

Introduction and Invitation to Comment

In this Exposure Draft the International Accounting Standards Board proposes to amend IAS 41 *Agriculture*. IAS 41 requires a biological asset to be measured at its fair value less estimated point-of-sale costs unless its fair value cannot be measured reliably. The term 'point-of-sale costs' is not used by other Standards. Replacing 'point-of-sale costs' with 'costs to sell' would make IAS 41 consistent with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and IAS 36 *Impairment of Assets*.

The Board invites comments on the proposed amendments to IAS 41. It would particularly welcome answers to the question set out below. Comments are most helpful if they indicate the specific paragraph, contain a clear rationale and, when applicable, provide a suggestion for alternative wording.

The Board is not requesting comments on matters in IAS 41 not addressed in the Exposure Draft.

Question

Do you agree with the proposal to replace the terms 'point-of-sale costs' and 'estimated point-of-sale costs' in IAS 41 with 'costs to sell'? If not, why?

Proposed Amendments to IAS 41 *Agriculture*

Paragraph 5 and the rubric at the beginning of the Basis for Conclusions are amended as follows (new text is underlined) and paragraph 14 of the Standard is deleted (deleted text is struck through).

Agriculture-related definitions

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

costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

...

Recognition and measurement

- 14 ~~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.~~

Basis for Conclusions

This appendix, which was prepared by the IASC Staff but was not approved by the IASC Board, summarises the Board's reasons for:

- (a) initiating and proposing an International Accounting Standard on agriculture; and*
- (b) accepting or rejecting certain alternative views.*

Individual Board members gave greater weight to some factors than to others.

This appendix has not been revised by the IASB, except that, for consistency with other IFRSs, the terms 'point-of-sale costs' and 'estimated point-of-sale costs' have been replaced by 'costs to sell'.

In the Standard and its accompanying documents, the terms 'point-of-sale costs' and 'estimated point-of-sale costs' are replaced by 'costs to sell'.

The term 'point-of-sale costs' is replaced where it appears in the Basis for Conclusions as follows:
heading above paragraph B22, paragraphs B22-B25 and B82.

The term 'estimated point-of-sale costs' is replaced where it appears as follows:

Introduction – paragraphs IN2-IN6

Standard – paragraphs 5, 12-14, 26-28, 30-32, 34, 35, 38, 40, 48, 50 and 51

Appendix – paragraph A1 and Illustrative Examples 1 and 2

Basis for Conclusions – paragraphs B22, B24-B26, B34, B36, B38, B41, B45, B63, B73, B78 and B82

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, the draft amendments.

- BC1 This Basis for Conclusions summarises the International Accounting Standards Board's considerations in proposing amendments to IAS 41 *Agriculture*.
- BC2 IAS 41 *Agriculture* uses the term 'point-of-sale costs'. This term is not used elsewhere in IFRSs. The term 'costs to sell' is used in IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and IAS 36 *Impairment of Assets*. The Board decided that 'point-of-sale costs' and 'costs to sell' mean the same thing in the context of IAS 41. The word 'incremental' in the definition of 'costs to sell' excludes costs already included in the fair value measurement of a biological asset such as transport costs. Therefore, both terms relate to transaction costs arising at the point of sale.
- BC3 The Board proposes to replace the terms 'point-of-sale costs' and 'estimated point-of-sale costs' with 'costs to sell' in order to make IAS 41 consistent with IFRS 5 and IAS 36. This will assist users in their understanding of IFRSs by providing greater uniformity in the defined terms used.

Appendix

Amendments to other pronouncements

The amendments in this appendix shall be applied for annual periods beginning on or after [date to be determined]. If an entity applies these [proposed] amendments to IAS 41 for an earlier annual period, these amendments shall be applied for that earlier period. New text is underlined and deleted is text struck through.

A1 In IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* paragraphs 5 and BC13 are amended as follows:

5 The measurement provisions of this IFRS¹ do not apply to the following assets, which are covered by the Standards listed, either as individual assets or as part of a disposal group:

- (a) ...
- (e) non-current assets that are measured at fair value less ~~estimated point-of-sale~~ costs to sell in accordance with IAS 41 *Agriculture*.
- (f) ...

BC13 The Board also reconsidered the exclusions from the scope proposed in ED 4. The Board noted that the classification and presentation requirements of the IFRS are applicable to all non-current assets and concluded that any exclusions should relate only to the measurement requirements. In relation to the measurement requirements, the Board decided that non-current assets should be excluded only if (i) they are already carried at fair value with changes in fair value recognised in profit or loss or (ii) there would be difficulties in determining their fair value less costs to sell. The Board therefore concluded that only the following non-current assets should be excluded from the measurement requirements of the IFRS:

Assets already carried at fair value with changes in fair value recognised in profit or loss:

- (a) ...
- (c) non-current assets that have been measured at fair value less ~~estimated point-of-sale~~ costs to sell in accordance with IAS 41 *Agriculture*.

Assets for which there might be difficulties in determining their fair value

- (a) ...
- (c) ...

¹ Other than paragraphs 18 and 19, which require the assets in question to be measured in accordance with other applicable IFRSs.

A2 In IAS 2 *Inventories* paragraph 20 is amended as follows:

20 In accordance with IAS 41 *Agriculture* inventories comprising agricultural produce that an entity has harvested from its biological assets are measured on initial recognition at their fair value less ~~estimated point-of-sale costs~~ to sell at the point of harvest. This is the cost of the inventories at that date for application of this Standard.

A3 In IAS 36 *Impairment of Assets* paragraphs 2 and 5 are amended as follows:

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

(a) ...

(g) **biological assets related to agricultural activity that are measured at fair value less ~~estimated point-of-sale costs~~ to sell (see IAS 41 *Agriculture*);**

(i) ...

5 This Standard does not apply to financial assets within the scope of IAS 39, investment property measured at fair value in accordance with IAS 40, or biological assets related to agricultural activity measured at fair value less ~~estimated point-of-sale costs~~ to sell in accordance with IAS 41. However, this Standard applies to assets that are carried at revalued amount (ie fair value) in accordance with other Standards, such as the revaluation model in IAS 16 *Property, Plant and Equipment*. Identifying whether a revalued asset may be impaired depends on the basis used to determine fair value:

(a) ...

(b) ...