

AASB Standard

AASB 2014-6
December 2014

Amendments to Australian Accounting Standards – Agriculture: Bearer Plants

**[AASB 101, AASB 116, AASB 117,
AASB 123, AASB 136, AASB 140 &
AASB 141]**



Australian Government

**Australian Accounting
Standards Board**

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IASB BASIS FOR CONCLUSIONS – AMENDMENTS (available on the AASB website)

Australian Accounting Standard AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants* is set out in paragraphs 1 – 17. All the paragraphs have equal authority.

PREFACE

Introduction

This Standard makes amendments to the Australian Accounting Standards listed in paragraph 1 of the Standard.

These amendments arise from the issuance of International Financial Reporting Standard *Agriculture: Bearer Plants* (Amendments to IAS 16 and IAS 41) by the International Accounting Standards Board in June 2014.

Main Features of this Standard

Main Requirements

The amendments define a bearer plant and require bearer plants to be accounted for as property, plant and equipment and included within the scope of AASB 116 *Property, Plant and Equipment*, instead of AASB 141 *Agriculture*.

A bearer plant is defined as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Plants such as tea bushes, grape vines, oil palms and rubber trees, would usually meet the definition of a bearer plant and would be within the scope of AASB 116.

The produce growing on bearer plants, for example, tea leaves, grapes, oil palm fruit and latex would remain within the scope of AASB 141.

This Standard also makes various editorial corrections to Australian Accounting Standards.

Application Date

This Standard applies to annual reporting periods beginning on or after 1 January 2016. Earlier application is permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 January 2016.

ACCOUNTING STANDARD AASB 2014-6

The Australian Accounting Standards Board makes Accounting Standard AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants* under section 334 of the *Corporations Act 2001*.

Dated 12 December 2014

Kris Peach
Chair – AASB

ACCOUNTING STANDARD AASB 2014-6

AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – AGRICULTURE: BEARER PLANTS

Objective

1 The objective of this Standard is to make amendments to:

- (a) AASB 116 *Property, Plant and Equipment*;
- (b) AASB 141 *Agriculture*; and
- (c) make consequential amendments to:
 - (i) AASB 101 *Presentation of Financial Statements*;
 - (ii) AASB 117 *Leases*;
 - (iii) AASB 123 *Borrowing Costs*;
 - (iv) AASB 136 *Impairment of Assets*; and
 - (v) AASB 140 *Investment Property*;

as a consequence of the issuance of International Financial Reporting Standard *Agriculture: Bearer Plants* (Amendments to IAS 16 and IAS 41) by the International Accounting Standards Board in June 2014, and to make editorial corrections.

Application

- 2 Subject to paragraph 3, this Standard applies to:**
 - (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;**
 - (b) general purpose financial statements of each other reporting entity; and**
 - (c) financial statements that are, or are held out to be, general purpose financial statements.**
- 3 In respect of AASB 101, this Standard applies to:**
 - (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;**
 - (b) general purpose financial statements of each reporting entity; and**
 - (c) financial statements that are, or are held out to be, general purpose financial statements.**
- 4 This Standard applies to annual reporting periods beginning on or after 1 January 2016.**
- 5 This Standard may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2016. When an entity applies this Standard to such an annual reporting period, it shall disclose that fact.**
- 6 This Standard uses underlining, striking out and other typographical material to identify some of the amendments to a Standard, in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material. Ellipses (...) are used to help provide the context within which amendments are made and also to indicate text that is not amended.**

Commencement

- 7 This Standard commences on the day this Standard is made by the Australian Accounting Standards Board.**

Amendments to AASB 116

8 Paragraphs 3, 6 and 37 are amended as follows (new text is underlined and deleted text is struck through):

3 This Standard does not apply to:

- (a) property, plant and equipment classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*;
- (b) biological assets related to agricultural activity other than bearer plants (see AASB 141 *Agriculture*). This Standard applies to bearer plants but it does not apply to the produce on bearer plants.;
- (c) the recognition and measurement of exploration and evaluation assets (see AASB 6 *Exploration for and Evaluation of Mineral Resources*);~~or~~;
- (d) ...

6 The following terms are used in this Standard with the meanings specified:-

A bearer plant is a living plant that:

- (a) **is used in the production or supply of agricultural produce;**
- (b) **is expected to bear produce for more than one period; and**
- (c) **has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.**

(Paragraphs 5A–5B of AASB 141 elaborate on this definition of a bearer plant.)

...

37 A class of property, plant and equipment is a grouping of assets of a similar nature and use in an entity's operations. The following are examples of separate classes:

- (a) ...

- (g) furniture and fixtures; ~~and~~
- (h) office equipment; and
- (i) bearer plants.

9 Paragraphs 22A, 80B–80C and 81K are added as follows:

22A Bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by management. Consequently, references to ‘construction’ in this Standard should be read as covering activities that are necessary to cultivate the bearer plants before they are in the location and condition necessary to be capable of operating in the manner intended by management.

80B In the reporting period when AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants* is first applied an entity need not disclose the quantitative information required by paragraph 28(f) of AASB 108 for the current period. However, an entity shall present the quantitative information required by paragraph 28(f) of AASB 108 for each prior period presented.

80C An entity may elect to measure an item of bearer plants at its fair value at the beginning of the earliest period presented in the financial statements for the reporting period in which the entity first applies AASB 2014-6 and use that fair value as its deemed cost at that date. Any difference between the previous carrying amount and fair value shall be recognised in opening retained earnings at the beginning of the earliest period presented.

81K AASB 2014-6, issued in December 2014, amended paragraphs 3, 6 and 37 and added paragraphs 22A and 80B–80C. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. An entity shall apply those amendments retrospectively, in accordance with AASB 108, except as specified in paragraph 80C.

10 The heading ‘Transitional Provisions of IAS 16’ above paragraph 80A is amended to ‘Transitional Provisions’.

Amendments to AASB 141

- 11 Paragraphs 1–5, 8, 24 and 44 are amended as follows (new text is underlined and deleted text is struck through):
- 1 **This Standard shall be applied to account for the following when they relate to *agricultural activity*:**
 - (a) *biological assets, except for bearer plants*;
 - (b) *agricultural produce at the point of harvest; and*
 - (c) *government grants covered by paragraphs 34 and 35.*
 - 2 This Standard does not apply to:
 - (a) land related to agricultural activity (see AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Property*); ~~and~~
 - (b) bearer plants related to agricultural activity (see AASB 116). However, this Standard applies to the produce on those bearer plants.
 - (c) government grants related to bearer plants (see AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*).
 - (~~b~~d) intangible assets related to agricultural activity (see AASB 138 *Intangible Assets*).
 - 3 This Standard is applied to agricultural produce, which is the harvested ~~product~~ produce of the entity's biological assets, ~~only~~ at the point of harvest. Thereafter, AASB 102 *Inventories* or another applicable Standard is applied. Accordingly, this Standard does not deal with the processing of agricultural produce after harvest; for example, the processing of grapes into wine by a vintner who has grown the grapes. While such processing may be a logical and natural extension of agricultural activity, and the events taking place may bear some similarity to biological transformation, such processing is not included within the definition of agricultural activity in this Standard.
 - 4 The table below provides examples of biological assets, agricultural produce, and products that are the result of processing after harvest:

Biological assets	Agricultural produce	Products that are the result of processing after harvest
Sheep	Wool	Yarn, carpet
Trees in a <u>timber plantation forest</u>	Felled trees	Logs, lumber
Plants	<u>Cotton</u>	<u>Thread, clothing</u>
	<u>Harvested cane</u>	<u>Sugar</u>
Dairy cattle	Milk	Cheese
Pigs	Carcass	Sausages, cured hams
<u>Cotton plants</u>	<u>Harvested cotton</u>	<u>Thread, clothing</u>
<u>Sugarcane</u>	<u>Harvested cane</u>	<u>Sugar</u>
<u>Tobacco plants Bushes</u>	<u>Picked leaves Leaf</u>	<u>Tea, eCured tobacco</u>
<u>Tea bushes</u>	<u>Picked leaves</u>	<u>Tea</u>
<u>Grape Vvines</u>	<u>Picked Ggrapes</u>	<u>Wine</u>
Fruit trees	Picked fruit	Processed fruit
Oil palms	Picked fruit	<u>Palm oil</u>
Rubber trees	Harvested latex	<u>Rubber products</u>
<p><u>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 AASB 116. However, the produce growing on bearer plants, for example, tea leaves, grapes, oil palm fruit and latex, is within the scope of AASB 141.</u></p>		

5 The following terms are used in this Standard with the meanings specified:-

...

***Agricultural produce* is the harvested ~~product~~ produce of the entity's biological assets.**

A bearer plant is a living plant that:

- (a) is used in the production or supply of agricultural produce;
- (b) is expected to bear produce for more than one period; and
- (c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

A biological asset is a living animal or plant.

...

8 The following terms are used in this Standard with the meanings specified:-

...

Government grants are as defined in AASB 120 ~~Accounting for Government Grants and Disclosure of Government Assistance.~~

24 Cost may sometimes approximate fair value, particularly when:

- (a) little biological transformation has taken place since initial cost incurrence (for example, for ~~fruit tree~~ 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).

44 Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets. Examples of consumable biological assets are livestock intended for the production of meat, livestock held for sale, fish in farms, crops such as maize and wheat, produce on a bearer plant and trees being grown for lumber. Bearer biological assets are those other than consumable biological assets; for example, livestock from which milk is produced, ~~grape vines, and fruit trees from which fruit is harvested, and trees from which firewood is harvested while the tree remains.~~ Bearer biological assets are not agricultural produce but, rather, are self-regenerating held to bear produce.

- 12 Paragraphs 5A–5C and 62–63 are added as follows:
- 5A The following are not bearer plants:
- (a) plants cultivated to be harvested as agricultural produce (for example, trees grown for use as lumber);
 - (b) plants cultivated to produce agricultural produce when there is more than a remote likelihood that the entity will also harvest and sell the plant as agricultural produce, other than as incidental scrap sales (for example, trees that are cultivated both for their fruit and their lumber); and
 - (c) annual crops (for example, maize and wheat).
- 5B When bearer plants are no longer used to bear produce they might be cut down and sold as scrap, for example, for use as firewood. Such incidental scrap sales would not prevent the plant from satisfying the definition of a bearer plant.
- 5C Produce growing on bearer plants is a biological asset.
- 62 AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants*, issued in December 2014, amended paragraphs 1–5, 8, 24 and 44 and added paragraphs 5A–5C and 63. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. An entity shall apply those amendments retrospectively in accordance with AASB 108.
- 63 In the reporting period when AASB 2014-6 is first applied an entity need not disclose the quantitative information required by paragraph 28(f) of AASB 108 for the current period. However, an entity shall present the quantitative information required by paragraph 28(f) of AASB 108 for each prior period presented.

Consequential Amendments to Other Standards

Amendments to AASB 101

- 13 Paragraph 54 is amended as follows (new text is underlined):

54 As a minimum, the statement of financial position shall include line items that present the following amounts:

- (a) ...
- (f) **biological assets within the scope of AASB 141 Agriculture**;
- (g) ...

Amendments to AASB 117

- 14 Paragraph 2 is amended as follows (new text is underlined and deleted text is struck through):

2 ...

However, this Standard shall not be applied as the basis of measurement for:

- (a) ...
- (c) **biological assets within the scope of AASB 141 Agriculture held by lessees under finance leases (see ~~AASB 141 Agriculture~~); or**
- (d) **biological assets within the scope of AASB 141 provided by lessors under operating leases (~~see AASB 141~~).**

Amendments to AASB 123

- 15 Paragraphs 4 and 7 are amended as follows (new text is underlined and deleted text is struck through):

4 An entity is not required to apply the Standard to borrowing costs directly attributable to the acquisition, construction or production of:

- (a) a qualifying asset measured at fair value, for example a biological asset within the scope of AASB 141 Agriculture; or

(b) ...

7 Depending on the circumstances, any of the following may be qualifying assets:

- (a) ...

- (e) investment properties-
- (f) bearer plants.

...

Amendments to AASB 136

16 Paragraph 2 is amended as follows (new text is underlined and deleted text is struck through):

2 This Standard shall be applied in accounting for the impairment of all assets, other than:

- (a) ...
- (g) **biological assets related to agricultural activity within the scope of AASB 141 Agriculture that are measured at fair value less costs to sell (see ~~AASB 141 Agriculture~~);**
- (h) ...

Amendments to AASB 140

17 Paragraphs 4, 5 and 7 are amended as follows (new text is underlined and deleted text is struck through):

4 This Standard does not apply to:

- (a) biological assets related to agricultural activity (see AASB 141 Agriculture and AASB 116 Property, Plant and Equipment); and
- (b) ...

5 The following terms are used in this Standard with the meanings specified:-

...

Owner-occupied ~~property~~ property is property held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes.

- 7 Investment property is held to earn rentals or for capital appreciation or both. Therefore, an investment property generates cash flows largely independently of the other assets held by an entity. This distinguishes investment property from *owner-occupied property*. The production or supply of goods or services (or the use of property for administrative purposes) generates cash flows that are attributable not only to property, but also to other assets used in the production or supply process. AASB 116 *Property, Plant and Equipment* applies to owner-occupied property.