



IFRS IN BRIEF

IAS 41 *Agriculture*

SCOPE

IAS 41 applies to all biological assets held by an entity except for bearer plants.

Bearer plants are fruit trees and the like which will bear produce for more than one period. Bearer plants are accounted for under IAS 16 *Property, Plant and Equipment*. Produce grown on bearer plants is in the scope

The standard applies up to the point of harvest of a biological asset, at which point IAS 2 *Inventories* or another applicable standard will apply

Biological assets are separate to the land on which they are situated and the land is accounted for in under IAS 16.

There is a rebuttable assumption that the fair value of the biological asset can be reliably determined.

This can be rebutted on initial recognition if there is not quoted market price and which alternative fair value measurements are considered unreliable. In such case the biological asset will be recognised at cost less accumulated depreciation and impairment losses.

Once the fair value of the biological asset becomes reliably measurable, it should commence to be measured at fair value less estimated costs to sell.

MEASUREMENT

Biological assets should be recognised initially, at each subsequent reporting date and at the point of harvest at fair value less estimated costs to sell.

Gains and losses arising from re-measuring biological assets at fair value are recognised in profit and loss in the periods in which they arise.

INABILITY TO MEASURE FAIR VALUE

Sometimes cost can approximate fair value, especially if little biological transformation has occurred since inception and the biological transfer is expected to occur slowly over a long term.

GOVERNMENT GRANTS

IAS 41 provides specific guidance for government grants relating to biological assets:

- Unconditional government grants relating to biological assets are measured at fair value less estimated costs to sell and shall be recognised in profit and loss when the government grant is receivable.
- Conditional government grants relating to biological assets, including where a government grant requires an entity not to engage in specified agricultural activities shall be recognised in profit and loss only when the conditions attached to the grant are satisfied.

Disclosures are required around the nature of biological assets and the terms and conditions of any related government grants. A reconciliation of the movement

in the movement of the carrying amount of the biological assets for the period. Additional information is also required where a biological asset is not measured at fair value.

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