

Introduction and Invitation to Comment

The International Accounting Standards Board proposes to amend IAS 41 *Agriculture* to remove a requirement that the discount rate used to determine fair value should be a pre-tax rate. The proposed amendment requires a current market-determined rate to be used but permits this to be a pre-tax or post-tax rate according to the valuation methodology used to determine fair value.

The Board invites comments on the proposed amendment. It would particularly welcome answers to the question below. Comments are most helpful if they 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 proposed amendment to IAS 41 to permit either a pre-tax or a post-tax discount rate to be used according to the valuation methodology used to determine fair value? If not, why?

Proposed amendment to IAS 41 *Agriculture*

In the Standard, paragraph 20 is amended (deleted text is struck through).

Recognition and measurement

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- 20 In some circumstances, market-determined prices or values may not be available for a biological asset in its present condition. In these circumstances, an entity uses the present value of expected net cash flows from the asset discounted at a current market-determined ~~pre-tax~~ rate in determining fair value.

Basis for Conclusions on Proposed Amendment to IAS 41 Agriculture

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

Recognition and measurement

- BC1 The Board identified a restriction in the discount rate that can be used to determine fair value in accordance with IAS 41 that unnecessarily restricts the valuation methodology that may be applied. It relates to the requirement to use a pre-tax discount rate to determine fair value. Many valuation approaches use a post-tax discount rate applied to expected after-tax cash flows to determine fair value.
- BC2 The Board decided to remove the requirement that a pre-tax discount rate be used. It decided to maintain the requirement to use a current market-determined discount rate but allow the decision on whether a pre-tax or a post-tax rate is used to be determined by the valuation methodology used.