

IAS 41

Proposed improvements to the standard



Grupo Latinoamericano
de Emisores de Normas
de Información Financiera

Group of Latin American
Accounting Standard Setters

TWO ISSUES ANALYZED

☐ PRESENTATION AND/OR DISCLOSURE OF AGRICULTURAL PERFORMANCE:

- Presentation of changes in FV of agricultural production (biological asset) separated from NRV measurements of agricultural produce
- Disclosures about agricultural performance (Production vs Costs)

☐ MEASUREMENT OF BREEDING ONLY CATTLE:

- Problems with the use of FV less costs to sell for acquired breeding cattle
- Alternative use of Cost less accumulated depreciation and impairment

PRESENTATION AND/OR DISCLOSURE OF AGRICULTURAL PERFORMANCE

- Presentation of changes in FV of agricultural production (biological asset) separated from NRV measurements of agricultural produce:
 - To better understand the performance of agricultural entities, the results for *agricultural production* should be separated from changes in NRV after harvest.
 - The first one is to measure “agricultural performance”, and the second one is to measure “commercial results”.
 - The best indicator of agricultural performance is the relationship between the harvested agricultural produce (measured at FV less cost to sell) and associated agricultural costs.

PRESENTATION OF AGRICULTURAL PERFORMANCE

- Separated presentation or disclosure of “Agricultural Performance” and “Commercial results”

Concepts	FY 2021		
	Till Harvest	Hvst to Sale	Total
Agricultural Produce at harvest (FVLCS)	1.800		1.800
Accrued Production Costs	(1.280)		(1.280)
NRV Adjustment from harvest to selling date		100	100
Accrued Maintenance Cost		(40)	(40)
Net income	520	60	580

Assumption: The example includes only one agricultural production obtained during one fiscal year, completely sold during the period.

PRESENTATION AND/OR DISCLOSURE OF AGRICULTURAL PERFORMANCE

- Evolution of stocks of Agricultural Produce from harvest to sale in the described model

Concepts	FY 2021
Inventories of Produce at initial date	0
Agricultural Produce at harvest	1.800
NRV Adjustment from harvest to selling date	100
NRV at selling date	1.900
Less: Cost of Sales (Derecognition of inventories)	(1.900)
Inventories of produce at Closing date	0

Assumption: The example includes only one agricultural production obtained during one fiscal year, completely sold during the period.

PRESENTATION AND DISCLOSURE OF AGRICULTURAL PERFORMANCE

- **Presentation in case of agricultural cycles not coinciding with the fiscal year:**
 - The agricultural cycle does not always coincide with the fiscal year, specially for entities having more than one agricultural produce, and therefore it is necessary to disclose production at FVLCS and costs for previous periods to have the whole picture.
 - If not, the “agricultural performance” of the entity cannot be measured, being probably the most important indicator of the performance in the sector.

PRESENTATION AND DISCLOSURE OF AGRICULTURAL PERFORMANCE

- Presentation of agricultural performance when the cycle includes two financial years:

INCOME STATEMENT	P & L		
	FY 2020	FY 2021	TOTAL
Sales	0	2.100	2.100
Costs of sales (a)	0	(1.900)	(1.900)
Sales results	0	200	200
FVLCS adjustment of Biological Assets (b) (Note X)	340	180	520
NRV adjustment of Agricultural Produce (c) (Note Y)	0	60	60
Costs at point of sale	0	(200)	(200)
	340	240	580

(a) NRV measurement at selling date (Option in IAS 2 for agricultural producers)

(b) Difference between FVLCS measurement and accrued costs to YE and to Harvest

(c) Difference between NRV measurement changes from harvest to sales date and accrued maintenance costs for the same period

PRESENTATION AND DISCLOSURE OF AGRICULTURAL PERFORMANCE

□ Disclosure of agricultural performance (Production vs Costs)

Note X				
FVLCS measurement of Biological Assets adjustments composition:				
Concepts	FY 2020	FY 2021	TOTAL	%
Agricultural Production (FVLCS)	1.300	500	1.800	100%
Less: Accrued Production Costs	(960)	(320)	(1.280)	-71%
FV adjustments of BA	340	180	520	29%
Note Y				
NRV measurement of Agricultural Produce adjustments composition:				
Concepts	FY 2020	FY 2021	TOTAL	%
Canges in AP measurement (NRV)	0	100	100	100%
Less: Accrued Manteinance Costs	0	(40)	(40)	-40%
NRV adjustments of AP	0	60	60	60%

MEASUREMENT OF BREEDING CATTLE

- **Problems with the use of FV less costs to sell for acquired breeding cattle:**
 - Difference between acquisition costs and FVLCS creates a counterintuitive loss not reflecting the underlying business.
 - To use for breeding cattle the same measurement method than for the rest of the livestock is in our view a mistake because the information produced is misleading.
 - The use of cost less depreciation and less impairment seems to be a better method for livestock **used only as breeding cattle.**

MEASUREMENT OF BREEDING CATTLE

- **Alternative use of Cost less accumulated depreciation and impairment:**
 - Breeding cattle only used as it, is in many ways, like bearer plants.
 - Exceptional animals (i.e., champions in rural exhibitions) are not represented by normal breeding cattle markets.
 - FV is difficult to obtain for animals not producing cash flows directly but from their produce (semen for example) (Cost-benefit relationship).

Questions to EEG Members

- Do you agree that an entity should disclose separately these two performances (FV changes for the biological asset Vs. NRV changes for the agricultural produce)?
- Do you agree that when the production cycle and the fiscal year do not coincide, management should provide additional disclosure?
- Do you agree to extend the treatment of bearer plant to livestock?
- Do you have any other comments/suggestions on the matters discussed above?



¡THANK YOU VERY MUCH!