



IAS 41 — Agriculture



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Overview

IAS 41 *Agriculture* sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.

IAS 41 was originally issued in December 2000 and first applied to annual periods beginning on or after 1 January 2003.

History of IAS 41

Date	Development	Comments
December 1999	Exposure Draft E65 <i>Agriculture</i>	Comment deadline 31 January 2000
December 2000	IAS 41 <i>Agriculture</i> issued	Operative for annual financial statements covering periods beginning on or after 1 January 2003
22 May 2008	Amended by <i>Improvements to IFRSs</i> (discount rates)	Effective for annual periods beginning on or after 1 January 2009
30 June 2014	Amended by <i>Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)</i>	Effective for annual periods beginning on or after 1 January 2016

Related Interpretations

- None

Amendments under consideration by the IASB

- None

Summary of IAS 41

Objective

The objective of IAS 41 is to establish standards of accounting for agricultural activity – the management of the biological transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets).

Scope

IAS 41 applies to biological assets with the exception of bearer plants, agricultural produce at the point of harvest, and government grants related to these biological assets. It does not apply to land related to agricultural activity, intangible assets related to agricultural activity, government grants related to bearer plants, and bearer plants. However, it does apply to produce growing on bearer plants.

Note: Bearer plants were excluded from the scope of IAS 41 by *Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)*, which applies to annual periods beginning on or after 1 January 2016.

Key definitions

[IAS 41.5]

Biological asset	A living animal or plant
Bearer plant*	A living plant that: <ol style="list-style-type: none"> 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.
Agricultural produce	The harvested product from biological assets
Costs to sell	The incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes

* Definition included by *Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)*, which applies to annual periods beginning on or after 1 January 2016.

Initial recognition

An entity recognises a biological asset or agriculture produce only when the entity controls the asset as a result of past events, it is probable that future economic benefits will flow to the entity, and the fair value or cost of the asset can be measured reliably. [IAS 41.10]

Measurement

Biological assets within the scope of IAS 41 are measured on initial recognition and at subsequent reporting dates at fair value less estimated costs to sell, unless fair value cannot be reliably measured. [IAS 41.12]

Agricultural produce is measured at fair value less estimated costs to sell at the point of harvest. [IAS 41.13] Because harvested produce is a marketable commodity, there is no 'measurement reliability' exception for produce.

The gain on initial recognition of biological assets at fair value less costs to sell, and changes in fair value less costs to sell of biological assets during a period, are included in profit or loss. [IAS 41.26]

A gain on initial recognition (e.g. as a result of harvesting) of agricultural produce at fair value less costs to sell are included in profit or loss for the period in which it arises. [IAS 41.28]

All costs related to biological assets that are measured at fair value are recognised as expenses when incurred, other than costs to purchase biological assets.

IAS 41 presumes that fair value can be reliably measured for most biological assets. However, that presumption can be rebutted for a biological asset that, at the time it is initially recognised, does not have a quoted market price in an active market and for which alternative fair value measurements are determined to be clearly unreliable. In such a case, the asset is measured at cost less accumulated depreciation and impairment losses. But the entity must still measure all of its other biological assets at fair value less costs to sell. If circumstances change and fair value becomes reliably measurable, a switch to fair value less costs to sell is required. [IAS 41.30]

Guidance on the determination of fair value is available in [IFRS 13 Fair Value Measurement](#). IFRS 13 also requires disclosures about fair value measurements.

Other issues

The change in fair value of biological assets is part physical change (growth, etc) and part unit price change. Separate disclosure of the two components is encouraged, not required. [IAS 41.51]

Agricultural produce is measured at fair value less costs to sell at harvest, and this

measurement is considered the cost of the produce at that time (for the purposes of [IAS 2 Inventories](#) or any other applicable standard). [IAS 41.13]

Agricultural land is accounted for under [IAS 16 Property, Plant and Equipment](#). However, biological assets (other than bearer plants) that are physically attached to land are measured as biological assets separate from the land. In some cases, the determination of the fair value less costs to sell of the biological asset can be based on the fair value of the combined asset (land, improvements and biological assets). [IAS 41.25]

Intangible assets relating to agricultural activity (for example, milk quotas) are accounted for under [IAS 38 Intangible Assets](#).

Government grants

Unconditional government grants received in respect of biological assets measured at fair value less costs to sell are recognised in profit or loss when the grant becomes receivable. [IAS 41.34]

If such a grant is conditional (including where the grant requires an entity not to engage in certain agricultural activity), the entity recognises the grant in profit or loss only when the conditions have been met. [IAS 41.35]

Disclosure

Disclosure requirements in IAS 41 include:

- aggregate gain or loss from the initial recognition of biological assets and agricultural produce and the change in fair value less costs to sell during the period* [IAS 41.40]
- description of an entity's biological assets, by broad group [IAS 41.41]
- description of the nature of an entity's activities with each group of biological assets and non-financial measures or estimates of physical quantities of output during the period and assets on hand at the end of the period [IAS 41.46]
- information about biological assets whose title is restricted or that are pledged as security [IAS 41.49]
- commitments for development or acquisition of biological assets [IAS 41.49]
- financial risk management strategies [IAS 41.49]
- reconciliation of changes in the carrying amount of biological assets, showing separately changes in value, purchases, sales, harvesting, business combinations, and foreign exchange differences* [IAS 41.50]

* Separate and/or additional disclosures are required where biological assets are measured at cost less accumulated depreciation [IAS 41.55]

Disclosure of a quantified description of each group of biological assets, distinguishing between consumable and bearer assets or between mature and

immature assets, is encouraged but not required. [IAS 41.43]

If fair value cannot be measured reliably, additional required disclosures include: [IAS 41.54]

- description of the assets
- an explanation of why fair value cannot be reliably measured
- if possible, a range within which fair value is highly likely to lie
- depreciation method
- useful lives or depreciation rates
- gross carrying amount and the accumulated depreciation, beginning and ending.

If the fair value of biological assets previously measured at cost subsequently becomes available, certain additional disclosures are required. [IAS 41.56]

Disclosures relating to government grants include the nature and extent of grants, unfulfilled conditions, and significant decreases expected in the level of grants. [IAS 41.57]



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