

Straight away

IFRS bulletin from PwC

28 June 2013

IASB publishes exposure draft on Agriculture: Bearer plants

What is the issue?

The IASB is proposing amendments to IAS 16, 'Property, plant and equipment', and IAS 41, 'Agriculture', in relation to bearer plants. An exposure draft (ED) was published on 26 June 2013.

Under IAS 41, all biological assets are measured at fair value less costs to sell. This is based on the principle that fair value best reflects biological transformation. Bearer plants are those plants that are expected to bear produce for more than one period (for example, apple trees or grape vines). Once bearer plants have reached maturity and bear produce, significant biological transformation is unlikely. The ED suggests that their operation is similar to an item of property, plant and equipment (PPE), and should therefore be treated in line with IAS 16.

Key amendments

The IASB proposes to amend IAS 16 as follows:

- To scope in bearer plants, but not the produce on bearer plants.
- To explain that a bearer plant not yet in the location and condition necessary to bear produce is treated as a self-constructed asset.

The IASB proposes to amend IAS 41 as follows:

- To scope out bearer plants but to continue to include produce on bearer plants in scope.
- To add the following definition of bearer plants:

A bearer plant is a plant that is:
a) used in the production or supply of agricultural produce;
b) expected to bear produce for more than one period; and
c) not intended to be sold as a living plant or harvested as agricultural produce, except for incidental scrap sales.

- To include examples of non-bearer plants and remove current examples of bearer plants from IAS 41.

The ED proposes retrospective application of the amendments.

Am I affected?

The proposed amendments will have an impact on all preparers with bearer plants currently in the scope of IAS 41.

The proposals mean that preparers will no longer need to measure bearer plants at fair value less costs to sell under IAS 41, although they can choose the revaluation model under IAS 16. The produce of bearer plants will continue to be measured at fair value less costs to sell.

What is next?

The deadline for comments is 28 October 2013. The ED does not propose an effective date, but early adoption is permitted.

If these proposals will affect you, we encourage you to read the ED and to comment on the proposals.