

International Accounting Standard 41

Agriculture

This version includes amendments resulting from IFRSs issued up to 31 December 2008.

IAS 41 was issued by the International Accounting Standards Committee in February 2001.

In April 2001 the International Accounting Standards Board resolved that all Standards and Interpretations issued under previous Constitutions continued to be applicable unless and until they were amended or withdrawn.

IAS 41 and its accompanying guidance have been amended by the following IFRSs:

- IAS 1 *Presentation of Financial Statements* (as revised in December 2003)
- IAS 2 *Inventories* (as revised in December 2003)
- IAS 21 *The Effects of Changes in Foreign Exchange Rates* (as revised in December 2003)
- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (issued March 2004)
- IAS 1 *Presentation of Financial Statements* (as revised in September 2007)¹
- *Improvements to IFRSs* (issued May 2008).²
- To insert proposed amendment, if finalised

¹ effective date 1 January 2009

² effective date 1 January 2009

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BASIS FOR CONCLUSIONS**BASIS FOR IASC'S CONCLUSIONS**

International Accounting Standard 41 *Agriculture* (IAS 41) is set out in paragraphs 1–60¹. All the paragraphs have equal authority but retain the IASC format of the Standard when it was adopted by the IASB. IAS 41 should be read in the context of its objective and the Basis for Conclusions, the *Preface to International Financial Reporting Standards* and the *Framework for the Preparation and Presentation of Financial Statements*. IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Introduction

- IN1 IAS 41 prescribes the accounting treatment, financial statement presentation, and disclosures related to agricultural activity of consumable biological assets, a matter not covered in other Standards. Agricultural activity is the management by an entity of the biological transformation of living animals or plants (biological assets) for sale, into agricultural produce, or into additional biological assets.
- IN2 IAS 41 prescribes, among other things, the accounting treatment for consumable biological assets during the period of growth, degeneration, production, and procreation, and for the initial measurement of agricultural produce at the point of harvest. It requires measurement at fair value less costs to sell from initial recognition of consumable biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. However, IAS 41 does not deal with processing of agricultural produce after harvest; for example, processing grapes into wine and wool into yarn.
- IN3 There is a presumption that fair value can be measured reliably for a consumable biological asset. However, that presumption can be rebutted only on initial recognition for a consumable biological asset for which market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such a case, IAS 41 requires an entity to measure that consumable biological asset at its cost less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such a consumable biological asset becomes reliably measurable, an entity should measure it at its fair value less costs to sell. In all cases, an entity should measure agricultural produce at the point of harvest at its fair value less costs to sell.
- IN4 IAS 41 requires that a change in fair value less costs to sell of a consumable biological asset be included in profit or loss for the period in which it arises. In agricultural activity of consumable bearer biological assets, a change in physical attributes of a living animal or plant directly enhances or diminishes economic benefits to the entity. Under a transaction-based, historical cost accounting model, a plantation forestry entity might report no income until first harvest and sale, perhaps 30 years after planting. On the other hand, an accounting model that recognises and measures biological growth using current fair values reports changes in fair value throughout the period between planting and harvest.
- IN5 IAS 41 does not establish any new principles for land related to agricultural activity of consumable biological assets. Instead, an entity follows IAS 16 *Property, Plant and Equipment* or IAS 40 *Investment Property*, depending on which standard is appropriate in the circumstances. IAS 16 requires land to be measured either at its cost less any accumulated impairment losses, or at a revalued amount. IAS 40 requires land that is investment property to be measured at its fair value, or cost less any accumulated impairment losses. Consumable Biological assets that are physically attached to land (for example, trees in a plantation forest) are measured at their fair value less costs to sell separately from the land.
- IN6 IAS 41 requires an unconditional government grant related to a consumable biological asset measured at its fair value less costs to sell to be recognised in profit or loss when, and only when, the government grant becomes receivable. If a government grant is conditional, including when a government grant requires an entity not to engage in specified agricultural activity of consumable biological assets, an entity should recognise the government grant in profit or loss when, and only when, the conditions attaching to the government grant are met. If a government grant relates to a consumable biological asset measured at its cost less any accumulated depreciation and any accumulated impairment losses, the entity applies IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.
- IN7 IAS 41 is effective for annual financial statements covering periods beginning on or after 1 January 2003. Earlier application is encouraged.
- IN8 IAS 41 does not establish any specific transitional provisions. The adoption of IAS 41 is accounted for in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
- IN9 The Appendix provides illustrative examples of the application of IAS 41. The Basis for Conclusions summarises the Board's reasons for adopting the requirements set out in IAS 41.

International Accounting Standard 41 *Agriculture*

Objective

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

Scope

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

- (a) consumable biological assets;
- ~~(b)~~ immature biological assets that embody both consumable and bearer attributes;
- ~~(b)~~(c) agricultural produce at the point of harvest; and
- ~~(e)~~(d) government grants covered by paragraphs 34 and 35.

2 This Standard does not apply to:

- (a) immature and mature bearer biological assets that embody only bearer attribute (see IAS 16 *Property, Plant and Equipment*);
- ~~(b)~~ land related to agricultural activity of consumable biological assets (see IAS 16 *Property, Plant and Equipment* and IAS 40 *Investment Property*); and
- (b) intangible assets related to agricultural activity of consumable biological assets (see IAS 38 *Intangible Assets*).

3 This Standard is applied to agricultural produce, which is the harvested product of the entity's biological assets, only at the point of harvest. Thereafter, IAS 2 *Inventories* or another applicable Standard is applied. Accordingly, this Standard does not deal with the processing of agricultural produce after harvest; for example, the processing of grapes felled trees into wine lumber by a vintner who has grown the grapes plantation company who owns its own plantation of pine trees. While such processing may be a logical and natural extension of agricultural activity, and the events taking place may bear some similarity to biological transformation, such processing is not included within the definition of agricultural activity in this Standard.

4 The table below provides examples of consumable biological assets, agricultural produce, and products that are the result of processing after harvest:

<u>Consumable</u> b Biological assets	Agricultural produce	Products that are the result of processing after harvest
Sheep	Wool	Yarn, carpet
Trees in a plantation forest	Felled trees	Logs, lumber
Plants	Cotton	Thread, clothing
	Harvested cane	Sugar
Dairy cattle	Milk	Cheese
Pigs	Carcass	Sausages, cured hams
Bushes	Leaf	Tea, cured tobacco
Vines	Grapes	Wine

<u>Consumable biological assets</u>	Agricultural produce	Products that are the result of processing after harvest
Fruit trees	Picked fruit	Processed fruit

Definitions

Agriculture-related definitions

5 The following terms are used in this Standard with the meanings specified:

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.

Bearer biological assets are matured biological assets held for more than one financial period capable for bearing consumable biological assets to be harvested as agriculture produce. Bearer biological assets are held for generation of income from sale of agricultural produce.

Consumable biological assets are other than biological assets.

For biological assets that embody both consumable and bearer attributes, the classification into either bearer or consumable biological assets would be dependent on the predominate use of the biological assets upon maturity.

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 consumable biological asset's life processes.*

6 Agricultural activity covers a diverse range of activities; for example, raising livestock, forestry, annual or perennial cropping, cultivating orchards and plantations, floriculture and aquaculture (including fish farming). Certain common features exist within this diversity:

- (a) *Capability to change.* Living animals and plants are capable of biological transformation;
- (b) *Management of change.* Management facilitates biological transformation by enhancing, or at least stabilising, conditions necessary for the process to take place (for example, nutrient levels, moisture, temperature, fertility, and light). Such management distinguishes agricultural activity from other activities. For example, harvesting from unmanaged sources (such as ocean fishing and deforestation) is not agricultural activity; and
- (c) *Measurement of change.* The change in quality (for example, genetic merit, density, ripeness, fat cover, protein content, and fibre strength) or quantity (for example, progeny, weight, cubic metres, fibre length or diameter, and number of buds) brought about by biological transformation or harvest is measured and monitored as a routine management function.

6A *Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets. Examples of consumable biological assets are livestock raised for the production of*

meat, livestock held for sale, fish in farms, crops such as maize and wheat, and trees being grown for lumber.

6B Bearer biological assets can have consumable biological assets growing on it. For example, apples growing on trees are consumable biological assets attached to bearer biological assets. The crop-in-process would be separately recognised and valued.

7 Biological transformation of consumable biological assets results in ~~the following types of outcomes:~~

- (a) asset changes through (i) growth (an increase in quantity or improvement in quality of an animal or plant), (ii) degeneration (a decrease in the quantity or deterioration in quality of an animal or plant), or (iii) procreation (creation of additional living animals or plants); ~~or~~
- (b) ~~production of agricultural produce such as latex, tea leaf, wool, and milk.~~

General definitions

8 The following terms are used in this Standard with the meanings specified:

An active market is a market where all the following conditions exist:

- (a) the items traded within the market are homogeneous;
- (b) willing buyers and sellers can normally be found at any time; and
- (c) prices are available to the public.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Government grants are as defined in IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.

9 The fair value of an asset is based on its present location and condition. As a result, for example, the fair value of cattle at a farm is the price for the cattle in the relevant market less the transport and other costs of getting the cattle to that market.

Recognition and measurement

10 An entity shall recognise a **consumable** 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.

11 In agricultural activity, control may be evidenced by, for example, legal ownership of cattle and the branding or otherwise marking of the cattle on acquisition, birth, or weaning. The future benefits are normally assessed by measuring the significant physical attributes.

12 A **consumable** 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 for the case described in paragraph 30 where the fair value cannot be measured reliably.

12A An immature biological asset that embody both consumable and bearer attributes shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except

for the case described in paragraph 30 where the fair value cannot be measured reliably. Such immature biological asset shall be classified as consumable biological asset until it is, at maturity, classified as a bearer biological asset.

- 13 **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.**
- 14 [Deleted]
- 15 The determination of fair value for a **consumable** biological asset or agricultural produce may be facilitated by grouping **consumable** biological assets or agricultural produce according to significant attributes; for example, by age or quality. An entity selects the attributes corresponding to the attributes used in the market as a basis for pricing.
- 16 Entities often enter into contracts to sell their **consumable** biological assets or agricultural produce at a future date. Contract prices are not necessarily relevant in determining fair value, because fair value reflects the current market in which a willing buyer and seller would enter into a transaction. As a result, the fair value of a **consumable** biological asset or agricultural produce is not adjusted because of the existence of a contract. In some cases, a contract for the sale of a **consumable** biological asset or agricultural produce may be an onerous contract, as defined in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. IAS 37 applies to onerous contracts.
- 17 If an active market exists for a **consumable** biological asset or agricultural produce in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset. If an entity has access to different active markets, the entity uses the most relevant one. For example, if an entity has access to two active markets, it would use the price existing in the market expected to be used.
- 18 If an active market does not exist, an entity uses one or more of the following, when available, in determining fair value:
- (a) the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the end of the reporting period;
 - (b) market prices for similar assets with adjustment to reflect differences; and
 - (c) sector benchmarks such as the value of an orchard expressed per export tray, bushel, or hectare, and the value of cattle expressed per kilogram of meat.
- 19 In some cases, the information sources listed in paragraph 18 may suggest different conclusions as to the fair value of a **consumable** biological asset or agricultural produce. An entity considers the reasons for those differences, in order to arrive at the most reliable estimate of fair value within a relatively narrow range of reasonable estimates.
- 20 In some circumstances, market-determined prices or values may not be available for a **consumable** biological asset in its present condition. In these circumstances, an entity uses the present value of expected net cash flows from the asset discounted at a current market-determined rate in determining fair value.
- 21 The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a **consumable** biological asset in its present location and condition. An entity considers this in determining an appropriate discount rate to be used and in estimating expected net cash flows. In determining the present value of expected net cash flows, an entity includes the net cash flows that market participants would expect the asset to generate in its most relevant market.
- 22 An entity does not include any cash flows for financing the assets, taxation, or re-establishing **consumable** biological assets after harvest (for example, the cost of replanting trees in a plantation forest after harvest).
- 23 In agreeing an arm's length transaction price, knowledgeable, willing buyers and sellers consider the possibility of variations in cash flows. It follows that fair value reflects the possibility of such variations. Accordingly, an entity incorporates expectations about possible variations in cash flows into either the

expected cash flows, or the discount rate, or some combination of the two. In determining a discount rate, an entity uses assumptions consistent with those used in estimating the expected cash flows, to avoid the effect of some assumptions being double-counted or ignored.

- 24 Cost may sometimes approximate fair value, particularly when:
- (a) little biological transformation has taken place since initial cost incurrence (for example, for fruit tree seedlings planted immediately prior to the end of a reporting period); or
 - (b) the impact of the biological transformation on price is not expected to be material (for example, for the initial growth in a 30-year pine plantation production cycle).
- 25 Biological assets are often physically attached to land (for example, trees in a plantation forest). There may be no separate market for **consumable** biological assets that are attached to the land but an active market may exist for the combined assets, that is, for the **consumable** biological assets, raw land, and land improvements, as a package. An entity may use information regarding the combined assets to determine fair value for the biological assets. For example, the fair value of raw land and land improvements may be deducted from the fair value of the combined assets to arrive at the fair value of **consumable** biological assets.

Gains and losses

- 26 **A gain or loss arising on initial recognition of a **consumable** biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a **consumable** biological asset shall be included in profit or loss for the period in which it arises.**
- 27 A loss may arise on initial recognition of a **consumable** biological asset, because costs to sell are deducted in determining fair value less costs to sell of a **consumable** biological asset. A gain may arise on initial recognition of a **consumable** biological asset, such as when a calf is born.
- 28 **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.**
- 29 A gain or loss may arise on initial recognition of agricultural produce as a result of harvesting.

Inability to measure fair value reliably

- 30 **There is a presumption that fair value can be measured reliably for a **consumable** biological asset. However, that presumption can be rebutted only on initial recognition for a **consumable** biological asset for which market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such a case, that **consumable** biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such a **consumable** biological asset becomes reliably measurable, an entity shall measure it at its fair value less costs to sell. Once a non-current **consumable** 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.**
- 31 The presumption in paragraph 30 can be rebutted only on initial recognition. An entity that has previously measured a **consumable** biological asset at its fair value less costs to sell continues to measure the **consumable** biological asset at its fair value less costs to sell until disposal.
- 32 In all cases, an entity measures agricultural produce at the point of harvest at its fair value less costs to sell. This Standard reflects the view that the fair value of agricultural produce at the point of harvest can always be measured reliably.
- 33 In determining cost, accumulated depreciation and accumulated impairment losses, an entity considers IAS 2 *Inventories*, IAS 16 *Property, Plant and Equipment* and IAS 36 *Impairment of Assets*.

Transfers

33A Transfers to, from, consumable and bearer biological assets shall be made when, and only when, there is a change in use as appropriately documented by management, which include the identification of such biological assets.

It is not uncommon to transfer from consumable biological assets to bearer biological assets. An example of such reclassification is when a sheep previously intended as consumable biological asset is identified to be kept for use as a parent stock and therefore, to be reclassified as bearer biological asset. However, it is rare for transfers from bearer biological assets to consumable biological assets. Any change in the use of the biological assets resulting in the transfer from bearer biological assets to consumable biological assets should be clearly substantiated and disclosed.

33B Paragraphs 33C–33D apply to recognition and measurement issues that arise when an entity transfers between consumable and bearer biological assets.

33C For a transfer from consumable biological assets to bearer biological assets, the consumable biological assets' deemed cost for subsequent accounting in accordance with IAS 16 *Property, Plant and Equipment* or IAS 2 *Inventories* shall be its fair value less costs to sell at the date of change in use.

33D For a transfer from bearer biological assets to consumable biological assets, an entity shall apply IAS 16 up to the date of change in use. The entity shall treat any difference at that date between the carrying amount of the consumable and bearer biological assets in accordance with IAS 16 and its fair value in the same way as a revaluation in accordance with IAS 16.

33E Up to the date when the bearer biological assets become consumable biological assets measured at fair value less costs to sell, an entity depreciates the bearer biological assets and recognises any impairment losses that have occurred. The entity treats any difference at that date between the carrying amount of the bearer biological assets in accordance with IAS 16 and its fair value in the same way as a revaluation in accordance with IAS 16. In other words:

- (a) any resulting decrease in the carrying amount of the bearer biological assets is recognised in profit or loss. However, to the extent that an amount is included in revaluation surplus for those bearer biological assets, the decrease is charged against that revaluation surplus.
- (b) any resulting increase in the carrying amount is treated as follows:
 - (i) to the extent that the increase reverses a previous impairment loss for those bearer biological assets, the increase is recognised in profit or loss. The amount recognised in profit or loss does not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised.
 - (ii) any remaining part of the increase is credited directly to equity in revaluation surplus. On subsequent disposal of the biological assets, the revaluation surplus included in equity may be transferred to retained earnings. The transfer from revaluation surplus to retained earnings is not made through profit or loss.

Government grants

34 An unconditional government grant related to a consumable biological asset measured at its fair value less costs to sell shall be recognised in profit or loss when, and only when, the government grant becomes receivable.

35 If a government grant related to a consumable 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, an entity shall recognise the government grant in profit or loss when, and only when, the conditions attaching to the government grant are met.

36 Terms and conditions of government grants vary. For example, a grant may require an entity to farm in a particular location for five years and require the entity to return all of the grant if it farms for a period

shorter than five years. In this case, the grant is not recognised in profit or loss until the five years have passed. However, 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.

- 37 If a government grant relates to a **consumable** biological asset measured at its cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30), IAS 20 is applied.
- 38 This Standard requires a different treatment from IAS 20, if a government grant relates to a **consumable** biological asset measured at its fair value less costs to sell or a government grant requires an entity not to engage in specified agricultural activity. IAS 20 is applied only to a government grant related to a **consumable** biological asset measured at its cost less any accumulated depreciation and any accumulated impairment losses.

Disclosure

- 39 [Deleted]

General

- 40 An entity shall disclose the aggregate gain or loss arising during the current period on initial recognition of **consumable** biological assets and agricultural produce and from the change in fair value less costs to sell of **consumable** biological assets.
- 41 An entity shall provide a description of each group of **consumable** biological assets.
- 42 The disclosure required by paragraph 41 may take the form of a narrative or quantified description.
- 43 An entity is encouraged to provide a quantified description of each group of **consumable** biological assets, distinguishing between ~~consumable and bearer biological assets or between~~ mature and immature **consumable** biological assets, as appropriate. ~~For example, an entity may disclose the carrying amounts of consumable biological assets and bearer biological assets by group. An entity may further divide those carrying amounts between mature and immature assets.~~ These distinctions provide information that may be helpful in assessing the timing of future cash flows. An entity discloses the basis for making any such distinctions.
- 44 Consumable biological assets are **biological assets** ~~those~~ that are to be harvested as agricultural produce or sold as biological assets. Examples of consumable biological assets are livestock intended for the production of meat, livestock held for sale, fish in farms, crops such as maize and wheat, and trees being grown for lumber. Bearer biological assets are mature biological assets held for more than one financial period capable for bearing consumable biological assets to be harvested as agricultural produce ~~those other than consumable biological assets~~; for example, livestock from which milk is produced, grape vines, fruit trees, and trees from which firewood is harvested while the tree remains. Bearer biological assets are not agricultural produce but, rather, are self-regenerating.
- 45 **Consumable b**iological assets may be classified either as mature biological assets or immature biological assets. Mature biological assets are those that have attained harvestable specifications ~~(for consumable biological assets) or are able to sustain regular harvests (for bearer biological assets).~~
- 45A An entity shall disclose any transfers between consumable and bearer biological assets category the amount, the fact and circumstances leading to the change in use together with other reasons, if any, for such transfer. For a transfer from bearer biological assets to consumable biological assets, an entity shall disclose any difference at that date between the carrying amount of the consumable and bearer biological assets recognised in accordance with IAS 16.
- 46 If not disclosed elsewhere in information published with the financial statements, an entity shall describe:
- (a) the nature of its activities involving each group of **consumable** biological assets; and
 - (b) non-financial measures or estimates of the physical quantities of:

- (i) each group of the entity's **consumable** biological assets at the end of the period; and
 - (ii) output of agricultural produce during the period.
- 47 An entity shall disclose the methods and significant assumptions applied in determining the fair value of each group of agricultural produce at the point of harvest and each group of **consumable** biological assets.
- 48 An entity shall disclose the fair value less costs to sell of agricultural produce harvested during the period, determined at the point of harvest.
- 49 An entity shall disclose:
- (a) the existence and carrying amounts of **consumable** biological assets whose title is restricted, and the carrying amounts of **consumable** biological assets pledged as security for liabilities;
 - (b) the amount of commitments for the development or acquisition of **consumable** biological assets; and
 - (c) financial risk management strategies related to agricultural activity.
- 50 An entity shall present a reconciliation of changes in the carrying amount of **consumable** biological assets **(including immature biological assets that embody both consumable and bearer attributes)** between the beginning and the end of the current period. The reconciliation shall include:
- (a) the gain or loss arising from changes in fair value less costs to sell;
 - (b) increases due to purchases;
 - (c) decreases attributable to sales and **consumable** biological assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5;
 - (d) decreases due to harvest;
 - (e) increases resulting from business combinations;
 - (f) transfers to or from bearer biological assets;**
 - ~~(f)~~**(g)** 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
 - ~~(g)~~**(h)** other changes.
- 51 The fair value less costs to sell of a **consumable** biological asset can change due to both physical changes and price changes in the market. Separate disclosure of physical and price changes is useful in appraising current period performance and future prospects, particularly when there is a production cycle of more than one year. In such cases, an entity is encouraged to disclose, by group or otherwise, the amount of change in fair value less costs to sell included in profit or loss due to physical changes and due to price changes. This information is generally less useful when the production cycle is less than one year (for example, when raising chickens or growing cereal crops).
- 52 Biological transformation results in a number of types of physical change—growth, degeneration, production, and procreation, each of which is observable and measurable. Each of those physical changes has a direct relationship to future economic benefits. A change in fair value of a **consumable** biological asset due to harvesting is also a physical change.
- 53 Agricultural activity is often exposed to climatic, disease and other natural risks. If an event occurs that gives rise to a material item of income or expense, the nature and amount of that item are disclosed in accordance with IAS 1 *Presentation of Financial Statements*. Examples of such an event include an outbreak of a virulent disease, a flood, a severe drought or frost, and a plague of insects.

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

- 54 If an entity measures **consumable** biological assets at their cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30) at the end of the period, the entity shall disclose for such **consumable** biological assets:
- (a) a description of the **consumable** 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.
- 55 If, during the current period, an entity measures **consumable** biological assets at their cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30), an entity shall disclose any gain or loss recognised on disposal of such **consumable** biological assets and the reconciliation required by paragraph 50 shall disclose amounts related to such **consumable** biological assets separately. In addition, the reconciliation shall include the following amounts included in profit or loss related to those **consumable** biological assets:
- (a) impairment losses;
 - (b) reversals of impairment losses; and
 - (c) depreciation.
- 56 If the fair value of **consumable** 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 **consumable** biological assets:
- (a) a description of the **consumable** biological assets;
 - (b) an explanation of why fair value has become reliably measurable; and
 - (c) the effect of the change.

Government grants

- 57 An entity shall disclose the following related to agricultural activity **of consumable biological assets** 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.

Effective date and transition

- 58 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.

- 59 This Standard does not establish any specific transitional provisions. The adoption of this Standard is accounted for in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
- 60 Paragraphs 5, 6, 17, 20 and 21 were amended and paragraph 14 deleted by *Improvements to IFRSs* issued in May 2008. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.
- 61 To insert transition

Appendix Amendments to IAS 16 *Property, Plant and Equipment*

Paragraphs 2 and 3 are amended (new text is underlined and deleted text is struck through). Paragraphs 5A, 68B and 79A and a heading after paragraph 79 are added.

Scope

- 2 **This Standard shall be applied in accounting for property, plant and equipment except when another Standard requires or permits a different accounting treatment.**
- 3 This Standard does not apply to:
- (a) property, plant and equipment classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;
 - (b) consumable biological assets related to agricultural activity (see IAS 41 *Agriculture*);
 - (c) the recognition and measurement of exploration and evaluation assets (see IFRS 6 *Exploration for and Evaluation of Mineral Resources*); or
 - (d) mineral rights and mineral reserves such as oil, natural gas and similar non-regenerative resources.

However, this Standard applies to property, plant and equipment used to develop or maintain the assets described in (b)–(d).

5A This Standard shall be applied in accounting for bearer biological assets as defined in IAS 41 (including immature bearer biological assets that embody only bearer attribute). Consumable biological assets growing on bearer biological assets are accounted for in accordance with IAS 41.

Derecognition

68B Bearer biological assets that are subsequently utilised as consumable biological assets at the end of its economic useful life shall be accounted for as a realisation of its residual value in accordance with IAS 16 *Property, Plant and Equipment*. The difference between the net disposal proceeds and the carrying amount shall be recognised in profit or loss.

Government grants

79A An entity shall disclose the following related to agricultural activity of bearer biological assets 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.

Amendments to IAS 2 *Inventories*

Paragraph 2 is amended (new text is underlined and deleted text is struck through).

Scope

- 2 This Standard applies to all inventories, except:
- (a) work in progress arising under construction contracts, including directly related service contracts (see IAS 11 *Construction Contracts*);
 - (b) financial instruments; and
 - (c) biological assets related to agricultural activity and agricultural produce at prior to the point of harvest (see IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture*).