



IFRS AT A GLANCE
IAS 41 *Agriculture*



IAS 41 Agriculture

DEFINITIONS

Active market - Exists when; the items traded are homogenous, willing buyers and sellers can normally be found at any time and prices are available to the public.

Agricultural activity - The management of the transformation of a biological asset for sale into agricultural produce or another biological asset.

Biological asset - A living animal or plant.

Agricultural produce - The harvested produce of the entity's biological assets.

Biological transformation - The process of growth, degeneration, production, and procreation that cause an increase in the value or quantity of the biological asset.

Harvest - The process of detaching produce from a biological asset or cessation of its life.

Bearer plant - is a living plant that:

- ▶ Is used in the production or supply of agricultural produce
- ▶ Is expected to bear produce for more than one period
- ▶ Has a remote likelihood of being sold (except scrap sales).

GOVERNMENT GRANTS

- ▶ An unconditional government grant related to a biological asset measured at fair value less estimated point-of-sale costs is recognised as income when, and only when, the government grant becomes available
- ▶ A conditional government grant, including where a government grant requires an entity not to engage in specified agricultural activity, is recognised as income when and only when, the conditions of the grant are met.

SCOPE

Within scope:

- ▶ Biological assets
- ▶ Agricultural produce at the point of harvest
- ▶ Government grants related to biological assets.

Excluded from scope:

- ▶ Land related to agricultural activity - covered by IAS 16 *Property, Plant and Equipment* and IAS 40 *Investment Property*
- ▶ Intangible assets related to agricultural activity - covered by IAS 38 *Intangible Assets*.
- ▶ Bearer plants related to agricultural activity
- ▶ Government grants related to bearer plants.
- ▶ Right-of-use assets arising from a lease of land related to agricultural activity (IFRS 16 *Leases*).

RECOGNITION

- ▶ Biological assets or agricultural produce are recognised when:
 - Entity controls the asset as a result of a past event
 - Probable that future economic benefit will flow to the entity; and
 - Fair value or cost of the asset can be measurement reliably.

MEASUREMENT

Biological asset

▶ Initially:

- At fair value less estimated point-of-sale costs (except where fair value cannot be estimated reliably)
- If no reliable measurement of fair value, biological assets are stated at cost.

▶ Subsequently:

- At fair value less estimated point-of-sale costs (except where fair value cannot be estimated reliably)
- If no reliable measurement of fair value, biological assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Agricultural produce

- ▶ Produce harvested from biological assets is measured at fair value less costs to sell at the point of harvest
- ▶ Such measurement is the cost at the date when applying IAS 2 *Inventory* or another applicable IFRS.

FAIR VALUE GAINS AND LOSSES

Biological asset

- ▶ The gain or loss on initial recognition is included in profit or loss in the period in which it arises
- ▶ Subsequent change in fair value is included in profit or loss in the period it arises.

Agricultural produce

- ▶ The gain or loss on initial recognition is included in profit or loss in the period in which it arises.

INABILITY TO MEASURE FAIR VALUE












- ▶ Once the fair value of the biological asset becomes reliably measurable, the fair value must be used to measure the biological asset
- ▶ Once a non-current biological asset meets the criteria to be defined as held for sale (or as part of a disposal group classified as held for sale) then it is presumed fair value can be measured reliably.

Contact

For further information about how BDO can assist you and your organisation, please get in touch with one of our key contacts listed below.

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