

AGRICULTURE: IAS 41

Scope

This standard applies to:

- Biological assets
- Agriculture produce at the point of harvest
- Government grants related to agriculture activities

Definitions

- **Biological asset** is a living animal or plant (i.e. sheep, trees, plants, cattle, pigs, bushes, vines)
- **Agricultural produce** is the harvested product of the entity's biological assets (i.e. wool, fruits, cotton, milk, carcass, leaf, grapes)
- **Harvest** is the detachment of produce from a biological asset (**eggs**) or the cessation of a biological asset's life processes (**slaughter**)
- **Agricultural activity** = managing biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets

Recognition and measurement

- An entity should recognise a biological asset or agricultural produce only when:
 - a) the entity **controls** the asset as a result of past events;
 - b) it is **probable that future economic benefits** will flow to the entity; and
 - c) the **fair value or cost** of the asset can be **measured** reliably

Biological Asset

- A biological asset shall be measured on **initial recognition** and at the **end of each reporting period** at its **fair value less costs to sell**, except where fair value cannot be measured reliably
- If fair value cannot be measured reliably, measure biological asset at **cost less accumulated amortization and accumulated impairment losses**
- Once the fair value of such a biological asset becomes reliably measurable, measure it at its fair value less costs to sell

Agricultural Produce

- Agricultural produce harvested from an entity's biological assets shall be measured at its **fair value less costs to sell at the point of harvest**
- **After point of harvest**, it is measured using IAS 2 Inventories (i.e. harvested cotton becomes raw material for clothes) at the lower of cost or net realizable value

Fair Value

- **Fair value** reflects the current market in which a willing buyer and seller would enter into a transaction (the quoted price in that market)
- the fair value of a biological asset or agricultural produce is **not affected by forward contracts** the entity entered into (use the current market value)
- **If an active market does not exist**, an entity uses one of the following, in determining fair value:
 - the most recent market transaction **price**
 - market prices for **similar assets** with adjustment to reflect differences; and
 - sector **benchmarks** such as the value of the value of cattle expressed per kilogram of meat.
- If fair value cannot be determined using the above methods, uses the **present value of expected net cash flows** from the asset discounted at a current market to estimate fair value

Gains and losses

- A gain or loss arising on **initial recognition** of a **biological asset** at fair value less costs to sell and from a **change in fair value less costs to sell** of a biological asset shall be included in **profit or loss**
- A gain or loss arising on initial recognition of **agricultural produce** at fair value less costs to sell shall be included in **profit or loss**

Government grants related to biological assets measured at FV less cost to sell

- An **unconditional** government grant related to a **biological asset measured at its fair value less costs to sell**
 - recognised in **profit or loss** when, the government **grant becomes receivable**
- If a government grant related to a **biological asset measured at its fair value less costs to sell** is **conditional**, including when a government grant requires an entity not to engage in specified agricultural activity
 - recognise the government grant in **profit or loss** when the **conditions attaching to the government grant are met**
 - if the terms of the grant allow part of it to be retained according to the time that has elapsed, the entity recognises that part in profit or loss as time passes
- for biological assets measured @ cost use IAS 20

Comparison to ASPE

- No separate standard for biological assets (it will be handled under ASPE for inventory or PPE)
 - Living plant/animals held for sale as crops/meat = inventory
 - Living plant/animals held to produce fruit/milk = capital assets