



20 November 2011

Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

Dear Mr Hoogervorst

Re: IAS 41 *Agriculture*

Further to previous discussions with the IASB, the Asian-Oceanian Standard Setters Group (AOSSG) is pleased to recommend how the improvements to IAS 41 *Agriculture* can be progressed.

The AOSSG currently has 25 member standard-setters from the Asian-Oceanian region: Australia, Brunei, Cambodia, China, Dubai, Hong Kong, India, Indonesia, Iraq, Japan, Kazakhstan, Korea, Macao, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Saudi Arabia, Singapore, Sri Lanka, Thailand, Uzbekistan and Vietnam.

IAS 41 is very important to some of our members who are agriculturally based. The AOSSG believes IAS 41 needs near-term improvement in a specific area – bearer biological assets (BBA). Essentially, we believe that such assets have been mischaracterized; leading to accounting which does not serve needs of users, as well as presenting practical problems for preparers and auditors.

The AOSSG Working Group (WG)¹ conducted a limited survey of investors, and believes that there is a need to distinguish the accounting treatment for BBA and consumable biological assets (CBA.) The WG thinks that the nature of BBA makes them analogous to plant and equipment and that they should be measured using the model consistent with those prescribed in IAS 16 *Property, Plant and Equipment (PPE.)* This is because the manner in which economic benefits are derived from BBA and PPE are very similar and because that manner differs considerably from consumable assets. When an entity is engaged in the operation of BBA, those assets are the means for the production of agricultural produce to be harvested for sale and, hence, operating BBA is very similar to operating property, plant and equipment for a manufacturer. Therefore, the principle enshrined in IAS 41, that of accounting for biological transformation, we believe is inappropriate for BBA.

For your information, the same recommendation was presented by Malaysia at the National Standard-Setters' meeting in Rome and New York in September 2010 and March 2011 respectively. At both meetings, it was agreed by the NSS that the case for limited amendment to IAS 41 was persuasive. We understand that this issue was mentioned in the NSS letters on

¹ The WG comprises of India (lead country), Malaysia (co-lead), China, Hong Kong, Indonesia, Japan and Korea

26 October 2010 and 3 May 2011 to IASB by both Mr. Ian Mackintosh and Ms Tricia O'Malley respectively.

We are enclosing with this letter an 'Issues Paper on IAS 41 *Agriculture*', which, besides proposing the approach for limited revision to IAS 41 as discussed in the above paragraphs, also identifies certain alternatives. The principal alternative is to first classify biological assets into plants and animals and, thereafter, to classify only the plants into BBAs and CBAs; under this approach only plants that are BBAs are scoped out of IAS 41 and scoped into IAS 16. The Institute of Chartered Accountants of India has issued an Exposure Draft along these lines. The outcome is not expected to be materially different under both the alternatives.

Please note that, irrespective of such alternative views, we strongly encourage the IASB to undertake a limited amendment of IAS 41 immediately, as we believe the benefits of doing so would significantly outweigh the costs of waiting until comprehensive research is completed in the future.

Conclusion

As quite a number of our members are agricultural-based, improvement to IAS 41 in the short term is very important to AOSSG. An improved IAS 41, the WG believes, will then facilitate and encourage our members to take a step forward in converging with IFRS. It will also demonstrate a responsiveness that will encourage future involvement with the IASB.

The AOSSG therefore sincerely hopes the IASB will take this limited amendment into consideration before, or at least when, setting its project plan for 2012. In this respect, our comment letter on IASB Agenda Consultation 2011 will also recommend that the IASB consider the limited amendment to IAS 41 as one of its top priorities.

If you have any queries or need further discussion, please contact us.

Yours sincerely



Ikuo Nishikawa
Chairman
of the AOSSG



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