



ANANT BHATT LLP

CERTIFIED PUBLIC ACCOUNTANTS

THE POWER OF EXPERIENCE®

AUDIT

TAX

ADVISORY

City House, First Floor

Nyerere Avenue

Mombasa, Kenya

P.O. Box 80766-80100

Phone: 041-2223682/6542

Email: info@anantbhatt.com

Visit: www.anantbhattllp.com



THE ANANTROY BHATT KNOWLEDGE CENTRE



IAS 41:

AGRICULTURE



1. Introduction
2. Outline

1

Introduction to IAS 41: Agriculture



The objective of this Standard is to prescribe the accounting treatment and disclosures related to agricultural activity.

2

Outline



Agricultural activity is the management by an entity of the biological transformation of biological assets for sale, into agricultural produce, or into additional biological assets. Biological transformation comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset. A biological asset is a living animal or

or plant. Agricultural produce is the harvested product of the entity's biological assets. Harvest is the detachment of produce from a biological asset or the cessation of a biological asset's life processes.

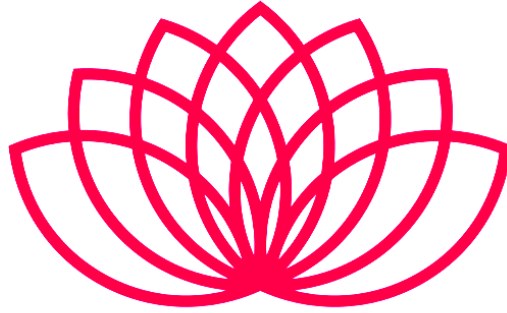
IAS 41 prescribes, among other things, the accounting treatment for biological assets during the period of growth, degeneration, production, and procreation, and for the initial measurement of agricultural produce at the point of harvest. It requires measurement at fair value less estimated point-of-sale costs from initial recognition of biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. This Standard is applied to agricultural produce, which is the harvested product of the entity's biological assets, only at the point of harvest. Thereafter, IAS 2 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.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Point-of-sale costs include commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, and transfer taxes and duties. Point-of-sale costs exclude transport and other costs necessary to get assets to a market.

IAS 41 requires that a change in fair value less estimated point-of-sale costs of a biological asset be included in profit or loss for the period in which it arises. In agricultural activity, a change in physical attributes of a living animal or plant directly enhances or diminishes economic benefits to the entity.

IAS 41 does not establish any new principles for land related to agricultural activity. Instead, an entity follows IAS 16 Property, Plant and Equipment or IAS 40 Investment Property, depending on which standard is appropriate in the circumstances. IAS 16 requires land to be measured either at its cost less any accumulated impairment losses, or at a revalued amount. IAS 40 requires land that is investment property to be measured at its fair value, or cost less any accumulated impairment losses. Biological assets that are physically attached to land (for example, trees in a plantation forest) are measured at their fair value less estimated point-of-sale costs separately from the land.

IAS 41 requires that an unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs be recognised as income when, and only when, the government grant becomes receivable. If a government grant is conditional, including where a government grant requires an entity not to engage in specified agricultural activity, an entity should recognise the government grant as income when, and only when, the conditions attaching to the government grant are met. If a government grant relates to a biological asset measured at its cost less any accumulated depreciation and any accumulated impairment losses, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance is applied.



Trainee Development - Gold



Practising Certificate Development



Professional Development



ICAEW
AUTHORISED
TRAINING EMPLOYER

Established in 1949

www.anantbhattllp.com

CPA Kamal Anantroy Bhatt
Managing Partner
E : kamal@anantbhatt.com

CPA Daniel Kinyae Mumo
Associate Partner
E : daniel@anantbhatt.com

Anant Bhatt LLP
City House, First Floor
Nyerere Avenue
Mombasa, Kenya

P.O. Box 80766-80100
E : info@anantbhatt.com
P : 0726241555, 041-2223682, 041-2226542

Disclaimer:

Under no circumstance should this guide be taken as an alternative to professional advice. If you would like professional advice, please get in touch with the contact information in this report. The information within this report is general, and no persons should take it as fully accurate guide, and use it to make any monetary, or other decisions on the basis of it. Anant Bhatt LLP takes no responsibility of any persons external actions from the use this guide. All Rights Reserved.