

# **Agriculture**

## **Comprehensive review of IAS 41, Agriculture: Research and Milestones**



# Proposal to IASB for Limited Revision of IAS 41

- A proposal is being sent to IASB to make a limited revision to IAS 41 on the following lines:
- 1. Bearer Biological Assets (BBAs) to be scoped out of IAS 41 and to be scoped in IAS 16, *Property, Plant and Equipment*.

*Reason:*

The operation of a BBA is similar to that of a manufacturing operation and the BBA is held for generation of income from sale of the agriculture produce but is not the agriculture produce themselves.

Contd...



## *Primary objective of limited revision*

It is felt that applying the cost model to such entities would provide more useful information to the users of financial statements of such entities.



# Proposal to IASB for Limited Revision of IAS 41 (Contd...)

2. Consumable Biological Assets (CBAs) to be continued to covered by IAS 41.

Contd...



# Proposal to IASB for Limited Revision of IAS 41

(Contd...)

*Alternative proposal to the limited revision of IAS 41:*

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 in IAS 16.

The Institute of Chartered Accountants of India has issued an Exposure Draft on these lines.

Contd...



# Proposal to IASB for Limited Revision of IAS 41

## (Contd...)

Irrespective of the alternative proposals, IASB has been strongly encouraged to undertake a limited amendment of IAS 41 immediately, as we believe it significantly outweighs the costs of waiting until comprehensive research is completed in the future.



# Need for Comprehensive Review of IAS 41

- In India, it is felt that the subject of accounting for agriculture requires a fresh look to be given keeping in view the diverse nature of biological assets.
- It is, thus, proposed to take up this subject as a long term research project on the lines similar to the research being conducted by certain standards-setters on 'Intangible Assets' and 'Income-Taxes' to replace IAS 38 and IAS 12.
- Such a research would be zero-based.





# Proposed broad research design

## Review of the implementation of IAS 41 in different countries

This would be similar to a post-implementation review of an IFRS with a view to assess the usefulness of the information provided in financial statements prepared in accordance with IAS 41 in different countries. This will involve the following steps:

- (1) Identification of countries / entities that have followed IAS 41 in the preparation of the financial statements.
- (2) Approaching the relevant entities with a questionnaire to assess the difficulties faced in implementing IAS 41.

Contd...





# Review of the implementation of IAS 41 in different countries **(Contd...)**

- (3) Identifying and approaching the relevant user groups in different countries in assessing whether the information provided in the financial statements in accordance with IAS 41 presents meaningful information.

While consulting various stakeholders, particularly the preparers, their suggestions may also be obtained with regard to the appropriate accounting for biological assets.

- (4) Approaching various stakeholders in countries which are in the process of implementing IAS 41 with a view to assess the difficulties and the usefulness of information expected to be generated in the financial statements which would be prepared in accordance with IAS 41.



# Analysis of the survey and other follow-ups after the above step

- (i) The responses to the questionnaire and findings through other means would be analyzed to reach a tentative approach towards formulating an IFRS on Agriculture.*

*The end result of the analysis would be a paper dealing with the findings.*

- (ii) With a view to examine the appropriate accounting for different types of biological assets, it may be appropriate to carry out a literature study of various books, articles etc.*

Contd...



# Analysis of the survey and other follow-ups after the above step **(Contd...)**

- (iii) Preparation of exploratory discussion paper based on various findings.

The exploratory discussion paper would be circulated amongst various interest groups in different countries for comment.

Contd...



## Analysis of the survey and other follow-ups after the above step **(Contd...)**

Wherever required various National Standard Setters would be involved in reaching various stakeholders and feedback would be analyzed to prepare discussion paper which may be handed over to the IASB.



Does AOSSG agree in-principle to such a research project?



# THANK YOU

