



# IAS 41 AGRICULTURE

## FACT SHEET

This fact sheet is based on existing requirements as at 31 December 2015 and does not take into account recent standards and interpretations that have been issued but are not yet effective.

### **IMPORTANT NOTE**

**This fact sheet is based on the requirements of the International Financial Reporting Standards (IFRSs). In some jurisdictions, the IFRSs are adopted in their entirety; in other jurisdictions the individual IFRSs are amended. In some jurisdictions the requirements of a particular IFRS may not have been adopted. Consequently, users of the fact sheet in various jurisdictions should ascertain for themselves the relevance of the fact sheet to their particular jurisdiction. The application date included below is the effective date of the initial version of the standard.**

## IASB APPLICATION DATE (NON-JURISDICTION SPECIFIC)

IAS 41 was revised and reissued in November 2009 and is applicable for annual reporting periods commencing on or after 1 January 2003.

## OBJECTIVE

The objective of IAS 41 is to prescribe the accounting treatment and disclosures related to agricultural activity.

## SCOPE

IAS 41 shall be applied to account for the following when they relate to agricultural activity:

- a. biological assets;
- b. agricultural produce at the point of harvest; and
- c. government grants related to biological assets.

However, it does not apply to:

- land related to agricultural activity (see IAS 16 *Property, Plant and Equipment* and IAS 40 *Investment Property*)
- intangible assets related to agricultural activity (see IAS 38 *Intangible Assets*)

## RECOGNITION AND MEASUREMENT

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.

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 for when the fair value cannot be measured reliably.

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.

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. Similarly, 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.

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 measureable, 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.

### Government grants

An unconditional government grant related to a 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.

If a government grant related to a 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.

## DISCLOSURES

Refer to Appendix 1 for a checklist to assist with IAS 41 disclosure requirements.

## DEFINITIONS

<b>Agricultural activity</b>	Is the management of the biological transformation and harvest of biological assets for sale or for conversion into either agricultural produce or into additional biological assets.
<b>Agricultural produce</b>	Is the harvested product of the entity's biological assets.
<b>Biological asset</b>	Is a living animal or plant.
<b>Biological transformation</b>	Comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset.
<b>Costs to sell</b>	Are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.
<b>Group of biological assets</b>	Is an aggregation of similar living animals or plants.
<b>Harvest</b>	Is the detachment of produce from a biological asset or the cessation of a biological asset's life processes.
<b>Carrying amount</b>	The amount at which an asset is recognised in the statement of financial position.
<b>Fair value</b>	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
<b>Government grants</b>	Are as defined in IAS 20 <i>Accounting for Government Grants and Disclosure of Government Assistance</i> .

## AUSTRALIAN SPECIFIC REQUIREMENTS

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The Australian equivalent standard is AASB 141 *Agriculture* and is applicable for annual reporting periods commencing on or after 1 January 2005.

### **Government grants**

For not-for-profit entities, government grants related to a biological asset are recognised in accordance with AASB 1004 *Contributions*.

### **REDUCED DISCLOSURE REQUIREMENTS (RDR)**

On 30 June 2010, the Australian Accounting Standards Board published AASB 1053 *Application of Tiers of Australian Accounting Standards* (and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*) which established a differential reporting framework, consisting of two Tiers of reporting requirements for preparing general purpose financial statements:

- a. Tier 1: Australian Accounting Standards; and
- b. Tier 2: Australian Accounting Standards  
– Reduced Disclosure Requirements.

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

A Tier 2 entity is a 'reporting entity' as defined in SAC 1 *Definition of the Reporting Entity* that does not have 'public accountability' as defined in AASB 1053 and is not otherwise deemed to be a Tier 1 entity by AASB 1053.

RDR is applicable to annual periods beginning on or after 1 July 2013.

When developing AASB 1053, the AASB concluded that the Australian Government and state, territory and local governments should be subject to Tier 1 requirements. The AASB also decided that General Government Sectors of the Australian Government and state and territory governments should continue to apply AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, without the reduction in disclosures provided by Tier 2. Other public sector entities are able to apply Tier 2 reporting requirements.

The requirements that do not apply to RDR entities are identified in Appendix 1 by shading of the relevant text. Additional disclosure requirements that are applicable to RDR entities only are included in a separate table in Appendix 1.

## APPENDIX 1 – DISCLOSURE CHECKLIST

This checklist can be used to review your financial statements. You should complete the “Yes / No / N/A” column about whether the requirement is included. To ensure the completeness of disclosures, provide an explanation for “No” answers.

CODE		YES / NO / N/A	EXPLANATION (If required)
IAS 41.40	Has the entity disclosed the aggregate gain or loss arising during the current period on initial recognition of biological assets and agricultural produce and the change in fair value less costs to sell of biological assets?		
IAS 41.41-42	Has the entity provided a description of each group of biological assets, either in narrative or quantified form?		
IAS 41.43	Has the entity provided a quantified description of each group of biological assets, distinguishing between consumable and bearer biological assets or between mature and immature biological assets, as appropriate? Has the entity also disclosed the basis for making any such distinctions? Note this disclosure is encouraged but not mandatory.		
IAS 41.46	If not disclosed elsewhere in information published with the financial statements, has the entity disclosed: a. the nature of its activities involving each group of biological assets; and b. non-financial measures or estimates of the physical quantities of: • each group of the entity's biological assets at the end of the period • output of agricultural produce during the period?		
IAS 41.49	Has the entity disclosed: a. the existence and carrying amounts of biological assets whose title is restricted, and the carrying amounts of biological assets pledged as security for liabilities; b. the amount of commitments for the development or acquisition of biological assets; and c. financial risk management strategies related to agricultural activity?		

CODE		YES / NO / N/A	EXPLANATION (If required)
IAS 41.50	<p>Has the entity presented 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:</p> <ol style="list-style-type: none"> <li>a. the gain or loss arising from changes in fair value less costs to sell;</li> <li>b. increases due to purchases;</li> <li>c. 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) in accordance with IFRS 5;</li> <li>d. decreases due to harvest;</li> <li>e. increases resulting from business combinations;</li> <li>f. net exchange differences arising on the translation of the financial statement into a different presentation currency, and on the translation of a foreign operation into the presentation currency of the reporting entity; and</li> <li>g. other changes?</li> </ol>		
IAS 41.54	<p>Does the entity measure biological assets at their cost less any accumulated depreciation and any accumulated impairment losses at the end of the period?</p> <p>If so, has the entity disclosed for such biological assets:</p> <ol style="list-style-type: none"> <li>a. a description of the biological assets;</li> <li>b. an explanation of why fair value cannot be measured reliably;</li> <li>c. if possible, the range of estimates within which fair value is highly likely to lie;</li> <li>d. the depreciation method used;</li> <li>e. the useful lives or the depreciation rates used; and</li> <li>f. the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period?</li> </ol>		
IAS 41.55	<p>Did the entity measure biological assets at their cost less any accumulated depreciation and any accumulated impairment losses during the current period?</p> <p>If yes, have they disclosed any gain or loss recognised on disposal of such biological assets and the reconciliation required by paragraph 50 to disclose amounts related to such biological assets separately? In addition, the reconciliation shall include the following amounts included in profit or loss related to those biological assets:</p> <ol style="list-style-type: none"> <li>a. impairment losses;</li> <li>b. reversals of impairment losses; and</li> <li>c. depreciation.</li> </ol>		

CODE		YES / NO / N/A	EXPLANATION (If required)
IAS 41.56	<p>Has the fair value of biological assets previously measured at their cost less any accumulated depreciation and any accumulated impairment losses become reliably measurable during the current period?</p> <p>If yes, has the entity shall disclose for those biological assets:</p> <ul style="list-style-type: none"> <li>a. description of the biological assets;</li> <li>b. an explanation of why fair value has become reliably measurable; and</li> <li>c. the effect of the change.</li> </ul>		
IAS 41.57	<p>Has the entity disclosed the following information related to agricultural activity covered by IAS 41:</p> <ul style="list-style-type: none"> <li>a. the nature and extent of government grants recognised in the financial statements;</li> <li>b. any unfulfilled conditions and other contingencies attaching to government grants; and</li> <li>c. significant decreases expected in the level of government grants?</li> </ul>		



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**ADDITIONAL DISCLOSURE REQUIREMENTS APPLICABLE TO RDR ENTITIES ONLY**

CODE		YES / NO / N/A	EXPLANATION <i>(If required)</i>
AASB 141.RDR50.1	An entity applying RDR is not required to disclose the reconciliation specified in paragraph 50 for prior periods		

## OTHER MATTERS

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