



# IAS 41 Agriculture

## Objective

The objective of this Standard is to prescribe the accounting treatment and disclosures related to agricultural activity.

## Scope

This Standard shall be applied to account for the following when they relate to agricultural activity:

- (a) biological assets, except for bearer plants;
- (b) agricultural produce at the point of harvest; and
- (c) conditional or unconditional grants relating to a biological asset measured at its fair value less costs to sell.

This Standard does not apply to:

- (a) land related to agricultural activity;
- (b) bearer plants related to agricultural activity. However, this Standard applies to the produce on those bearer plants;
- (c) government grants related to bearer plants;
- (d) intangible assets related to agricultural activity; and
- (e) right-of-use assets arising from a lease of land related to agricultural activity.

## Effective date

This Standard becomes operative for annual financial statements covering periods beginning on or after 1 January 2003. Earlier application is encouraged. If an entity applies this Standard for periods beginning before 1 January 2003, it shall disclose that fact.

## Defined terms

*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 produce of the entity's biological assets.

A *bearer plant* is a living plant that:

- (a) is used in the production or supply of agricultural produce;
- (b) is expected to bear produce for more than one period; and
- (c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

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.

*Costs to sell* are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.

A *group of biological assets* is an aggregation of similar living animals or plants.

*Harvest* is the detachment of produce from a biological asset or the cessation of a biological asset's life processes.

## Recognition and measurement of biological assets or agricultural produce

### Recognition

An entity shall recognise a biological asset or agricultural produce when, and only when:

- (a) the entity controls the asset as a result of past events;
- (b) it is probable that future economic benefits associated with the asset will flow to the entity; and
- (c) the fair value or cost of the asset can be measured reliably.

### Measurement

#### Biological assets:

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 the fair value cannot be measured reliably.

#### Agricultural assets:

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. Such measurement is the cost at that date when applying IAS 2 *Inventories* or another applicable Standard.

### Subsequent gains or losses

#### Biological assets:

- (a) 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 for the period in which it arises.
- (b) A loss may arise on initial recognition of a biological asset, because costs to sell are deducted in determining fair value less costs to sell of a biological asset. A gain may arise on initial recognition of a biological asset, such as when a calf is born.

#### Agricultural assets:

- (a) 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 for the period in which it arises.
- (b) A gain or loss may arise on initial recognition of agricultural produce as a result of harvesting.

## Inability to measure fair value reliably

There is a presumption that fair value can be measured reliably for a biological asset. However, that presumption can be rebutted only on initial recognition for a biological asset for which quoted market prices are not available and for which alternative fair value measurements are determined to be clearly unreliable.

In such a case, that biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses.

Once the fair value of such a biological asset becomes reliably measurable, an entity shall measure it at its fair value less costs to sell.

Once a non-current biological asset meets the criteria to be classified as held for sale (or is included in a disposal group that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, it is presumed that fair value can be measured reliably

## Presentation and disclosure

An entity shall present and disclose information that enables users of the financial statements to evaluate the financial effects of agricultural produce and biological assets:

### In the Notes to the financial statement:

- (a) An entity shall disclose the aggregate gain or loss arising during the current period on initial recognition of biological assets and agricultural produce and from the change in fair value less costs to sell of biological assets.
- (b) An entity shall provide a description of each group of biological assets.
- (c) If not disclosed elsewhere in information published with the financial statements, an entity shall describe:
  - (i) the nature of its activities involving each group of biological assets; and
  - (ii) non-financial measures or estimates of the physical quantities of:
    - each group of the entity's biological assets at the end of the period; and
    - output of agricultural produce during the period.
- (d) The existence and carrying amounts of biological assets whose title is restricted, and the carrying amounts of biological assets pledged as security for liabilities.
- (e) The amount of commitments for the development or acquisition of biological assets.
- (f) The financial risk management strategies related to agricultural activity.
- (g) An entity shall present a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period. The reconciliation shall include:
  - (i) the gain or loss arising from changes in fair value less costs to sell;
  - (ii) increases due to purchases;
  - (iii) decreases attributable to sales and biological assets classified as held for sale (or included in a disposal group that is classified as held for sale);
  - (iv) decreases due to harvest;
  - (v) increases resulting from business combinations;
  - (vi) net exchange differences arising on the translation of financial statements into a different presentation currency, and on the translation of a foreign operation into the presentation currency of the reporting entity; and
  - (vii) other changes.

## Additional disclosures for biological assets where fair value cannot be measured reliably

### In the Notes to the financial statement:

If an entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses at the end of the period, the entity shall disclose for such biological assets:

- (a) a description of the biological assets;
- (b) an explanation of why fair value cannot be measured reliably;
- (c) if possible, the range of estimates within which fair value is highly likely to lie;
- (d) the depreciation method used;
- (e) the useful lives or the depreciation rates used; and
- (f) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.

If the fair value of biological assets previously measured at their cost less any accumulated depreciation and any accumulated impairment losses becomes reliably measurable during the current period, an entity shall disclose for those biological assets:

- (a) a description of the biological assets;
- (b) an explanation of why fair value has become reliably measurable; and
- (c) the effect of the change

## Additional disclosures for Government grants

### In the Notes to the financial statement:

An entity shall disclose the following related to agricultural activity covered by this Standard:

- (a) the nature and extent of government grants recognised in the financial statements;
- (b) unfulfilled conditions and other contingencies attaching to government grants; and
- (c) significant decreases expected in the level of government grants.