

SCOPE AND DEFINITIONS

Applied to account for the following if related to *agricultural activity*:

- **Biological assets** = a living animal or plant, except for bearer plants.
- **Agricultural produce @ point of harvest.**
 - **Agricultural produce** = harvested product of *biological assets*.
 - **Harvest** = the detachment of produce from a *biological asset* or the cessation of a *biological asset's* life processes.
- Government grants related to *biological assets* @ FV less costs to sell.

Does NOT apply to:

- Land related to *agricultural activity* (IAS 16 and IAS 40).
- Bearer plants related to agricultural activity (IAS 16). This standard DOES apply to produce on those bearer plants
- Government grants related to bearer plants (IAS 20)
- Intangible assets related to *agricultural activity* (IAS 38).
- Processing of *agricultural produce* after point of harvest (IAS 2).

Agricultural activity = management of biological transformation & harvest of *biological assets* for sale or conversion into *agricultural produce* or additional *biological assets*.

- E.g. it is NOT harvesting from unmanaged sources such as ocean fishing and deforestation.

Biological assets	Agricultural produce	Products that are the result of processing after harvest
Sheep	Wool	Yarn, carpet
Trees in a timber plantation	Felled trees	Logs, lumber
Dairy cattle	Milk	Cheese
Pigs	Carcass	Sausage, cured hams
Cotton plants	Harvested cotton	Thread, clothing
Sugarcane	Harvest cane	Sugar
Tabaco plants	Picked leaves	Cured tobacco
Tea bushes	Picked leaves	Tea
Grape vines	Picked grapes	Wine
Fruit trees	Picked fruit	Processed fruit
Oil palms	Picked fruit	Palm oil
Rubber trees	Harvested latex	Rubber products

GOVERNMENT GRANTS

Government grant related to *biological asset* measured @ FV LESS costs to sell:

- **Unconditional** → recognize in P/L only when grant becomes receivable.
- **Conditional** → recognize in P/L only when conditions attached are met.
 - e.g. grant to farm in a location for 5 yrs: wholly repayable if fail to farm @ location for 5 yrs → recognize in P/L only after 5 yrs. If partially repayable based on number of yrs → recognize over time).

Apply IAS 20 for *biological assets* @ cost less accumulated depreciation/impairment.

RECOGNITION

Recognize *biological asset/agricultural produce* when:

- Entity controls asset as a result of past events (may be evidenced by legal ownership or marking on acquisition/birth/weaning).
- Probable that future economic benefits associated with the asset will flow to entity (normally assessed by significant physical attributes).
- FV/cost of asset reliably measurable.

MEASUREMENT

BIOLOGICAL ASSETS	AGRICULTURAL PRODUCE @ POINT OF HARVEST
<p>On initial recognition AND each reporting period end → measure @ FV LESS costs to sell EXCEPT where FV cannot be measured reliably.</p> <ul style="list-style-type: none"> ▪ There is a presumption that FV can be measured reliably. ▪ That presumption can be rebutted <u>only</u> on initial recognition if quoted market prices are not available & for which alternative FV measurements are determined to be unreliable. If so, measure @ cost less accumulated depreciation & impairment losses (IAS 2, IAS 16 & IAS 36). ▪ When FV becomes reliably measurable → measure @ FV LESS cost to sell. ▪ Presumed FV reliably measurable once held for sale per IFRS 5. 	<p>On initial recognition → measure @ FV LESS costs to sell @ point of harvest.</p> <ul style="list-style-type: none"> ▪ NOT remeasured under this standard after harvest as IAS 2/another standard applies. ▪ FV LESS costs to sell @ point of harvest = cost @ date when applying IAS 2/another standard. ▪ Standard reflects view that FV is always reliably measurable.

Costs to sell = incremental costs directly attributable to disposal of asset, excluding finance costs & income taxes.

Gain/ loss on initial recognition of *biological asset* @ FV LESS costs to sell → include in P/L for period in which arises.

- Example of loss on initial recognition of a *biological asset* → because costs to sell are deducted in determining FV less costs to sell of *biological asset*.
- Example of gain on initial recognition of a *biological asset* → when a calf is born.

Δ in FV less costs to sell of *biological asset* → include in P/L for period in which arises.

Gain/ loss on initial recognition of *agricultural produce* @ FV LESS costs to sell → include in P/L for period in which arises.

- Gain/loss may arise on initial recognition of *agricultural produce* as a result of harvesting.

MEASURING FV

IAS 41 contains additional requirements/guidance for measuring FV. Most of these will be superseded by IFRS 13 *Fair Value* EXCEPT the following:

- When using PV of expected future cash flows → do NOT include cash flow from: financing assets, taxation or re-establishing *biological assets* after harvest.
- Cost may approximate FV when:
 - Little biological transformation has taken place since initial cost incurrence (e.g. seedlings planted immediately prior to end of reporting period or newly acquired livestock).
 - Impact of biological transformation on price NOT expected to be material (e.g. initial growth in a 30-year pine plantation production cycle).