30 Cannon Street, London EC4M 6XH, United Kingdom
Phone: +44 (0)20 7246 6410 Fax: +44 (0)20 7246 6411
Email: iasb@iasb.org Website: http://www.iasb.org

International
Accounting Standards
Board

This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.
These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

Board Meeting: **13 December 2006, London**

Project: **Annual improvement process**

Topic: **Point-of-sale costs (Agenda Paper 10B)**

---

1. The IFRIC have recommended that the following issue would be most appropriately resolved via the annual improvements process (as agreed by the Board in July 2006).

   Issue: Should the term 'point-of-sale costs' in IAS 41 *Agriculture* be replaced with 'costs to sell' to improve consistency with other IFRSs?

2. The purpose of this paper is to propose that the above issue be added to the Board's annual improvements project, to provide analysis on that issue and to propose a solution.

Staff recommendation

3. The staff recommend that:

- the Board should add the issue described in paragraph 1 to the annual improvements project; and
- IAS 41 should be amended in accordance with the proposed drafting in paragraph 13 of this paper.

Structure of the paper

4. The background to this issue, staff analysis and proposed drafting of amendments have been presented in the main body of this paper.

Background

5. IAS 41 requires that a biological asset be measured at its fair value less estimated point-of-sale costs unless its fair value cannot be measured reliably. The term 'fair value less estimated point-of-sale costs' is not used in other Standards. The IFRIC have recommended that the term 'point-of-sale costs' is replaced with 'costs to sell' in order to make IAS 41 more consistent with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and IAS 36 *Impairment of Assets*.

Staff analysis

6. Point-of-sale costs are defined in IAS 41 paragraph 14 to 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.'

7. In IAS 41, the term 'point-of-sale costs' is only used with reference to fair value measurement. Its purpose is to reduce the fair value of biological assets by the amount of transaction costs that would need to be paid on disposal. These costs do not include transport costs of getting the asset to market as they are included in the fair value measurement of the asset.[1]

8. The term 'costs to sell' is defined in IFRS 5 as:

> 'The incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs and income tax expense.'

9. In the context of IAS 41, both of these terms would refer to transactions costs. The word incremental in 'costs to sell' would exclude costs already included in the fair value measurement of the asset such as transport costs. The staff have not identified any costs that would be treated differently under either definition with respect to biological assets. As such, the staff believe that 'point-of-sale costs' and 'costs to sell' could be used interchangeably in IAS 41.

10. Replacing 'point-of-sale' costs in IAS 41 with 'costs to sell' would provide greater consistency with other IFRSs (notably IFRS 5 and IAS 36). Further, using defined terms assists users (and translators) of IFRSs by providing uniformity in language.

[1] The staff note that the fair value measurement project will not be addressing transaction costs as it is limited to a consideration of fair value measurement.

Staff recommendation

11. The staff recommend that IAS 41 should be amended in accordance with the proposed drafting in paragraph 13 of this paper.

12. **Does the Board agree?**

Drafting

13. The following additions are proposed to IAS 41 *Agriculture* should the Board agree with the staff recommendations:

Introduction

IN2 IAS 41 prescribes, among other things, the accounting treatment for biological assets during the period of growth, degeneration, production, and procreation, and for the initial measurement of agricultural produce at the point of harvest. It requires measurement at fair value less ~~estimated point-of-sale~~ costs to sell from initial recognition of biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. However, IAS 41 does not deal with processing of agricultural produce after harvest; for example, processing grapes into wine and wool into yarn.

IN3 There is a presumption that fair value can be measured reliably for a biological asset. However, that presumption can be rebutted only on initial recognition for a biological asset for which market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such a case, IAS 41 requires an entity to measure that biological asset at its cost less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such a biological asset becomes reliably measurable, an entity should measure it at its fair value less ~~estimated point-of-sale~~ costs to sell. In all cases, an entity should measure agricultural produce at the point of harvest at its fair value less ~~estimated point-of-sale~~ costs to sell.

IN4 IAS 41 requires that a change in fair value less ~~estimated point-of-sale~~ costs to sell of a biological asset be included in profit or loss for the period in which it arises. In agricultural activity, a change in physical attributes of a living animal or plant directly enhances or diminishes economic benefits to the entity. Under a transaction-based, historical cost accounting model, a plantation forestry entity might report no income until first harvest and sale, perhaps 30 years after planting. On the other hand, an accounting model that recognises and measures biological growth using current fair values reports changes in fair value throughout the period between planting and harvest.

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

IN6 IAS 41 requires that an unconditional government grant related to a biological asset measured at its fair value less ~~estimated point-of-sale~~ costs to sell be recognised as income when, and only when, the government grant becomes receivable. If a government grant is conditional, including where a government grant requires an entity not to engage in specified agricultural activity, an entity should recognise the government grant as income when, and only when, the conditions attaching to the government grant are met. If a government grant relates to a biological asset measured at its cost less any accumulated depreciation and any accumulated impairment losses, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* is applied.

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

12 **A biological asset shall be measured on initial recognition and at each balance sheet date at its fair value less ~~estimated point-of-sale~~ costs to sell, except for the case described in paragraph 30 where the fair value cannot be measured reliably.**

13 **Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less ~~estimated point-of-sale~~ costs to sell at the point of harvest. Such measurement is the cost at that date when applying IAS 2 *Inventories* or another applicable Standard.**

14 [deleted].~~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.~~

Gains and losses

26 **A gain or loss arising on initial recognition of a biological asset at fair value less ~~estimated point-of-sale~~ costs to sell and from a change in fair value less ~~estimated point-of-sale~~ costs to sell of a biological asset shall be included in profit or loss for the period in which it arises.**

27 A loss may arise on initial recognition of a biological asset, because ~~estimated point-of-sale~~ costs to sell are deducted in determining fair value less ~~estimated point-of-sale~~ costs to sell of a biological asset. A gain may arise on initial recognition of a biological asset, such as when a calf is born.

28 **A gain or loss arising on initial recognition of agricultural produce at fair value less ~~estimated point-of-sale~~ costs to sell shall be included in profit or loss for the period in which it arises.**

Inability to measure fair value reliably

30 **There is a presumption that fair value can be measured reliably for a biological asset. However, that presumption can be rebutted only on initial recognition for a biological asset for which market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such a case, that biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such a biological asset becomes reliably measurable, an entity shall measure it at its fair value less ~~estimated point-of-sale~~ costs to sell. Once a**

non-current biological asset meets the criteria to be classified as held for sale (or is included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, it is presumed that fair value can be measured reliably.

31 The presumption in paragraph 30 can be rebutted only on initial recognition. An entity that has previously measured a biological asset at its fair value less ~~estimated point-of-sale~~ costs to sell continues to measure the biological asset at its fair value less ~~estimated point-of-sale~~ costs to sell until disposal.

32 In all cases, an entity measures agricultural produce at the point of harvest at its fair value less ~~estimated point-of-sale~~ costs to sell. This Standard reflects the view that the fair value of agricultural produce at the point of harvest can always be measured reliably.

Government grants

34 An unconditional government grant related to a biological asset measured at its fair value less ~~estimated point-of-sale~~ costs to sell shall be recognised as income when, and only when, the government grant becomes receivable.

35 If a government grant related to a biological asset measured at its fair value less ~~estimated point-of-sale~~ costs to sell is conditional, including where a government grant requires an entity not to engage in specified agricultural activity, an entity shall recognise the government grant as income when, and only when, the conditions attaching to the government grant are met.

38 This Standard requires a different treatment from IAS 20, if a government grant relates to a biological asset measured at its fair value less ~~estimated point-of-sale~~ costs to sell or a government grant requires an entity not to engage in specified agricultural activity. IAS 20 is applied only to a government grant related to a biological asset measured at its cost less any accumulated depreciation and any accumulated impairment losses.

Disclosure

General

40 An entity shall disclose the aggregate gain or loss arising during the current period on initial recognition of biological assets and agricultural produce and from the change in fair value less ~~estimated point-of-sale~~ costs to sell of biological assets.

48 An entity shall disclose the fair value less ~~estimated point-of-sale~~ costs to sell of agricultural produce harvested during the period, determined at the point of harvest.

50 An entity shall present a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period. The reconciliation shall include:

(a) the gain or loss arising from changes in fair value less ~~estimated point-of-sale~~ costs to sell;

...

51 The fair value less ~~estimated point-of-sale~~ costs to sell of a biological asset can change due to both physical changes and price changes in the market. Separate disclosure of physical and price changes is useful in appraising current period performance and future prospects, particularly when there is a production cycle of more than one year. In such cases, an entity is encouraged to disclose, by group or otherwise, the amount of change in fair value less ~~estimated point-of-sale~~ costs to sell included in profit or loss due to physical changes and due to price changes. This information is generally less useful when the production cycle is less than one year (for example, when raising chickens or growing cereal crops).

Appendix
Illustrative examples

A1 Example 1 illustrates how the disclosure requirements of this Standard might be put into practice for a dairy farming entity. This Standard encourages the separation of the change in fair value less ~~estimated point-of-sale~~ costs to sell of an entity's biological assets into physical change and price change. That separation is reflected in Example 1. Example 2 illustrates how to separate physical change and price change.

Example 1 XYZ Dairy Ltd

Income statement*

XYZ Dairy Ltd **Income statement**	**Notes**	**Year ended** **31 December 20X1**
Fair value of milk produced		518,240
Gains arising from changes in fair value less ~~estimated point-of-sale~~ costs to sell of dairy livestock	3	39,930
		558,170
Inventories used		(137,523)
Staff costs		(127,283)
Depreciation expense		(15,250)
Other operating expenses		(197,092)
		(477,148)
Profit from operations		**81,022**
Income tax expense		(43,194)
Profit for the period		**37,828**

Notes

1 Operations and principal activities

* This income statement presents an analysis of expenses using a classification based on the nature of expenses. IAS 1 *Presentation of Financial Statements* requires that an entity present, either on the face of the income statement or in the notes, an analysis of expenses using a classification based on either the nature of expenses or their function within the entity. IAS 1 encourages presentation of an analysis of expenses on the face of the income statement.

XYZ Dairy Ltd ('the Company') is engaged in milk production for supply to various customers. At 31 December 20X1, the Company held 419 cows able to produce milk (mature assets) and 137 heifers being raised to produce milk in the future (immature assets). The Company produced 157,584kg of milk with a fair value less ~~estimated point-of-sale~~ costs to sell of 518,240 (that is determined at the time of milking) in the year ended 31 December 20X1.

2 Accounting policies

Livestock and milk

Livestock are measured at their fair value less ~~estimated point-of-sale~~ costs to sell. The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit. Milk is initially measured at its fair value less ~~estimated point-of-sale~~ costs to sell at the time of milking. The fair value of milk is determined based on market prices in the local area.

3 Biological assets

Reconciliation of carrying amounts of dairy livestock	**20X1**
Carrying amount at 1 January 20X1	**459,570**
Increases due to purchases	26,250
Gain arising from changes in fair value less ~~estimated point-of-sale~~ costs to sell attributable to physical changes*	15,350
Gain arising from changes in fair value less ~~estimated point-of-sale~~ costs to sell attributable to price changes*	24,580
Decreases due to sales	(100,700)
Carrying amount at 31 December 20X1	**425,050**

* Separating the increase in fair value less ~~estimated point-of-sale~~ costs to sell between the portion attributable to physical changes and the portion attributable to price changes is encouraged but not required by this Standard.

Example 2 Physical change and price change

The following example illustrates how to separate physical change and price change. Separating the change in fair value less ~~estimated point-of-sale~~ costs to sell between the portion attributable to physical changes and the portion attributable to price changes is encouraged but not required by this Standard.

A herd of 10 2 year old animals was held at 1 January 20X1. One animal aged 2.5 years was purchased on 1 July 20X1 for 108, and one animal was born on 1 July 20X1. No animals were sold or disposed of during the period. Per-unit fair values less ~~estimated point-of-sale~~ costs to sell were as follows:

2 year old animal at 1 January 20X1	100	
Newborn animal at 1 July 20X1	70	
2.5 year old animal at 1 July 20X1	108	
Newborn animal at 31 December 20X1	72	
0.5 year old animal at 31 December 20X1	80	
2 year old animal at 31 December 20X1	105	
2.5 year old animal at 31 December 20X1	111	
3 year old animal at 31 December 20X1	120	
Fair value less ~~estimated point-of-sale~~ costs to sell of herd at 1 January 20X1 (10 x 100)		1,000
Purchase on 1 July 20X1 (1 x 108)		108
Increase in fair value less ~~estimated point-of-sale~~ costs to sell due to price change:		
10 × (105 – 100)	50	
1 × (111 – 108)	3	
1 × (72 – 70)	2	55
Increase in fair value less ~~estimated point-of-sale~~ costs to sell due to physical change:		
10 × (120 – 105)	150	
1 × (120 – 111)	9	
1 × (80 – 72)	8	
1 × 70	70	237
Fair value less ~~estimated point-of-sale~~ costs to sell of herd at 31 December 20X1		
11 × 120	1,320	
1 × 80	80	1,400

CONTENTS

	paragraphs
BASIS FOR CONCLUSIONS ON IAS 41 *AGRICULTURE*	
BACKGROUND	**B1–B2**
THE NEED FOR AN INTERNATIONAL ACCOUNTING STANDARD ON AGRICULTURE	**B3–B7**
SCOPE	**B8–B12**
MEASUREMENT	**B41–B40**
Biological assets	**B13–B40**
Fair value versus cost	B13–B21
Treatment of ~~point-of-sale~~ costs to sell	B22–B26
Hierarchy in fair value measurement	B27–B31
Frequency of fair value measurement	B32
Independent valuation	B33
Inability to measure fair value reliably	B34–B37
Gains and losses	B38–B40
Agricultural produce	**B41–B46**
Sales contracts	**B47–B54**
Land related to agricultural activity	**B55–B57**
Intangible assets	**B58–B60**
SUBSEQUENT EXPENDITURE	**B61–B62**
GOVERNMENT GRANTS	**B63–B73**
DISCLOSURE	**B74–B81**
Separate disclosure of physical and price changes	**B74–B77**
Disaggregation of the gain or loss	**B78–B79**
Other disclosures	**B80–B81**
SUMMARY OF CHANGES TO E65	**B82**

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.

<u>*For consistency with other IFRSs, the terms 'point-of-sale costs' and 'estimated point-of-sale costs' have been replaced by 'costs to sell'.*</u>

Measurement

Biological assets

Fair value versus cost

Treatment of ~~point-of-sale~~ costs <u>to sell</u>

B22 The Standard requires that a biological asset should be measured at its fair value less ~~estimated point-of-sale~~ costs <u>to sell</u>. ~~Point-of-sale c~~Costs <u>to sell</u> include commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, and transfer taxes and duties. ~~Point-of-sale c~~Costs <u>to sell</u> exclude transport and other costs necessary to get assets to a market. Such transport and other costs are deducted in determining fair value (that is, fair value is a market price less transport and other costs necessary to get an asset to a market).

B23 E65 proposed that pre-sale disposal costs that will be incurred to place an asset on the market (such as transport costs) should be deducted in determining fair value, if a biological asset will be sold in an active market in another location. However, E65 did not specify the treatment of ~~point-of-sale~~ costs <u>to sell</u>. Some commentators suggested that the Standard should clarify the treatment of ~~point-of-sale~~ costs <u>to sell</u>, as well as pre-sale disposal costs.

B24 Some argue that ~~point-of-sale~~ costs <u>to sell</u> should not be deducted in a fair value model. They argue that fair value less ~~estimated point-of-sale~~ costs <u>to sell</u> would be a biased estimate of markets' estimate of future cash flows, because ~~point-of-sale~~ costs <u>to sell</u> would in effect be recognised as an expense twice if the acquirer pays ~~point-of-sale~~ costs <u>to sell</u> on acquisition; once related to the initial acquisition of biological assets and once related to the immediate measurement at fair value less ~~estimated point-of-sale~~ costs <u>to sell</u>. This would occur even when ~~point-of-sale~~ costs <u>to sell</u> would not be incurred until a future period or would not be paid at all for a bearer biological asset that will not be sold.

B25 On the other hand, some believe that ~~point-of-sale~~ costs <u>to sell</u> should be deducted in a fair value model. They believe that the carrying amount of an asset should represent the economic benefits that are expected to flow from the asset. They argue that fair value less ~~estimated point-of-sale~~ costs to sell would represent the markets' estimate of the economic benefits that are expected to flow to the entity from that asset at the balance sheet date. They also argue that failure to deduct ~~estimated point-of-sale~~ costs to sell could result in a loss being deferred until a sale occurs.

B26 The Board concluded that fair value less ~~estimated point-of-sale~~ costs to sell is a more relevant measurement of biological assets, acknowledging that, in particular, failure to deduct ~~estimated point-of-sale~~ costs to sell could result in a loss being deferred.

Inability to measure fair value reliably

B34 As noted previously, the Board decided to include a reliability exception in the Standard for cases where fair value cannot be measured reliably on initial recognition. The Standard indicates a presumption that fair value can be measured reliably for a biological asset. However, that presumption can be rebutted only on initial recognition for a biological asset for which market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such a case, that biological asset should be measured at its cost less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such a biological asset becomes reliably measurable, the Standard requires that an entity should start measuring the biological asset at its fair value less ~~estimated point-of-sale~~ costs to sell.

B36 If an entity has previously measured a biological asset at its fair value less ~~estimated point-of-sale~~ costs to sell, the Standard requires that the entity should continue to measure the biological asset at its fair value less ~~estimated point-of-sale~~ costs to sell until disposal. Some argue that reliable estimates may cease to be available. The Board believed that this would rarely, if ever, occur. Accordingly, the Board decided to prohibit entities from changing their measurement basis from fair value to cost, because otherwise an entity might use a reliability exception as an excuse to discontinue fair value accounting in a falling market.

Gains and losses

B38 The Standard requires that a gain or loss arising on initial recognition of a biological asset and from a change in fair value less ~~estimated point-of-sale~~ costs to sell of a biological asset should be included in net profit or loss[4] for the period in which it arises. Those who support this treatment argue that biological transformation is a significant event that should be included in net profit or loss because:

(a) the event is fundamental to understanding an entity's performance; and

(b) this is consistent with the accrual basis of accounting.

[4] IAS 1 *Presentation of Financial Statements* (revised in 2003) replaced the term 'net profit or loss' with 'profit or loss'.

Agricultural produce

B41 The Standard requires that agricultural produce harvested from an entity's biological assets should be measured at its fair value less ~~estimated point-of-sale~~ costs to sell at the point of harvest. Such measurement is the cost at that date when applying IAS 2 *Inventories* or another applicable International Accounting Standard.

B45 The Board concluded that fair value less ~~estimated point-of-sale~~ costs to sell at the point of harvest should be the cost when applying IAS 2 or another applicable International Accounting Standard, since this is consistent with the historical cost accounting model applied to manufacturing processes in general and other types of inventory.

Government grants

B63 The Standard requires that an unconditional government grant related to a biological asset measured at its fair value less ~~estimated point-of-sale~~ costs to sell should be recognised as income when, and only when, the government grant becomes receivable. If a government grant is conditional, including where a government grant requires an entity not to engage in specified agricultural activity, an entity should recognise the government grant as income when, and only when, the conditions attaching to the government grant are met.

B73 The Board concluded that approach (b) is more appropriate. The Board also decided that a government grant that requires an entity not to engage in specified agricultural activity should also be accounted for in the same way as a conditional government grant related to a biological asset measured at its fair value less ~~estimated point-of-sale~~ costs to sell.

Disclosure

Disaggregation of the gain or loss

B78 The Standard requires that an entity should disclose the aggregate gain or loss arising during the current period on initial recognition of biological assets and agricultural produce and from the change in fair value less ~~estimated point-of-sale~~ costs to sell of biological assets. The Standard does not require or encourage disaggregating the gain or loss, except that the Standard encourages separate disclosure of physical changes and price changes as discussed above.

Summary of changes to E65

B82 The Standard made the following principal changes to the proposals in E65:

(a) …

(b) If the reliability exception is applied but fair value subsequently becomes reliably measurable and, therefore, an entity has started measuring the biological assets at their fair value less ~~estimated point-of-sale~~ costs to sell, the Standard requires the entity to disclose a description of the biological assets, an explanation of why fair value has become reliably measurable, and the effect of the change (paragraph 56).

(c) E65 did not specify how to account for ~~point-of-sale~~ costs to sell (such as commissions to rokers). The Standard requires that biological assets and agricultural produce should be measured at their fair value less ~~estimated point-of-sale~~ costs to sell (paragraphs 12–13).

…

(j) E65 proposed that an entity should recognise a conditional government grant as income when there is reasonable assurance that the conditions are met. The Standard requires that a conditional government grant related to a biological asset measured at its fair value less ~~estimated point-of-sale~~ costs to sell, including where a government grant requires an entity not to engage in specified agricultural activity, should be recognised as income when, and only when, the conditions attaching to the government grant are met. The Standard also indicates that IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* is applied to a government grant related to a biological asset measured at its cost less any accumulated depreciation and any accumulated impairment losses (paragraphs 34–35 and 37).

…

(l) New disclosure requirements include disclosing the:

(i) …

(iii) fair value less ~~estimated point-of-sale~~ costs to sell of agricultural produce harvested during the period, determined at the point of harvest (paragraph 48);

…

…

Basis for Conclusions on Proposed Amendments to IAS 41 *Agriculture*

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

Costs to sell

BC1 IAS 41 *Agriculture* uses the term 'point-of-sale costs'. This term is not used elsewhere in IFRSs. The Board considered replacing the term 'point-of-sale' costs with costs to sell. Both terms can be used interchangeably in the context of IAS 41. This would make IAS 41 consistent with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and IAS 36 *Impairment of Assets.* It would also assist users in their understanding of IFRSs by providing greater uniformity in the defined terms used

.

Appendix
Amendment to IAS 2 *Inventories*

The amendment in this appendix shall be applied for annual periods beginning on or after [date to be determined]. If an entity applies the proposed amendments to IAS 41 for an earlier annual period, this amendment shall be applied for that earlier period.

A1 IAS 2 *Inventories* paragraph 20 is amended as follows (new text is underlined, deleted text is struck through):

Cost of agricultural produce harvested from biological assets

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 <u>to sell</u> at the point of harvest. This is the cost of the inventories at that date for application of this Standard.