



19 September 2013

Mr H. Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC 4M 6Xh
UNITED KINGDOM

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Dear Mr Hoogervorst

ED/2013/8 "Agriculture: Bearer Plants"

The Group of 100 (G100) is an organization of chief financial officers from Australia's largest business enterprises with the purpose of advancing Australia's financial competitiveness. We are pleased to provide comment on the proposed amendments to IAS 16 and IAS 41.

Q1 Scope of the amendments: *The IASB proposes to restrict the scope of the proposed amendments to bearer plants. The proposals define a bearer plant as a plant that is used for more than one period and that is not intended to be sold as a living plant or harvested as agricultural produce, except for incidental scrap sales. Under the proposals, if an entity grows plants both to bear produce and for sale as living plants or agricultural produce, apart from incidental scrap sales, it must continue to account for those plants within the scope of IAS 41 at fair value less costs to sell in their entirety (for example, trees that are cultivated for their lumber as well as their fruit).*

Do you agree with the scope of the amendments? If not, why and how would you define the scope?

The G100 considers that the scope of the amendments is appropriate and addresses the major concerns in respect of accounting for bearer plants. We agree that broadening the scope to include all biological assets would introduce complexity and delay the resolution of issues in respect of bearer plants.

Q2 Accounting for bearer plants before maturity: *The IASB proposes that before bearer plants are placed into production (ie before they reach maturity and bear fruit) they should be measured at accumulated cost. This would mean that bearer plants are accounted for in the same way as self-constructed items of machinery.*

Do you agree with this accounting treatment for bearer plants before they reach maturity? If not, why and what alternative approach do you recommend?

The G100 supports the proposals to measure plants before maturity at accumulated cost as the information is more likely to be relevant to users than valuations that rely heavily on estimation techniques. We believe that determining when bearer plants are mature and cost accumulation ceases is a decision best left to the directors in the light of the business model of the entity.

Q3 Accounting for bearer plants before maturity: *Some crops, such as sugar cane, are perennial plants because their roots remain in the ground to sprout for the next period's crop. Under the proposals, if an entity retains the roots to bear produce for more than one period, the roots would meet the definition of a bearer plant. The IASB believes that in most cases the effect of accounting for the roots separately under IAS 16 would not be material and the IASB does not therefore believe that specific guidance is required. Do you think that any additional guidance is required to apply the proposals to such perennial crops? If so, what additional guidance should be provided and why?*

The G100 considers that, in principle, there is no difference between perennial plants and, say, vines and fruit trees. Accordingly, we do not consider additional guidance is necessary.

Q4 Accounting for bearer plants after maturity: *The IASB proposes to include bearer plants within the scope of IAS 16. Consequently, entities would be permitted to choose either the cost model or the revaluation model for mature bearer plants subject to the requirements in IAS 16. All other biological assets related to agricultural activity will remain under the fair value model in IAS 41.*

Do you agree that bearer plants should be accounted for in accordance with IAS 16? Why or why not? If not, what alternative approach do you recommend?

Yes. The G100 considers that upon reaching maturity bearer plants should be accounted for in accordance with IAS 16 using either a cost model or a revaluation model.

The concept of bearer plants is similar in nature to any other income producing asset currently accounted for in accordance with IAS 16. Bearer plants also meet the definition of 'property, plant and equipment' under para 6 of IAS 16, as well as satisfying the recognition and measurement criteria of IAS 16. In addition, the concepts of depreciation and revaluation are equally applicable to bearer assets as they are to any assets traditionally classified as property, plant and equipment.

Q5 Additional guidance: *The IASB proposes that the recognition and measurement requirements of IAS 16 can be applied to bearer plants without modification.*

Are there any requirements in IAS 16 that require additional guidance in order to be applied to bearer plants? If so, in what way is the current guidance in IAS 16 insufficient and why?

The G100 does not believe that additional guidance is necessary.

Q6 Fair value disclosures for bearer plants: *Do you think either of the following types of disclosures about bearer plants should be required if they are accounted for under the cost model in IAS 16 – why or why not:*

- a. disclosure of the total fair value of the bearer plants, including information about the valuation techniques and the key inputs/assumptions used; or*
- b. disclosure of the significant inputs that would be required to determine the fair value of bearer plants, but without the need to measure or disclose the fair value of them?*

No. The G100 believes that the proposed disclosures would impose an unnecessary burden on entities. If bearer plants are to be accounted for under IAS 16 the disclosure requirements should be the same for other items within the scope of the standard.

Q7 Additional disclosures: *Many investors and analysts consulted during the user outreach said that instead of using the fair value information about bearer plants they use other information, for example, disclosures about productivity, including age profiles, estimates of the physical quantities of bearer plants and output of agricultural produce.*

They currently acquire this information via presentations made to analysts, from additional information provided by management in annual reports (for example, in the Management Commentary) or directly from companies.

Do you think any disclosures for bearer plants, apart from those covered in Q6, should be required in addition to those in IAS 6? If so, what and why?

No. If directors consider such non-financial information relevant and material to an understanding of the financial position and performance of the entity then appropriate disclosures would be made.

Q8 Transition provisions: *The IASB proposes to permit an entity to use the fair value of an item of bearer plants as its deemed cost at the start of the earliest comparative period presented in the first financial statements in which the entity applies the amendments to IAS 16. The election would be available on an item-by-item basis. The IASB also plans to permit early application of the amendments to IAS 16 and IAS 41.*

Do you agree with the proposed transition provisions? If not, what and what alternative do you propose?

The G100 supports the proposed transitional requirements including the election to use fair value as deemed cost at transition.

Yours sincerely
Group of 100 Inc



Terry Bowen
President

c.c. Kevin Stevenson – Chairman AASB