Australian Government
Australian Accounting Standards Board

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Peter Lane
502 Carter Road
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Dear Mr Lane

AASB 141 and Native Forestry

Thank you for your letter dated 21 May 2014.

The AASB sets accounting standards that other regulators may require entities to apply in their financial reporting. In the case of companies, the *Corporations Act 2001* requires some companies to apply accounting standards and to lodge financial statements with the Australian Securities and Investments Commission (ASIC). The ASIC is responsible for monitoring compliance with the requirements of the Corporations Act. In the case of some government business enterprises, governments often require the application of accounting standards and compliance is regulated through the department of treasury and/or finance.

I'm not in a position to comment directly on the matter you've raised and make no judgement about whether or not Australian Accounting Standards have been complied with in the financial statements to which you refer. However, the following information might help provide some context.

The entity you refer to appears to be a for-profit entity, which may be relevant because there are a few limited differences between the accounting standards applying to for-profit entities and those applying to not-for-profit entities.

In 2000/2001,based on the accounting standards applicable at that time, a contribution of an asset to an entity may have been regarded as (i) an equity contribution (i.e. contribution by owners), or (ii) revenue (i.e. contribution other than by owners). An equity contribution would not have impacted the profit or loss of the entity on initial recognition whereas recognition of revenue would have impacted the profit or loss of the entity on initial recognition. If the item was regarded as revenue, the accounting standard applicable at the time (AASB 1004 *Revenues*) required revenue to be measured at the fair value of the consideration or contributions received or receivable.

In 2005 the AASB moved from issuing domestically-driven accounting standards to adopting International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). Consistent with this move, the AASB issued AASB 141 *Agriculture* (incorporating IAS 41 *Agriculture* as issued by the IASB), which applies to all biological assets related to agricultural activities.

AASB 141 requires a gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and any subsequent changes in fair value less costs to sell of a biological asset to be included in profit or loss for the period in which change arises. This was also the requirement in AASB 1037 *Self Generating and Regenerating Assets*, which was superseded by AASB 141 in 2005.

Accounting standards are periodically amended to address emerging issues, however, I doubt that the issues you have raised would be reconsidered in the short to medium term. The IASB amended IAS 41 and IAS 16 *Property Plant and Equipment* only last month to require bearer plants to be accounted for under IAS 16 at cost or revalued amount. This means that bearer plants would no longer be required to be measured at fair value less costs to sell under IAS 41. The AASB will soon issue an Amending Standard to incorporate these amendments into AASB 141 and AASB 116 *Property Plant and Equipment.*

The IASB has indicated that any comprehensive review of IAS 41 could only be considered once the current IASB agenda is much further progressed, which may be several years away.

Yours sincerely

Angus Thomson
Acting Chair