

SIPEF: Biological Assets at Fair Value under IAS 41



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IAS 41

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- IAS 41 provides standard for reporting agricultural activities
- Globally, Agriculture is a significant industry
- IFRS's approach to agriculture is considered by many to be more effective than U.S. GAAP
- Agricultural assets are valued differently under each approach

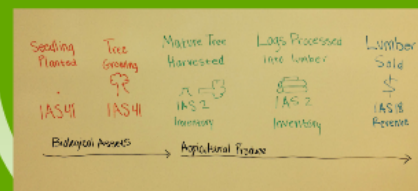
Biological Transformation

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- Regards how a business should record agricultural assets through their life cycle
- Stage 1: Biological Assets
 - Living Plants and Animals
- Stage 2: Agricultural Produce
 - Once the biological asset is harvested, “or detached as produce from a biological asset”, it becomes agricultural produce

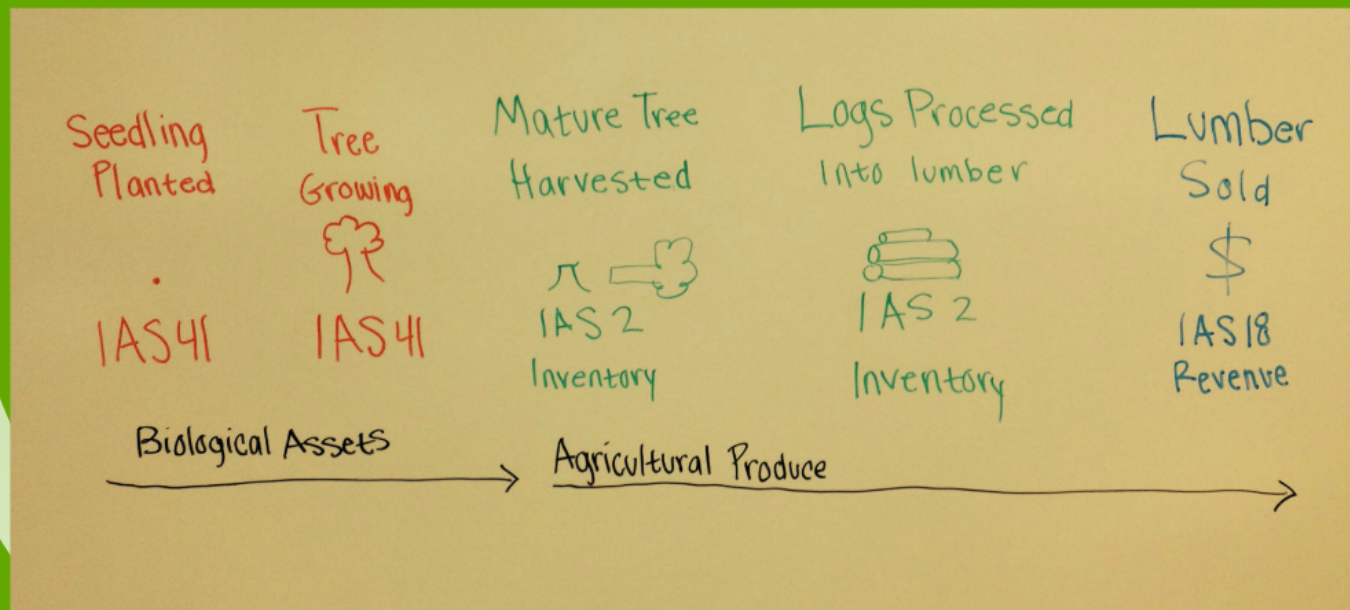
Biological Asset Life Cycle

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Activity

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- Can someone give an example of a biological asset and discuss its life cycle?
- Example- Calf, Milk, Cheese

The Answer

Assets And Products Covered By IAS 41		
Biological assets	Products	Excluded products resulting from harvest
Sheep	Wool	Yarn, threads, carpets
Plantation trees	Felled trees i.e., Logs	Boards, plywood, rubber
Plants and shrubs	Cotton	Threads, cloth
	Sugar cane	Sugar, molasses
	Leaves	Ten, tobacco
Dairy cows	Milk	Ice cream, cheese
Stocker animals	Calves, carcasses	Steak, hamburger
Pigs	Carcasses	Sausages, cured ham, bacon
Chickens and turkeys	Eggs, carcasses	Meat for consumption
Vines	Grapes	Wine
Fruit trees	Picked fruit	Processed fruits

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Valuation of Biological Assets

Under IAS 41

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- Valued using Fair Value Less Cost to Sell
- Measured at initial recognition and at the end of every reporting period
- Most reliable- comparing to a different in a similar condition within an active market
 - Active Market-where items traded are homogenous and there are buyers and sellers and publicly available prices
- If active market does not exist the entity should estimate current market prices
- If market prices don't exist, use the discounted present value of future cash flows

Improvement Project

Agriculture: Bearer Biological Assets

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- Bearer asset- used in production or supply and are expected to bear produce for more than one period and not sold as living asset or harvested as produce
- Consumable asset- meant to be harvested as agricultural produce or sold as a biological asset
- Want bearer biological assets to be accounted for under IAS 16 PPE
- Future economic benefits of bearer assets are more similar to PPE than inventory