IAS 41
Agriculture

1. Objective

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

This Standard applies to the following items:

- biological assets, except for bearer biological assets (IAS 16);
- agricultural produce at the point of harvest;
- related government grants.

However, this Standard does not apply to the following items:

- 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);
- government grants related to bearer biological assets (IAS 20);
- bearer biological assets related to agricultural activity (IAS 16) except for produce from bearer biological assets;
- products that are the result of processing agricultural produce after harvest.

Examples of biological assets, agricultural produce and products resulting from processing after harvest:

Biological assets	Agricultural produce	Products that are the result of processing after harvest
Sheep	Wool	Yarn
Sheep	Milk	Cheese
Cattle	Milk	Cheese
Vines	Grapes	Wine
Cocoa trees	Cocoa beans	Chocolate bars
Sturgeon	Sturgeon eggs	Caviar
Fruit trees	Fruit harvested	Compotes, jams

2. Scope

IAS 41 defines certain basic terms:

- **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;
- **bearer biological assets** are living plants that:
  - ✓ are used for the production or supply of agricultural products
  - ✓ are self-regenerating, and
  - ✓ have little likelihood of being sold as agricultural produce, except for incidental scrap sales.
- **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;
- **harvest** is the detachment of produce from a biological asset or the cessation of a biological asset's life processes.

3. Accounting impact

3.1 Recognition of biological assets and agricultural produce

An entity must recognize a biological asset or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the entity;
- the fair value or cost of the asset can be measured reliably.

3.2 Measurement of biological assets and agricultural produce at fair value

A biological asset must be measured on initial recognition and at the end of each reporting period at its fair value less estimated costs to sell. Costs to sell include commissions paid to agents and brokers, amounts levied by regulatory agencies or commodities exchanges, as well as transfer duties and taxes.

Agricultural produce from biological assets must be measured at the point of harvest at its fair value less estimated costs to sell. When determining the costs at that date, an entity must consider IAS 2 “Inventories”.

Transport and other costs incurred to put these assets on the market are not included in the estimated costs to sell as they are already included when computing fair value. Indeed, fair value is equal to the **market price**, less the costs of transport and other costs required to put the assets on the market.

IAS 41 is based on the presumption that it is always possible to determine the fair value of a biological asset reliably. This presumption may be rebutted only on initial recognition. Where the presumption is rebutted, the biological asset is measured at its cost less any accumulated depreciation and any accumulated impairment losses.

3.3 Gains and losses

Gains and losses arising on initial recognition of a biological asset or agricultural produce must be included in profit or loss for the period in which they arise:

- this is the case for a loss generated by taking into account the estimated costs to sell which are deducted from the fair value of the biological asset;

Example 1: If the fair value of a biological asset less estimated costs to sell decreases by 15 from one accounting period to the next, the following figures would be booked:

Loss on biological assets (P&L)	15	
Biological assets (B/S)		15

- this is also the case for gains on the initial recognition of a biological asset, such as the birth of a calf for example;

Example 2: The birth of a calf whose fair value, less costs to sell is estimated at 100, would lead to recognition of the following:

Biological assets (B/S)	100	
Gains on biological assets (P&L)		100

- as well as for the case of gains on initial recognition of agricultural produce once harvested.

Example 3: The harvest of a cornfield whose fair value less costs to sell is estimated at 100, would lead to recognition of the following:

Corn inventory (B/S)	100	
Income on harvest (P&L)		100

3.4 Government grants

Government grants must be recognized in profit only when they are provided on an unconditional basis or the related conditions required have been met.

Example 4: Company X benefits from a government grant for a total of 900 to set its agricultural land aside for a period of three years.
The entity complied with the conditions for the awarding of this grant throughout the entire reporting period ending on 31 December N, and then used the land again during the course of
year N+1. The government grant provides that the company retains the right to one-third of the amount of the grant in this case.
On 30 June N, the company received an advance on the grant of 500, which it will have to partially repay at an amount of 200 on 31 March N+1.

The following entries would be made:

30 June N		
Cash (B/S)	500	
Deferred income (B/S)		500
31 December N		
Deferred income (B/S)	300	
Government agricultural grants (P&L)		300
31 March N+1		
Deferred income (B/S)	200	
Cash (B/S)		200

➢ *For the purposes of simplification, the impact of deferred tax is not taken into account in the example above.*

4. Disclosure

Agricultural entities must disclose the following information:

- a description of each group of similar biological assets which must be disclosed separately in the annual financial statements;
- the aggregate gain or loss arising on initial recognition of biological assets and agricultural produce, and from the change in fair value less estimated costs to sell of biological assets;
- the methods and significant attributes used to determine the fair value of each group of agricultural produce and each group of biological assets;
- the fair value less estimated costs to sell of agricultural produce harvested during the reporting period;
- the existence of biological assets which are pledged as security for liabilities and the amount of commitments for the development or acquisition of biological assets;
- changes in the carrying amount of biological assets between the beginning and the end of the reporting period;
- additional information if the entity could not determine the fair value of certain biological assets reliably;
- information related to government grants it receives.