
**AMENDMENTS TO
STATUTORY BOARD
FINANCIAL REPORTING STANDARDS**

Agriculture: Bearer Plants

**(Amendments to SB-FRS 16 and SB-
FRS 41)**

The Amendments apply for annual periods beginning on or after 1 January 2016.
Earlier application is permitted.

AMENDMENTS TO SB-FRS 16 AND SB-
FRS 41: AGRICULTURE: BEARER

CONTENTS

	<i>Page</i>
Introduction	3
Amendments to SB-FRS 16 <i>Property, Plant and Equipment</i>	4
Amendments to SB-FRS 41 <i>Agriculture</i>	6
Consequential amendments to other Standards	10

Introduction

This document sets out amendments to SB-FRS 16 *Property, Plant and Equipment* and SB-FRS 41 *Agriculture*. These amendments update and finalise proposals in Exposure Draft ED/2013/8 Agriculture: Bearer Plants (Proposed amendments to SB-FRS 16 and SB-FRS 41) that was issued in June 2013.

The amendments define a bearer plant and include bearer plants within the scope of SB-FRS 16. A bearer plant is defined as a living plant that 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. Previously, bearer plants were not defined and bearer plants related to agricultural activity were included within the scope of SB-FRS 41.

Bearer plants are used solely to grow produce. The only significant future economic benefits from bearer plants arise from selling the agricultural produce that they create. Bearer plants meet the definition of property, plant and equipment in SB-FRS 16 and their operation is similar to that of manufacturing. Accordingly, the amendments require bearer plants to be accounted for as property, plant and equipment and included within the scope of SB-FRS 16, instead of SB-FRS 41. The produce growing on bearer plants will remain within the scope of SB-FRS 41.

Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Amendments to SB-FRS 16 Property, Plant and Equipment

In the Introduction, paragraph IN5 is amended and paragraph IN1A is added. New text is underlined.

Introduction

...

IN1A The scope of SB-FRS 16 was amended in 2014 to include bearer plants related to agricultural activity.

...

Scope

IN5 This Standard clarifies that an entity is required to apply the principles of this Standard to items of property, plant and equipment used to develop or maintain (a) biological assets and (b) mineral rights and mineral reserves such as oil, natural gas and similar non-regenerative resources. Agriculture: Bearer Plants (Amendments to SB-FRS 16 and SB-FRS 41), issued in October 2014, amended the scope of this Standard to include bearer plants related to agricultural activity.

Paragraphs 3, 6 and 37 are amended and paragraphs 22A and 81K–81M are added. New text is underlined and deleted text is struck through.

Scope

...

3 This Standard does not apply to:

- (a) property, plant and equipment classified as held for sale in accordance with SB-FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*;
- (b) biological assets related to agricultural activity other than bearer plants (see SB-FRS 41 *Agriculture*). This Standard applies to bearer plants but it does not apply to the produce on bearer plants.
- (c) the recognition and measurement of exploration and evaluation assets (see SB-FRS 106 *Exploration for and Evaluation of Mineral Resources*); ~~or~~.
- (d) ...

Definitions

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

A bearer plant is a living plant that:

- (a) **is used in the production or supply of agricultural produce;**
- (b) **is expected to bear produce for more than one period; and**
- (c) **has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.**

(Paragraphs 5A–5B of SB-FRS 41 elaborate on this definition of a bearer plant.)

Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

...

Elements of cost

...

22A Bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by management. Consequently, references to 'construction' in this Standard should be read as covering activities that are necessary to cultivate the bearer plants before they are in the location and condition necessary to be capable of operating in the manner intended by management.

...

Revaluation model

...

37 A class of property, plant and equipment is a grouping of assets of a similar nature and use in an entity's operations. The following are examples of separate classes:

- (a) ...
- (g) furniture and fixtures; ~~and~~
- (h) office equipment; ~~and~~
- (i) bearer plants.

...

Effective date and transition

...

81K *Agriculture: Bearer Plants* (Amendments to SB-FRS 16 and SB-FRS 41), issued in October 2014, amended paragraphs 3, 6 and 37 and added paragraphs 22A and 81L–81M. An entity shall apply those amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. An entity shall apply those amendments retrospectively, in accordance with SB-FRS 8, except as specified in paragraph 81M.

81L In the reporting period when *Agriculture: Bearer Plants* (Amendments to SB-FRS 16 and SB-FRS 41) is first applied an entity need not disclose the quantitative information required by paragraph 28(f) of SB-FRS 8 for the current period. However, an entity shall present the quantitative information required by paragraph 28(f) of SB-FRS 8 for each prior period presented.

81M An entity may elect to measure an item of bearer plants at its fair value at the beginning of the earliest period presented in the financial statements for the reporting period in which the entity first applies *Agriculture: Bearer Plants* (Amendments to SB-FRS 16 and SB-FRS 41) and use that fair value as its deemed cost at that date. Any difference between the previous carrying amount and fair value shall be recognised in opening retained earnings at the beginning of the earliest period presented.

Amendments to SB-FRS 41 Agriculture

In the Introduction, paragraphs IN1 and IN5 are amended. Deleted text is struck through and new text is underlined.

Introduction

IN1 SB-FRS 41 prescribes the accounting treatment, financial statement presentation, and disclosures related to most agricultural activity, ~~a matter not covered in other Standards~~. Agricultural activity is the management by an entity of the biological transformation of living animals or plants (biological assets) for sale, into agricultural produce, or into additional biological assets. Agriculture: Bearer Plants (Amendments to SB-FRS 16 and SB-FRS 41), issued in October 2014, amended the scope of SB-FRS 16 Property, Plant and Equipment to include bearer plants related to agricultural activity. However, SB-FRS 41 applies to the produce growing on those bearer plants.

...

IN5 SB-FRS 41 does not establish any new principles for land related to agricultural activity. Instead, an entity follows SB-FRS 16 ~~Property, Plant and Equipment~~ or SB-FRS 40 *Investment Property*, depending on which standard is appropriate in the circumstances. SB-FRS 16 requires land to be measured either at its cost less any accumulated impairment losses, or at a revalued amount. SB-FRS 40 requires land that is investment property to be measured at its fair value, or cost less any accumulated impairment losses. Biological assets within the scope of SB-FRS 41 that are physically attached to land (for example, trees in a timber plantation forest) are measured at their fair value less costs to sell separately from the land.

Paragraphs 1–5, 8, 24 and 44 are amended and paragraphs 5A–5C and 62–63 are added. Deleted text is struck through and new text is underlined.

Scope

- 1 **This Standard shall be applied to account for the following when they relate to agricultural activity:**
- (a) **biological assets, except for bearer plants;**
 - (b) **agricultural produce at the point of harvest; and**
 - (c) **government grants covered by paragraphs 34 and 35.**
- 2 This Standard does not apply to:
- (a) land related to agricultural activity (see SB-FRS 16 *Property, Plant and Equipment* and SB-FRS 40 *Investment Property*); ~~and~~
 - (b) bearer plants related to agricultural activity (see SB-FRS 16). However, this Standard applies to the produce on those bearer plants.
 - (c) government grants related to bearer plants (see SB-FRS 20 *Accounting for Government Grants and Disclosure of Government Assistance*).
 - (~~d~~) intangible assets related to agricultural activity (see SB-FRS 38 *Intangible Assets*).

AMENDMENTS TO SB-FRS 16 AND SB-FRS 41: AGRICULTURE: BEARER

- 3 This Standard is applied to agricultural produce, which is the harvested ~~product~~ produce of the entity's biological assets, ~~only~~ at the point of harvest. Thereafter, SB-FRS 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. While such processing may be a logical and natural extension of agricultural activity, and the events taking place may bear some similarity to biological transformation, such processing is not included within the definition of agricultural activity in this Standard.
- 4 The table below provides examples of biological assets, agricultural produce, and products that are the result of processing after harvest:

Biological assets	Agricultural produce	Products that are the result of processing after harvest
Sheep	Wool	Yarn, carpet
Trees in a <u>timber plantation</u> forest	Felled trees	Logs, lumber
Plants	<u>Cotton</u>	<u>Thread, clothing</u>
	Harvested cane	<u>Sugar</u>
Dairy cattle	Milk	Cheese
Pigs	Carcass	Sausages, cured hams
<u>Cotton plants</u>	<u>Harvested cotton</u>	<u>Thread, clothing</u>
<u>Sugarcane</u>	<u>Harvested cane</u>	<u>Sugar</u>
<u>Tobacco plants</u> Bushes	<u>Picked leaves</u> Leaf	<u>Tea, e</u> <u>Cured tobacco</u>
<u>Tea bushes</u>	<u>Picked leaves</u>	<u>Tea</u>
<u>Grape v</u> <u>vines</u>	<u>Picked G</u> <u>grapes</u>	Wine
Fruit trees	Picked fruit	Processed fruit
<u>Oil palms</u>	<u>Picked fruit</u>	<u>Palm oil</u>
<u>Rubber trees</u>	<u>Harvested latex</u>	<u>Rubber products</u>
<p><u>Some plants, for example, tea bushes, grape vines, oil palms and rubber trees, usually meet the definition of a bearer plant and are within the scope of SB-FRS 16. However, the produce growing on bearer plants, for example, tea leaves, grapes, oil palm fruit and latex, is within the scope of SB-FRS 41.</u></p>		

Definitions

Agriculture-related definitions

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

...

Agricultural produce is the harvested ~~product~~ produce of the entity's biological assets.

A bearer plant is a living plant that:

- (a) is used in the production or supply of agricultural produce;
- (b) is expected to bear produce for more than one period; and
- (c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

A biological asset is a living animal or plant.

...

5A The following are not bearer plants:

- (a) plants cultivated to be harvested as agricultural produce (for example, trees grown for use as lumber);
- (b) plants cultivated to produce agricultural produce when there is more than a remote likelihood that the entity will also harvest and sell the plant as agricultural produce, other than as incidental scrap sales (for example, trees that are cultivated both for their fruit and their lumber); and
- (c) annual crops (for example, maize and wheat).

5B When bearer plants are no longer used to bear produce they might be cut down and sold as scrap, for example, for use as firewood. Such incidental scrap sales would not prevent the plant from satisfying the definition of a bearer plant.

5C Produce growing on bearer plants is a biological asset.

...

General definitions

8 **The following terms are used in this Standard with the meanings specified:**

...

Government grants are as defined in SB-FRS 20 ~~*Accounting for Government Grants and Disclosure of Government Assistance*~~.

Recognition and measurement

...

24 Cost may sometimes approximate fair value, particularly when:

- (a) little biological transformation has taken place since initial cost incurrence (for example, for ~~fruit tree~~ seedlings planted immediately prior to the end of a reporting period or newly acquired livestock); or
- (b) the impact of the biological transformation on price is not expected to be material (for example, for the initial growth in a 30-year pine plantation production cycle).

...

General

...

44 Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets. Examples of consumable biological assets are livestock intended for the production of meat, livestock held for sale, fish in farms, crops such as maize and

AMENDMENTS TO SB-FRS 16 AND SB-
FRS 41: AGRICULTURE: BEARER

wheat, produce on a bearer plant and trees being grown for lumber. Bearer biological assets are those other than consumable biological assets; for example, livestock from which milk is produced, ~~grape vines, and fruit trees from which fruit is harvested, and trees from which firewood is harvested while the tree remains.~~ Bearer biological assets are not agricultural produce but, rather, are ~~self-regenerating~~ held to bear produce.

...

Effective date and transition

...

62 *Agriculture: Bearer Plants* (Amendments to SB-FRS 16 and SB-FRS 41), issued in October 2014, amended paragraphs 1–5, 8, 24 and 44 and added paragraphs 5A–5C and 63. An entity shall apply those amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. An entity shall apply those amendments retrospectively in accordance with SB-FRS 8.

63 In the reporting period when *Agriculture: Bearer Plants* (Amendments to SB-FRS 16 and SB-FRS 41) is first applied an entity need not disclose the quantitative information required by paragraph 28(f) of SB-FRS 8 for the current period. However, an entity shall present the quantitative information required by paragraph 28(f) of SB-FRS 8 for each prior period presented.

Consequential amendments to other Standards

SB-FRS 1 *Presentation of Financial Statements*

Paragraph 54 is amended. New text is underlined.

Information to be presented in the statement of financial position

- 54 As a minimum, the statement of financial position shall include line items that present the following amounts:
- (a) ...
 - (f) biological assets within the scope of SB-FRS 41 *Agriculture*;
 - (g) ...

SB-FRS 17 *Leases*

Paragraph 2 is amended. Deleted text is struck through and new text is underlined.

Scope

- 2 ...
- However, this Standard shall not be applied as the basis of measurement for:
- (a) ...
 - (c) biological assets within the scope of SB-FRS 41 *Agriculture* held by lessees under finance leases (~~see SB-FRS 41 *Agriculture*~~); or
 - (d) biological assets within the scope of SB-FRS 41 provided by lessors under operating leases (~~see SB-FRS 41~~).

SB-FRS 23 *Borrowing Costs*

Paragraphs 4 and 7 are amended. Deleted text is struck through and new text is underlined.

Scope

- ...
- 4 An entity is not required to apply the Standard to borrowing costs directly attributable to the acquisition, construction or production of:
- (a) a qualifying asset measured at fair value, for example a biological asset within the scope of SB-FRS 41 *Agriculture*; or

- (b) ...

Definitions

...

- 7 Depending on the circumstances, any of the following may be qualifying assets:

- (a) ...
(e) investment properties.
(f) bearer plants.

SB-FRS 36 *Impairment of Assets*

Paragraph 2 is amended. Deleted text is struck through and new text is underlined.

Scope

- 2 This Standard shall be applied in accounting for the impairment of all assets, other than:
- (a) ...
(g) biological assets related to agricultural activity within the scope of SB-FRS 41 *Agriculture* that are measured at fair value less costs of disposal (see ~~SB-FRS 41 *Agriculture*~~);
(h) ...

SB-FRS 40 *Investment Property*

Paragraphs 4 and 7 are amended. Deleted text is struck through and new text is underlined.

Scope

...

- 4 This Standard does not apply to:

- (a) biological assets related to agricultural activity (see SB-FRS 41 *Agriculture* and SB-FRS 16 *Property, Plant and Equipment*); and
(b) ...

Classification of property as investment property or owner-occupied property

...

- 7 Investment property is held to earn rentals or for capital appreciation or both. Therefore, an investment property generates cash flows largely independently of the other assets held by

AMENDMENTS TO SB-FRS 16 AND SB-
FRS 41: AGRICULTURE: BEARER

an entity. This distinguishes investment property from owner-occupied property. The production or supply of goods or services (or the use of property for administrative purposes) generates cash flows that are attributable not only to property, but also to other assets used in the production or supply process. SB-FRS 16 ~~Property, Plant and Equipment~~ applies to owner-occupied property.