

STAFF PAPER

February 2014

IASB Meeting

Project	Agriculture: Bearer Plants		
Paper topic	Cover memo		
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Objective of this meeting

1. The purpose of this meeting is for the International Accounting Standards Board (IASB) to commence their redeliberations of the proposals in the Bearer Plants Project by discussing the three main issues raised by respondents to Exposure Draft ED/2013/8 *Agriculture: Bearer Plants* (Proposed amendments to IAS 16 and IAS 14).

Summary of papers for this meeting

2. The staff have prepared the following papers:
 - **IASB Agenda Paper 13 Cover Memo** (this paper). This paper states the objective for the February 2014 meeting, summarises the proposals in the Exposure Draft (the ED) and discussions to date, and provides an estimated timetable for the project.
 - **IASB Agenda Paper 13A The three main issues raised by respondents**. Agenda Paper 13A presents the three main issues raised by respondents to the ED. It also presents the staff recommendations for addressing these issues.

Summary of the project to date

Aim of the project

3. The aim of this limited-scope project is to respond to concerns about the application of the fair value model in IAS 41 *Agriculture* for a subset of biological assets, known as bearer biological assets (BBAs). These concerns were raised by respondents to the 2011 Agenda Consultation and were made primarily about the reporting by plantation companies. The project is not intended to revisit the fair value model in IAS 41 for other biological assets.

Summary of the proposals in the ED

4. The ED proposes to define a bearer plant as a plant that is used in the production or supply of agricultural produce, that is expected to bear produce for more than one period and that is not intended to be sold as a living plant or harvested as agricultural produce, except for incidental scrap sales.
5. The ED proposes to account for bearer plants like property, plant and equipment in accordance with the requirements in IAS 16. Therefore the ED proposes the following:
 - (a) Before bearer plants reach maturity (ie before they are in the location and condition necessary to be capable of operating in the manner intended by management) they should be measured at accumulated cost like self-constructed items of machinery.
 - (b) Entities would be permitted to choose either the cost model or the revaluation model for mature bearer plants subject to the requirements in IAS 16.
 - (c) The recognition, measurement, derecognition and disclosure requirements of IAS 16 would be applied to bearer plants without modification or supplementation.

6. The ED proposes that the produce growing on the bearer plants would remain in the scope of IAS 41. Therefore the produce would be measured at fair value less costs to sell with changes recognised in profit and loss as the produce grows.
7. The ED proposes the following transition provisions:
 - (a) An entity would be permitted to use the fair value of an item of bearer plants as its deemed cost at the start of the earliest comparative period presented in the first financial statements in which the entity applies the amendments to IAS 16 and IAS 41. The election would be available on an item-by-item basis.
 - (b) Early application of the amendments to IAS 16 and IAS 41 would be permitted.
 - (c) The current deemed cost exemption provided for an item of property, plant and equipment in IFRS 1 *First-time Adoption of International Financial Reporting Standards* would also be available for an item of bearer plants.

Summary of discussions to date (post ED)

8. The IASB published the ED in June 2013 and received 72 comment letters. At the January 2014 IASB meeting the IASB discussed the feedback received on the ED. The meeting was educational in nature and the IASB did not make any decisions. Agenda Paper 14A for that meeting summarises the feedback received from respondents to the ED.

Draft project plan

9. The estimated timetable for the project is set out below (based on keeping the scope of the project unchanged):

June 2013	ED issued.
28 October 2013	Comment deadline.
First quarter 2014	The IASB deliberates amendments to proposals in the ED.
Second quarter 2014	The IASB approves and publishes final revisions to IAS 16 and IAS 41.
1 January 2016	Effective date of revisions. Early adoption permitted.