explanations as given above, can the Company recognise a non-depreciable land component (UDS) appurtenant to the presently conveyed built-up area, notwithstanding the Allotment Letter's reservation of future FAR/redevelopment rights with GoI?

(ii) Where both (a) ATS demonstrates consideration includes a land UDS, and (b) an independent valuer has apportioned consideration based on relative fair values at the acquisition date (considering FAR restrictions), is such allocation compliant with Ind AS 16, paragraphs 58 and 43? Are any additional disclosures recommended?

(iii) If accounting treatment followed by the Company is not appropriate, please suggest alternate treatment.

C. Points considered by the Committee

17. The Committee notes that the basic issue raised by the querist relates to accounting treatment of land and building components on purchase of built-up commercial space including undivided share in land, where future increase in Floor Area Ratio (FAR) or redevelopment rights are retained by seller. The Committee has, therefore, considered only this issue and has not examined any other issue that may arise from the Facts of the Case, such as, accounting for each unit (viz., D-200, D-300 etc.) along with equivalent car parking space (ECS), accounting for Stamp duty and registration charges, model (cost or revaluation model) selected by the Company after recognition under Ind AS 16, appropriateness of valuation made by the valuer and allocation methodology adopted including assumptions made by the valuer, presentation of land and buildings etc. Also, the Committee has answered the issue only from accounting perspective and not from legal perspective, such as, legal interpretation of allotments letters, conveyance/sale deeds, Agreement to Sale, provisions of Income-tax Act, 1961, ITAT's decisions, etc. Further, the Accounting Standards referred hereinafter are Indian Accounting Standards, notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended/revised from time to time.

At the outset, the Committee wishes to mention that the querist has submitted multiple allotment letters and Agreements to Sale in respect of the said units. However, the Committee has not undertaken a detailed examination or comparison of the specific terms and conditions of these agreements and has relied on the 'Agreement of Sale' executed between L&DO/MoHUA and the Company dated 25th August, 2025 in respect of units – D-200 and D-300.

18. The Committee notes the following clauses from the 'Agreement of Sale' executed between L&DO/MoHUA and the Company dated 25th August, 2025:

"1.2 The Total Price for the Unit based on the Super Built-Up Area of **61,654** square feet and Carpet Area of **46,758** square feet is **Rs. xxx**.

…

Explanation:

(i) The Total Price of the Unit includes recovery of price of proportionate share in the Said Land, construction of not only the Units but also Common Areas, Internal Development Charges, External Development Charges, Taxes (up to the date of handing over the possession of the Unit to the Buyer…"

"1.7 The L&DO/MoHUA agrees to pay all outgoings before transferring the physical possession of the Unit to the Buyer, which it has collected from the Buyer, for the payment of outgoings (including land cost, ground rent, municipal or other local taxes, charges for water or electricity, Maintenance Charges, including mortgage loan and interest on mortgages or other encumbrances and such other liabilities payable to Competent Authorities, banks and financial institutions, which are related to the Complex). …"

"6. The L&DO/MoHUA, only on receipt of Total Price of the Unit and interest, if any under the Agreement from the Buyer, shall execute a Sale deed… and convey the title of the Unit together with proportionate indivisible share in the Common Areas in favour of Buyer. …"

"7.1 The Buyer shall be responsible for making payment of property tax and all other applicable taxes directly to concern statutory authority w.e.f. the date of handing over of possession. …"

The Committee notes that explanation (i) to clause 1.2 of ATS, reproduced above, explicitly states that the total consideration paid by the Company towards built-up area includes recovery of the price of the proportionate share in the said land. Further, the terms of the arrangement states that the buyer assumes obligations in respect of land-related outgoings, including taxes, ground rent, and other statutory levies.

The Committee also notes the following relevant clauses of the 'draft sale deed' or 'Deed of Conveyance' (as reproduced in paragraph 6 above), to which the buyer, viz., the Company has agreed:

- Seller is entitled to and has in itself, good right and full power to convey and transfer by way of sale, the said Commercial Space and the said Land hereby conveyed or intended so to unto and to the use of the Buyer in the manner aforesaid.
- The Buyer shall be responsible for making payment of Vacant Land Tax to statutory authorities, through the Seller on a pro-rata basis proportionate to the Commercial Space purchased by the Buyer in the Complex with effect from the date of issuance of the allotment letter.
- The Buyer undertakes and agrees that in case the Buyer sells or transfers the said Commercial Space then all the terms of this Deed, terms and conditions of the Application, terms and conditions of Agreement for Sale, separate maintenance agreement, as well as other documents/agreements executed in respect of the said Land and the said Commercial Space, shall be, mutatis-mutandis, binding on any subsequent buyer.

The Committee notes that in the extant case, the Company has acquired the freehold rights in the unit/property (viz., a share in the building) together with proportionate undivided share or interest in the land. The Committee is of the view that the right to undivided interest represents a fraction or share of the land that corresponds to the unit/property specified in the contract. In the extant case, the Company has the present ability to use the unit/property (building as well as land) for the specified purpose as per terms agreed, such as for office or administrative use, and to obtain the economic benefits arising from such use (as per the terms of ATS). Further, the Company also assumes liabilities and obligations relating to the property, including those pertaining to the underlying land, such as payment of vacant land tax and other statutory dues. The Committee further notes from the clauses reproduced above that, upon purchase of the unit/ property, the buyer has the right to sell the unit/property (including proportionate share in the land). The Committee is of the view that although the Company can sell or pledge the undivided proportionate share in the land only along with the built-up area constructed on it, however, that does not preclude the Company from having future economic benefits arising therefrom, for example, realisation of benefits from increase in land value on sale or pledge. Thus, the Company has the power or ability to obtain the future economic benefits flowing from the land although along with the built-up area, and it can also restrict or prevent the access of others to those benefits.

19. In this context, the Committee notes the following requirements from Conceptual Framework for Financial Reporting under Indian Accounting Standards (Ind AS), issued by the Institute of Chartered Accountants of India (hereinafter referred to as 'Conceptual Framework') and Ind AS 16, 'Property, Plant and Equipment' as follows:

Conceptual Framework

"4.3 An asset is a present economic resource controlled by the entity as a result of past events.

4.4 An economic resource is a right that has the potential to produce economic benefits."

"4.20 An entity controls an economic resource if it has the present ability to direct the use of the economic resource and obtain the economic benefits that may flow from it. Control includes the present ability to prevent other parties from directing the use of the economic resource and from obtaining the economic benefits that may flow from it. It follows that, if one party controls an economic resource, no other party controls that resource."

"4.23 For an entity to control an economic resource, the future economic benefits from that resource must flow to the entity either directly or indirectly rather than to another party. This aspect of control does not imply that the entity can ensure that the resource will produce economic benefits in all circumstances. Instead, it means that if the resource produces economic benefits, the entity is the party that will obtain them either directly or indirectly."

Ind AS 16

"*Property, plant and equipment* are tangible items that:

(a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and

(b) are expected to be used during more than one period."

"7 The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

(a) it is probable that future economic benefits associated with the item will flow to the entity; and

(b) the cost of the item can be measured reliably."

From the above-reproduced requirements and as discussed in paragraph 18 above, the Committee is of the view that in the extant case, the Company has the present ability to direct the use of the unit (viz., proportionate share in the building and land), and also to obtain all the economic benefits arising from their existing use. Also, it can restrict or prevent others from directing its use or their access to such benefits. The Committee also wishes to mention that the retention of future increase in FAR or redevelopment rights by the seller pertains to a separate set of rights relating to potential future development in the complex where the unit/property exists and does not affect the Company's existing control over its share of building and land. Therefore, the building along with land, corresponding to the unit(s) owned by the Company meets the definition of an asset as per the Conceptual Framework. Further, the Committee notes that the same also satisfies the recognition criteria of property, plant and equipment under Ind AS 16. Accordingly, the building along with land (corresponding to the units owned by the Company), qualifies for recognition as property, plant and equipment.

20. The Committee further notes the following requirements from Ind AS 16, 'Property, Plant and Equipment':

"43 Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

44 An entity allocates the amount initially recognised in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. For example, it may be appropriate to depreciate separately the airframe and engines of an aircraft. Similarly, if an entity acquires property, plant and equipment subject to an operating lease in which it is the lessor, it may be appropriate to depreciate separately amounts reflected in the cost of that item that are attributable to favourable or unfavourable lease terms relative to market terms."

"58 Land and buildings are separable assets and are accounted for separately, even when they are acquired together. With some exceptions, such as quarries and sites used for landfill, land has an unlimited useful life and therefore is not depreciated. Buildings have a limited useful life and therefore are depreciable assets. An increase in the value of the land on which a building stands does not affect the determination of the depreciable amount of the building."

"**74 The financial statements shall also disclose:**

(a) the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities;

…"

From the above, the Committee notes that as per the requirements of Ind AS 16, each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately and consistent with this principle, an entity shall allocate the amount initially recognised in respect of an item of property, plant and equipment to its significant parts. Further, as per paragraph 58 of Ind AS 16, land and buildings are separable assets and are accounted for separately, even when they are acquired together, to facilitate component accounting for depreciation as, generally, land has an unlimited useful life and therefore is not depreciated, whereas buildings have a limited useful life and are depreciable assets.

Considering these requirements, the Committee is of the view that since in the extant case, the value attributed to the proportionate share in the land (based on its fair value as determined by registered valuer) is significant in relation to the total cost of the unit/property and since the unit/property in the extant case is acquired for a composite consideration, the Company should allocate the amount initially recognised in respect of unit/property to land and building on a reasonable and appropriate basis, such as on the basis of their relative fair values at the date of acquisition (which shall also consider restrictions regarding FAR and redevelopment rights). However, the Company should appropriately disclose the basis of allocation of consideration between land and building, the key assumptions used in such allocation and the existence of restrictions on the title of the unit (if any), etc. in accordance with the disclosure requirements of Ind AS 16 and other standards, such as Ind AS 1, 'Presentation of Financial Statements'.

Further, since the land (undivided) in the extant case has an unlimited useful life (as the proportionate land will continue to belong to or be owned by the Company), the same shall not be depreciated. However, impairment testing should be carried out in the extant case, in accordance with Ind AS 36, 'Impairment of Assets', especially considering any changes in restrictions on FAR or redevelopment rights.

D. Opinion

21. On the basis of the above and subject to paragraph 17 above, the Committee is of the following opinion on the issues raised in paragraph 16 above:

(i) and (ii) Considering the terms of sale and conveyance deeds etc., as discussed in paragraph 18 and 19 above, the building along with land, corresponding to the unit(s) owned by the Company meets the definition of an asset and qualifies for recognition as property, plant and equipment as per Ind AS 16.

Further, the Company should allocate the amount initially recognised in respect of unit/property to land and building on a reasonable and appropriate basis, such as on the basis of their relative fair values at the date of acquisition (which shall also consider restrictions regarding FAR and redevelopment rights), as discussed in paragraph 20 above. Furthermore, since the land (undivided) in the extant case has an unlimited useful life, the same shall not be depreciated, as discussed in paragraph 20 above. With regard to disclosures, the Company should appropriately disclose the basis of allocation of consideration between land and building, the key assumptions used in such allocation and the existence of restrictions on the title of the unit (if any), etc. in accordance with the disclosure requirements of Ind AS 16 and other standards, such as Ind AS 1, 'Presentation of Financial Statements'.

(iii) In view of (i) and (ii) above, this issue does not arise.

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