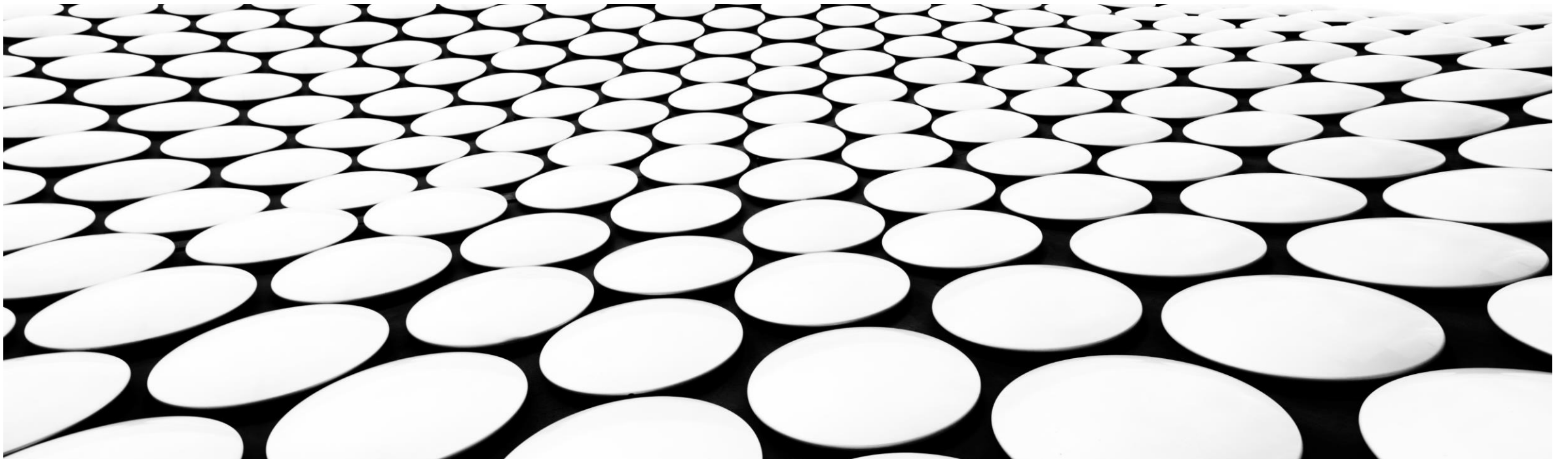


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# **INDIAN ACCOUNTING STANDARDS**

## **AGRICULTURE – IND AS 41**

**B D CHATTERJEE FCA, ACMA, ACS, DIP IFR (ACCA) – UNITED KINGDOM**

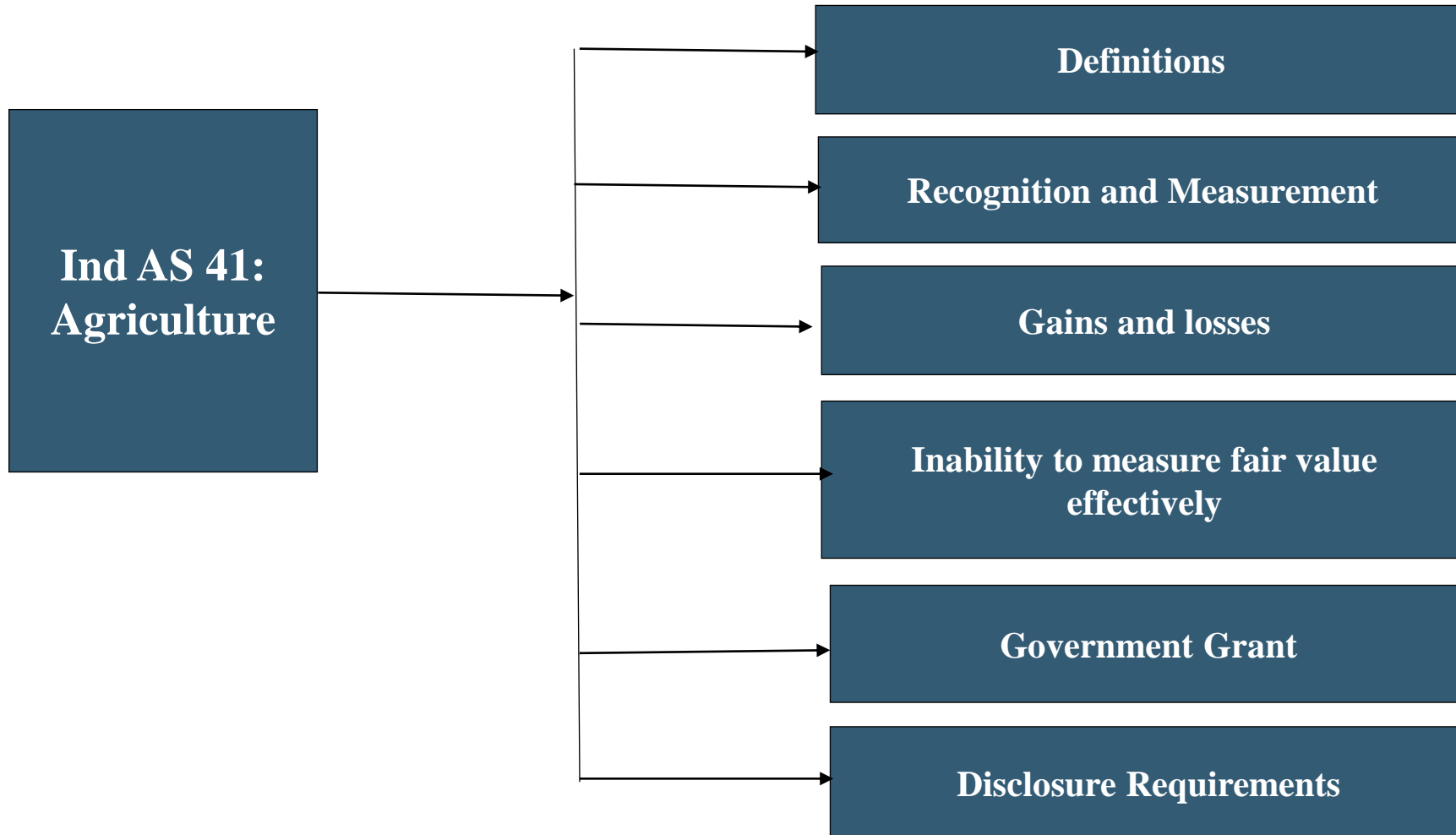




**INDIAN ACCOUNTING STANDARDS  
AGRICULTURE - IND AS 41**

# AGRICULTURE – IND AS 41

## SCOPE



# AGRICULTURE – IND AS 41

## DEFINITIONS

Definitions	Narrative
Agricultural activity	is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets.
Agricultural produce	is the harvested product of the entity's biological assets.
A bearer plant	is a living plant that: <ul style="list-style-type: none"> <li>(a) is used in the production or supply of agricultural produce;</li> <li>(b) is expected to bear produce for more than one period; and</li> <li>(c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.</li> </ul>
A biological asset	is a living animal or plant.
Biological transformation	comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset.
Costs to sell	are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.
A group of biological assets	is an aggregation of similar living animals or plants.
Harvest	is the detachment of produce from a biological asset or the cessation of a biological asset's life processes.

# AGRICULTURE – IND AS 41

## BIOLOGICAL ASSETS

Biological assets	Agricultural produce	Products that are the result of processing after harvest
Sheep	Wool	Yarn, carpet
Trees in a timber plantation	Felled Trees	Logs, lumber
Dairy Cattle	Milk	Cheese
Pigs	Carcass	Sausages, cured hams
Cotton plants	Harvested cotton	Thread, clothing
Sugarcane	Harvested cane	Sugar
Tobacco plants	Picked leaves	Cured tobacco
Tea bushes	Picked leaves	Tea
Grape vines	Picked grapes	Wine
Fruit trees	Picked fruit	Processed fruit
Oil palms	Picked fruit	Palm oil
Rubber trees	Harvested latex	Rubber products

Some plants, for example, tea bushes, grape vines, oil palms and rubber trees, usually meet the definition of a bearer plant and are within the scope of Ind AS 16. However, the produce growing on bearer plants, for example, tea leaves, grapes, oil palm fruit and latex, is within the scope of Ind AS 41.

## AGRICULTURE – IND AS 41

### RECOGNITION AND MEASUREMENT

***An entity shall recognize 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.

***Cost may sometimes approximate fair value, particularly when:***

- (a) little biological transformation has taken place since initial cost incurrence (for example, for seedlings planted immediately prior to the end of a reporting period or newly acquired livestock); or
- (b) the impact of the biological transformation on price is not expected to be material (for example, for the initial growth in a 30-year pine plantation production cycle)

## **AGRICULTURE – IND AS 41**

### **GAINS AND LOSSES**

- 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.
- A loss may arise on initial recognition of a biological asset, because costs to sell are deducted in determining fair value less costs to sell of a biological asset. A gain may arise on initial recognition of a biological asset, such as when a calf is born.
- 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.
- A gain or loss may arise on initial recognition of agricultural produce as a result of harvesting.

## AGRICULTURE – IND AS 41

### INABILITY TO MEASURE FAIR VALUE RELIABLY

- 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.



## AGRICULTURE – IND AS 41

### 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 recognize the government grant in profit or loss when, and only when, the conditions attaching to the government grant are met.

# AGRICULTURE – IND AS 41

## DISCLOSURE REQUIREMENTS

- i) An entity shall disclose the aggregate gain or loss arising during the current period on initial recognition of biological assets and agricultural produce and from the change in fair value less costs to sell of biological assets.
- ii) An entity shall provide a description of each group of biological assets. This disclosure may take the form of a narrative or quantified description.
- iii) If not disclosed elsewhere in information published with the financial statements, an entity shall describe:
  - (a) the nature of its activities involving each group of biological assets; and
  - (b) non-financial measures or estimates of the physical quantities of:
    - (i) each group of the entity's biological assets at the end of the period; and
    - (ii) output of agricultural produce during the period.
- iv) An entity shall disclose:
  - (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.

## AGRICULTURE – IND AS 41

### DISCLOSURE REQUIREMENTS (CONTINUED)

- v) An entity shall present 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:
- (a) the gain or loss arising from changes in fair value less costs to sell;
  - (b) increases due to purchases;
  - (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 Ind AS 105;
  - (d) decreases due to harvest;
  - (e) increases resulting from business combinations;
  - (f) net exchange differences arising on the translation of financial statements into a different presentation currency, and on the translation of a foreign operation into the presentation currency of the reporting entity; and
  - (g) other changes.



**THANK YOU!**