

# Agriculture

(including fair value and  
bearer plant amendments)

IFRS Conference  
Nairobi, August 2016

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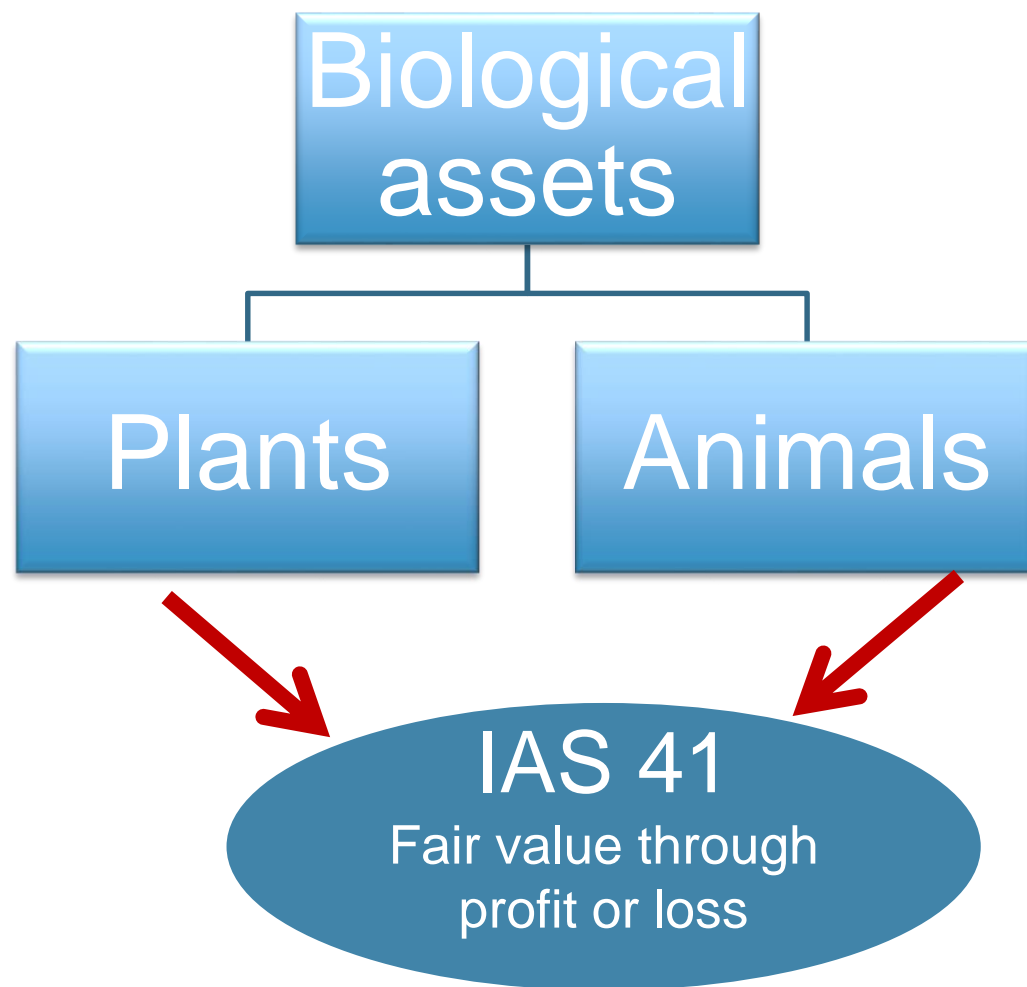
- Overview of IAS 41 Agriculture including recent amendments
- Practice issues - Simon Fisher, RSM
- Practice issues – Stephen Obock, KPMG
- Q&A

- The objective of the Standard is to prescribe the accounting treatment and disclosures related to agricultural activity.
- Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce, or into additional biological assets.

- Agricultural produce is the harvested product of the entity's biological assets.
- A biological asset is a living animal or plant.
- Biological transformation comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset.

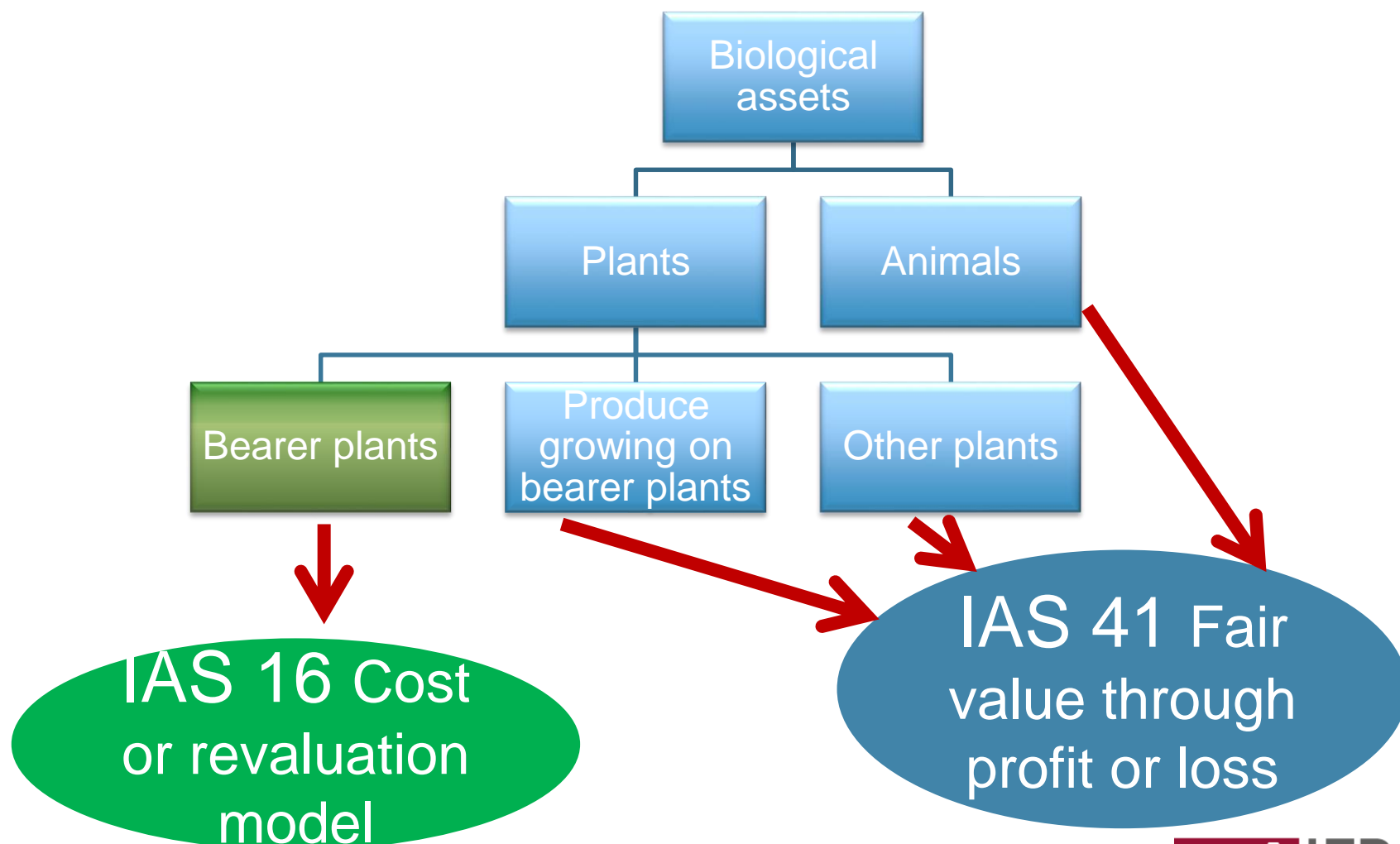
# Overview: previous requirements

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# Overview: new requirements

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- **Only affect accounting for bearer plants**
- **Previous treatment:** Entire plant, including produce, accounted for at fair value through profit or loss (IAS 41/IFRS 13)
- **Revised treatment:** Bearer plant accounted for as property, plant and equipment (IAS 16)
  - Produce growing on bearer plant remains at fair value through profit or loss (IAS 41/IFRS 13)

- A **bearer plant** is plant that meets all of the following:
  - used in production or supply of agricultural produce
  - expected to bear produce for more than one period
  - has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales
- **Examples:** Tea bushes, oil palms, rubber trees, grapevines.



## **The following are not bearer plants:**

- Plants to be harvested as agricultural produce
  - ✓ trees grown for lumber
- Plants held both to grow agricultural produce and to be harvested as agricultural produce (except scrap)
  - ✓ trees used for lumber and fruit
- Plants cultivated for sale only
  - ✓ potted plants
- Annual crops

## **IASB's principal decision underlying amendments:**

- Bearer plants shall be treated as property, plant and equipment (PPE) for which the accounting is prescribed in IAS 16

## **Bearer plants to be included in IAS 16**

- Requirements of IAS 16 applied to bearer plants without modification, including:
  - ✓ cost accumulation model for bearer plants before they reach maturity (like self-constructed PPE)
  - ✓ revaluation model permitted
  - ✓ no additional disclosures for bearer plants

## Produce to remain in IAS 41

- Requirements of IAS 41 continue to apply to produce without modification:
  - Fair value through profit or loss
  - IAS 41/IFRS 13 disclosures
  - Presumption fair value can be measured reliably can be rebutted only on initial recognition if
    - ✓ quoted market prices are not available
    - ✓ alternative fair value measurements are clearly unreliable

## 72 comment letters

- Vast majority supported underlying proposal
- No substantive changes to proposals in the ED as a result of the Board's redeliberations

# Likely effects on financial position

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IAS 41 fair value model	IAS 16 cost model	Effect of moving to cost model
Measured at fair value less costs to sell	Measured at cost less accumulated depreciation and accumulated impairment losses	<p>Net asset amounts likely to be lower during early productive life of bearer plant</p> <p>Carrying amounts under the two models expected to converge towards the end of the productive life</p>

# Likely effects on profit or loss

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IAS 41 fair value model	IAS 16 cost model	Effect of moving to cost model
Changes in fair value less costs to sell recognised in profit or loss.	Annual depreciation charge and any impairment recognised in profit or loss.	<p>Over life of bearer plant the net amount recognised in profit or loss will be the same</p> <p>Under fair value model, period to period effect on profit or loss will be variable</p> <p>Under the cost model, period to period effect on profit or loss is more systematic</p>

- Effective for annual periods beginning on or after 1 January 2016.
- Earlier application permitted
- Entity may elect to use fair value as deemed cost at the beginning of the earliest period presented



- It may be difficult to determine whether a particular biological asset is within the scope of IAS 41.
- In measuring biological assets and agricultural produce, estimates of physical quantities and the physical condition of the assets may be complex.
- There may be challenges relating to the measurement of fair value.

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