

***AASB 141 Agriculture vs. IFRS for SMEs Section 34 Specialised Activities***

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**1. Executive Summary**

**Main differences in recognition, measurement or presentation requirements**

Fair value model

The *IFRS for SMEs* requires the use of fair value through profit or loss model only when fair value is readily determinable without undue cost or effort. When that is not the case, the *IFRS for SMEs* requires the cost-depreciation-impairment model to be used.

Government grants

AASB 141 specifically includes accounting for government grants received for agricultural assets. There are no such requirements in Section 34 of the *IFRS for SMEs* and comparison has been made with the *IFRS for SMEs* Section 24 *Government Grants*.

**Disclosure proposals**

It is proposed to exclude paragraphs 40, 43, 44, 45, 46, 48, 49, 51, 52, 53, 54(c), 55, 56 and 57(c) from the Reduced Disclosure Regime (RDR).

## 2. Analysis of disclosure requirements

Text in AASB 141 Agriculture	Text in IFRS for SMEs Section 34 Specialised Activities	Comments
<p><b>General</b></p> <p><b>40. 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.</b></p> <p><b>41. An entity shall provide a description of each group of biological assets.</b></p> <p>42. The disclosure required by paragraph 41 may take the form of a narrative or quantified description.</p> <p><b>47. An entity shall disclose the methods and significant assumptions applied in determining the fair value of each group of agricultural produce at the point of harvest and each group of biological assets.</b></p> <p><b>48. An entity shall disclose the fair value less costs to sell of agricultural produce harvested during the period, determined at the point of harvest.</b></p> <p><b>50. 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:</b></p> <p>(a) the gain or loss arising from changes in fair value less costs to sell;</p> <p>(b) increases due to purchases;</p> <p>(c) decreases attributable to sales and biological assets classified as held for sale (or included in</p>	<p>34.7 An entity shall disclose the following with respect to its biological assets measured at fair value:</p> <p>(a) a description of each class of its biological assets.</p> <p>(b) the methods and significant assumptions applied in determining the fair value of each category of agricultural produce at the point of harvest and each category of biological assets.</p> <p>(c) 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:</p> <p>(i) the gain or loss arising from changes in fair value less costs to sell.</p> <p>(ii) increases resulting from purchases.</p> <p>(iii) decreases resulting from harvest.</p> <p>(iv) increases resulting from business combinations.</p> <p>(v) 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.</p> <p>(vi) other changes.</p>	<p>Paragraphs 41, 47, 50(a), 50(b), 50(d), 50(e), 50(f) and 50(g) and paragraphs 34.7(a), 34.7(b), 34.7(c) (i), 34.7(c)(ii), 34.7(c)(iii), 34.7(c)(iv), 34.7(c)(v) and 34.7(c)(vi) of the IFRS for SMEs correspond. Paragraphs 41, 47, 50(a), 50(b), 50(d), 50(e), 50(f) and 50(g) should be retained in the RDR.</p> <p>Paragraphs 40 and 48 have no equivalents in the IFRS for SMEs and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p> <p>Paragraph 42 is guidance related to a disclosure retained in the RDR . Paragraph 42 should be retained in the RDR based on the reasoning in paragraph IN7 of this Appendix.</p> <p>Paragraph 50(c) has no equivalent in the IFRS for SMEs because that Standard does not have an ‘assets held for sale’ category. Based on the reasoning in paragraph IN6 of this Appendix, paragraph 50(c) should be retained in the RDR.</p>

Text in AASB 141 Agriculture	Text in IFRS for SMEs Section 34 Specialised Activities	Comments
<p>a disposal group that is classified as held for sale) in accordance with AASB 5;</p> <p>(d) decreases due to harvest;</p> <p>(e) increases resulting from business combinations;</p> <p>(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</p> <p>(g) other changes.</p>		
<p>43. An entity is encouraged to provide a quantified description of each group of biological assets, distinguishing between consumable and bearer biological assets or between mature and immature biological assets, as appropriate. For example, an entity may disclose the carrying amounts of consumable biological assets and bearer biological assets by group. An entity may further divide those carrying amounts between mature and immature assets. These distinctions provide information that may be helpful in assessing the timing of future cash flows. An entity discloses the basis for making any such distinctions.</p>		<p>Paragraph 43 has no equivalent in the <i>IFRS for SMEs</i> and is in the nature of encouraged disclosure. Paragraph 43 should be excluded from the RDR based on the reasoning in paragraphs IN3 and IN8 of this Appendix.</p>

Text in AASB 141 Agriculture	Text in IFRS for SMEs Section 34 Specialised Activities	Comments
<p>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, 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, fruit trees, and trees from which firewood is harvested while the tree remains. Bearer biological assets are not agricultural produce but, rather, are self-regenerating.</p>		<p>Paragraph 44 has no equivalent in the <i>IFRS for SMEs</i> and is guidance relating to paragraph 43 which is excluded from the RDR. Paragraph 44 should be excluded from the RDR based on reasoning in paragraph IN7 of this Appendix.</p>
<p>45. Biological assets may be classified either as mature biological assets or immature biological assets. Mature biological assets are those that have attained harvestable specifications (for consumable biological assets) or are able to sustain regular harvests (for bearer biological assets).</p>		<p>Paragraph 45 has no equivalent in the <i>IFRS for SMEs</i> and is guidance relating to paragraph 43 which is excluded from the RDR. Paragraph 45 should be excluded from the RDR based on reasoning in paragraph IN7 of the Appendix.</p>
<p>46. <b>If not disclosed elsewhere in information published with the financial statements, an entity shall describe:</b></p> <ul style="list-style-type: none"> <li>(a) <b>the nature of its activities involving each group of biological assets; and</b></li> <li>(b) <b>non-financial measures or estimates of the physical quantities of:</b> <ul style="list-style-type: none"> <li>(i) <b>each group of the entity’s biological assets at the end of the period; and</b></li> <li>(ii) <b>output of agricultural produce during the period.</b></li> </ul> </li> </ul>		<p>Paragraph 46 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>

Text in AASB 141 Agriculture	Text in IFRS for SMEs Section 34 Specialised Activities	Comments
<p><b>49. An entity shall disclose:</b></p> <ul style="list-style-type: none"> <li><b>(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></li> <li><b>(b) the amount of commitments for the development or acquisition of biological assets; and</b></li> <li><b>(c) financial risk management strategies related to agricultural activity.</b></li> </ul>		<p>Paragraph 49 has no equivalent in the <i>IFRS for SMEs</i> and based, on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>
<p>51. The fair value less costs to sell of a biological asset can change due to both physical changes and price changes in the market. Separate disclosure of physical and price changes is useful in appraising current period performance and future prospects, particularly when there is a production cycle of more than one year. In such cases, an entity is encouraged to disclose, by group or otherwise, the amount of change in fair value less costs to sell included in profit or loss due to physical changes and due to price changes. This information is generally less useful when the production cycle is less than one year (for example, when raising chickens or growing cereal crops).</p>		<p>Paragraph 51 has no equivalent in the <i>IFRS for SMEs</i> and is in the nature of encouraged disclosure. Based on the reasoning in paragraphs IN3 and IN8 of this Appendix, paragraph 51 should be excluded from the RDR.</p>
<p>52. Biological transformation results in a number of types of physical change – growth, degeneration, production, and procreation, each of which is observable and measurable. Each of those physical changes has a direct relationship to future economic benefits. A change in fair value of a biological asset due to harvesting is also a physical change.</p>		<p>Paragraph 52 has no equivalent in the <i>IFRS for SME</i>. It provides guidance in relation to paragraph 51 which is excluded from the RDR. Paragraph 52 should be excluded from the RDR.</p>

Text in AASB 141 Agriculture	Text in IFRS for SMEs Section 34 Specialised Activities	Comments
<p>53. Agricultural activity is often exposed to climatic, disease, and other natural risks. If an event occurs that gives rise to a material item of income or expense, the nature and amount of that item are disclosed in accordance with AASB 101 <i>Presentation of Financial Statements</i>. Examples of such an event include an outbreak of a virulent disease, a flood, a severe drought or frost, and a plague of insects.</p>		<p>Paragraph 53 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraphs IN3 of this Appendix, should be excluded from the RDR.</p>
<p><b>Additional Disclosures for Biological Assets where Fair Value Cannot be Measured Reliably</b></p> <p>54. <b>If an entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30) at the end of the period, the entity shall disclose for such biological assets:</b></p> <ul style="list-style-type: none"> <li>(a) <b>a description of the biological assets;</b></li> <li>(b) <b>an explanation of why fair value cannot be measured reliably;</b></li> <li>(c) <b>if possible, the range of estimates within which fair value is highly likely to lie;</b></li> <li>(d) <b>the depreciation method used;</b></li> <li>(e) <b>the useful lives or the depreciation rates used; and</b></li> <li>(f) <b>the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.</b></li> </ul>	<p><b>Disclosures – cost model</b></p> <p>34.10 An entity shall disclose the following with respect to its biological assets measured using the cost model:</p> <ul style="list-style-type: none"> <li>(a) a description of each class of its biological assets.</li> <li>(b) an explanation of why fair value cannot be measured reliably.</li> <li>(c) the depreciation method used.</li> <li>(d) the useful lives or the depreciation rates used.</li> <li>(e) the gross <b>carrying amount</b> and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.</li> </ul>	<p>Paragraphs 54(a), 54(b), 54 (d), 54(e) and 54(f) and paragraphs 24.10(a) to 24.10(e) of the <i>IFRS for SMEs</i> correspond. Paragraphs 54(a), 54(b), 54(d), 54(e) and 54(f) should be retained in the RDR.</p> <p>Paragraph 54(c) has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>

Text in AASB 141 Agriculture	Text in IFRS for SMEs Section 34 Specialised Activities	Comments
<p><b>55. If, during the current period, an entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30), an entity shall disclose any gain or loss recognised on disposal of such biological assets and the reconciliation required by paragraph 50 shall disclose amounts related to such biological assets separately. In addition, the reconciliation shall include the following amounts included in profit or loss related to those biological assets:</b></p> <ul style="list-style-type: none"> <li>(a) impairment losses;</li> <li>(b) reversals of impairment losses; and</li> <li>(c) depreciation.</li> </ul>		<p>Paragraph 55 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>
<p><b>56. If the fair value of biological assets previously measured at their cost less any accumulated depreciation and any accumulated impairment losses becomes reliably measurable during the current period, an entity shall disclose for those biological assets:</b></p> <ul style="list-style-type: none"> <li>(a) description of the biological assets;</li> <li>(b) an explanation of why fair value has become reliably measurable; and</li> <li>(c) the effect of the change.</li> </ul>		<p>Paragraph 56 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>

Text in AASB 141 <i>Agriculture</i>	Text in <i>IFRS for SMEs</i> Section 34 <i>Specialised Activities</i>	Comments
<p><b>Government Grants</b></p> <p>57. An entity shall disclose the following related to agricultural activity covered by this Standard:</p> <ul style="list-style-type: none"> <li>(a) the nature and extent of government grants recognised in the financial statements;</li> <li>(b) unfulfilled conditions and other contingencies attaching to government grants; and</li> <li>(c) significant decreases expected in the level of government grants.</li> </ul>	<p>(Taken from section 24 Government Grants)</p> <p><b>Disclosures</b></p> <p>24.6 An entity shall disclose the following about government grants:</p> <ul style="list-style-type: none"> <li>(a) the nature and amounts of government grants recognised in the financial statements.</li> <li>(b) unfulfilled conditions and other contingencies attaching to government grants that have not been recognised in income.</li> <li>(c) an indication of other forms of government assistance from which the entity has directly benefited.</li> </ul> <p>24.7 For the purpose of the disclosure required by paragraph 24.6(c), government assistance is action by government designed to provide an economic benefit specific to an entity or range of entities qualifying under specified criteria. Examples include free technical or marketing advice, the provision of guarantees, and loans at nil or low interest rates.</p>	<p>Paragraphs 57(a) and 57(b) and paragraphs 24.6(a) and 24.6(b) of the <i>IFRS for SMEs</i> correspond. Paragraphs 57(a) and 57(b) should be retained in the RDR.</p> <p>Paragraph 57(c) has no equivalent in the <i>IFRS for SMEs</i>, and based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p> <p>Paragraphs 24.6(c) and 24.7 of the <i>IFRS for SMEs</i> have no equivalent in AASB 141 and should not be added to the RDR based on paragraph IN4 of this Appendix.</p>



### 3. AASB 141 *Agriculture*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 141 *Agriculture*, showing staff requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

#### Disclosure

##### General

- 40. 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.**
- 41. An entity shall provide a description of each group of biological assets.**
42. The disclosure required by paragraph 41 may take the form of a narrative or quantified description.
43. An entity is encouraged to provide a quantified description of each group of biological assets, distinguishing between consumable and bearer biological assets or between mature and immature biological assets, as appropriate. For example, an entity may disclose the carrying amounts of consumable biological assets and bearer biological assets by group. An entity may further divide those carrying amounts between mature and immature assets. These distinctions provide information that may be helpful in assessing the timing of future cash flows. An entity discloses the basis for making any such distinctions.
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, 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, fruit trees, and trees from which firewood is harvested while the tree remains. Bearer biological assets are not agricultural produce but, rather, are self-regenerating.
45. Biological assets may be classified either as mature biological assets or immature biological assets. Mature biological assets are those that have attained harvestable specifications (for consumable biological assets) or are able to sustain regular harvests (for bearer biological assets).
- 46. 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.**
- 47. An entity shall disclose the methods and significant assumptions applied in determining the fair value of each group of agricultural produce at the point of harvest and each group of biological assets.**
- 48. An entity shall disclose the fair value less costs to sell of agricultural produce harvested during the period, determined at the point of harvest.**

- 49. 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.**
- 50. 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 AASB 5;**
  - (d) decreases due to harvest;**
- 51. The fair value less costs to sell of a biological asset can change due to both physical changes and price changes in the market. Separate disclosure of physical and price changes is useful in appraising current period performance and future prospects, particularly when there is a production cycle of more than one year. In such cases, an entity is encouraged to disclose, by group or otherwise, the amount of change in fair value less costs to sell included in profit or loss due to physical changes and due to price changes. This information is generally less useful when the production cycle is less than one year (for example, when raising chickens or growing cereal crops).**
- 52. Biological transformation results in a number of types of physical change – growth, degeneration, production, and procreation, each of which is observable and measurable. Each of those physical changes has a direct relationship to future economic benefits. A change in fair value of a biological asset due to harvesting is also a physical change.**
- 53. Agricultural activity is often exposed to climatic, disease, and other natural risks. If an event occurs that gives rise to a material item of income or expense, the nature and amount of that item are disclosed in accordance with AASB 101 Presentation of Financial Statements. Examples of such an event include an outbreak of a virulent disease, a flood, a severe drought or frost, and a plague of insects.**

#### **Additional Disclosures for Biological Assets where Fair Value Cannot be Measured Reliably**

- 54. If an entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30) at the end of the period, the entity shall disclose for such biological assets:**
- (a) a description of the biological assets;**
  - (b) an explanation of why fair value cannot be measured reliably;**
  - (c) if possible, the range of estimates within which fair value is highly likely to lie;**
  - (d) the depreciation method used;**

- (e) the useful lives or the depreciation rates used; and
- (f) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.

**55. If, during the current period, an entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30), an entity shall disclose any gain or loss recognised on disposal of such biological assets and the reconciliation required by paragraph 50 shall disclose amounts related to such biological assets separately. In addition, the reconciliation shall include the following amounts included in profit or loss related to those biological assets:**

- (a) impairment losses;
- (b) reversals of impairment losses; and
- (c) depreciation.

**56. If the fair value of biological assets previously measured at their cost less any accumulated depreciation and any accumulated impairment losses becomes reliably measurable during the current period, an entity shall disclose for those biological assets:**

- (a) description of the biological assets;
- (b) an explanation of why fair value has become reliably measurable; and
- (c) the effect of the change.

#### **Government Grants**

**57. An entity shall disclose the following related to agricultural activity covered by this Standard:**

- (a) the nature and extent of government grants recognised in the financial statements;
- (b) unfulfilled conditions and other contingencies attaching to government grants; and
- (c) significant decreases expected in the level of government grants.