

## STAFF PAPER

May 2014

## IASB Meeting

Project	Agriculture: Bearer Plants		
Paper topic	IAS 8 disclosures on initial application		
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This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IASB and does not represent the views of the IASB or any individual member of the IASB. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs. Technical decisions are made in public and reported in IASB *Update*.

## Objective of this meeting

1. The purpose of this meeting is for the International Accounting Standards Board (IASB) to consider the applicability of disclosures required by paragraph 28(f) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* on initial application of *Agriculture: Bearer Plants* (Amendments to IAS 16 and IAS 41).

## Introduction

2. IAS 8.28(f) states:  
  
28 When initial application of an IFRS has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:  
  - (a) ...
  - (f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
    - (i) for each financial statement line item affected;
    - (ii) if IAS 33 *Earnings per Share* applies to the entity, for basic and diluted earnings per share;
  - (g) ...
3. One of our external reviewers on the pre-ballot draft of *Agriculture: Bearer Plants* noted that if the requirements of IAS 8 are applied, an entity would need to disclose the difference in accounting outcomes between its old accounting policy

and its new accounting policy for the current year on each line item. To do so would require the entity to continue to fair value bearer plants in the current period to meet that disclosure requirement. There are examples of including an exemption from IAS 8.28(f) in the current year in IFRS 10.C2A (see below) and the proposed revenue standard.

4. Exemption in IFRS 10 *Consolidated Financial Statements*:

10.C2A Notwithstanding the requirements of paragraph 28 of IAS 8, when this IFRS is first applied, and, if later, when the *Investment Entities* amendments to this IFRS are first applied, an entity need only present the quantitative information required by paragraph 28(f) of IAS 8 for the annual period immediately preceding the date of initial application of this IFRS (the 'immediately preceding period'). An entity may also present this information for the current period or for earlier comparative periods, but is not required to do so.

5. The staff think that adding an exemption to *Agriculture: Bearer Plants* would be perceived by some as more than a simple drafting change. Therefore the staff is presenting this as a sweep issue at this May IASB meeting.

### Staff analysis

6. Investors and analysts have told the staff that the current IAS 41 fair value information about bearer plants has limited use to them without fair value information about the related land, land improvements, agricultural machinery, etc. Most of the investors and analysts in the outreach performed by the staff said they eliminate the changes in the fair value less costs to sell of bearer plants from the figures used for their analysis. In addition, the disclosure required by IAS 8.28(f) will be costly to implement because it will require an entity to maintain dual systems in the year of initial application.
7. The staff think adding an exemption to *Agriculture: Bearer Plants* is consistent with all of the IASB decisions made during the project.

### Staff recommendation

8. The staff recommends that the IASB exempts entities from applying IAS 8 28(f) for the current period in both the amendments to IAS 16 and the amendments to

IAS 41. The staff also recommends this exemption should apply regardless of whether an entity elects to use fair value as deemed cost under IAS 16.8L for bearer plants at the beginning of the earliest period presented in the first financial statements in which the entity applies *Agriculture: Bearer Plants*.

9. The staff recommended drafting is in Appendix A.

**Questions for the IASB**

- 1) Does the IASB agree with the staff recommendation to amend the transition provisions in both the amendments to IAS 16 and the amendments to IAS 41 to add an exemption from IAS 8 28(f) for the current period?

## Appendix A: Proposed transition provisions in the draft amendments (wording taken from the updated pre-ballot draft)

### ***Proposed drafting of the transition provisions in draft amendments to IAS 16***

#### **Effective date and transition**

...

- 81K *Agriculture: Bearer Plants* (Amendments to IAS 16 and IAS 41), issued in June 2014, amended paragraphs 3, 6 and 37 and added paragraph 22A. 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 IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, except as specified in paragraph 81J. Notwithstanding the requirements of paragraph 28 of IAS 8, when those amendments are first applied an entity need not present the quantitative information required by paragraph 28(f) of IAS 8 for the current period.
- 81L 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 first financial statements in which the entity applies *Agriculture: Bearer Plants* (Amendments to IAS 16 and IAS 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.

### ***Proposed drafting of the transition provisions in draft amendments to IAS 41***

#### **Effective date and transition**

...

- 62 *Agriculture: Bearer Plants* (Amendments to IAS 16 and IAS 41), issued in June 2014, amended paragraphs 1–5, 8, 24 and 44 and added paragraphs 5A–5C. 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 IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Notwithstanding the requirements of paragraph 28 of IAS 8, when those amendments are first applied an entity need not present the quantitative information required by paragraph 28(f) of IAS 8 for the current period.