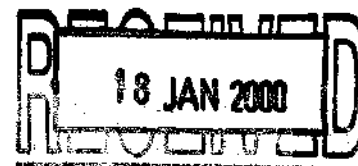


●● Föreningen Auktoriserade Revisorer FAR

The Swedish Institute of Authorised Public Accountants

The Secretary-General
International Accounting Standards Committee
166 Fleet Street
LONDON EC4A 2DY
Storbritannien

10 January 2000



Agriculture, Proposed International Accounting Standard

In response to your request for comments to the proposed International Accounting Standard on Agriculture, the Accounting Practices Committee of the Swedish Institute of Authorised Public Accountants (FAR) has the following comments.

General

FAR agrees that an International Accounting Standard on Agriculture should be issued. FAR does, however, not support the extensive use of fair values in the primary accounts as suggested in the Draft Accounting Standard. FAR believes that the Draft should not be in conflict with the concept of historical cost as value added in many other activities are not recognised until sale. Consequently, we consider that an overall solution to when fair values are to be used is preferable to the piecemeal implementation approach now used. FAR also believes that there are considerable measurement problems when using fair value for biological assets.

As commented in this letter, we foresee problems in determining fair values. If fair values are going to be used we recommend that the standard also handles the situation where fair values can not be determined reliably. This has been done in the standards for Financial Instruments (IAS 39) and the Draft Standard for Investment Properties.

Even though FAR does not support the Draft Accounting Standard on Agriculture, the questions have to a large extent been answered as if a fair value approach was to be used.

Answers to questions

Question 1 – Scope: further processing after harvest (paragraphs 4-7 and 36)

We agree that the final Standard should not address the further processing of agriculture produce after harvest.

We believe that the guidance in paragraphs 4-7 for distinguishing between agricultural activity and further processing is adequate.

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Question 2 – Biological assets: measure at fair value (paragraphs 21 and 36)

We believe biological assets and agricultural produce should be measured at cost.

Question 3 – Reliability of fair value measurement (paragraphs 21-31)

We believe a reliable estimate of fair value can often be made, but in many cases the markets will not be perfect due to geographical and logistical constraints or because the price can only be derived from the price of the end product in an integrated production. If fair values are used, we do not believe that they should be used for biological assets.

Question 4 – Fair value change in net profit or loss (paragraph 22)

If fair values are used we believe the change in fair value should be reported entirely in net profit or loss for the period.

Question 5 – Definition of fair value (paragraph 24)

If fair values are used we believe the price in an active market in the asset's intended location of sale or use is always the best measure of fair value. Such a market is, however, not always available, see question 3 above.

Question 6 – Agricultural land: follow IAS 16 (paragraph 38)

We believe IAS 16 should apply to agricultural land.

Question 7 – Government grants (paragraphs 41-44)

We agree that the grant should be recognised as income immediately if it is unconditional.

Question 8 – Components of biological assets (paragraphs 46-47)

We believe that the options for descriptions given in paragraph 47 give too large a range in information content between the narrative description and the more detailed requirement.

The requirement should be to disclose separately the quantified measurements of the carrying amounts of consumable and bearer components.

Question 9 – Components of change in fair value (paragraphs 52-58)

If fair values are used we believe that if the production cycle is longer than one year an enterprise should be encouraged, but not required, to disclose separately the physical and price components of the change in fair value of its biological assets. We do, however, see measurement problems in making this split.

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Question 10 – Guidance on components of change in fair value (paragraphs 56-58)

We believe the guidance for making the split in paragraphs 56-58 is adequate, if a split is required.

Question 11 – Analysis of expenses (paragraphs 59-60)

We believe that each enterprise should be allowed to decide whether to classify by nature or function.

Question 12 – Disclosures in general (paragraphs 44-67)

We believe that the disclosures are right. If fair value accounting is not used, the disclosures can be reduced, for example paragraphs 50, 51, 52, 53, 55, 56, 57, 58 and 61.

Question 13 – Present value sensitivity disclosure (paragraph 64(c))

If fair values are used we believe such sensitivity disclosure should be required.

Question 14 – Transition: Follow IAS 8 (paragraph 69)

We believe that both the benchmark and the allowed alternative treatments under IAS 8 should be permitted when an enterprise adopts this Standard.

Question 15 – Matters not covered by a specific question

No comment.

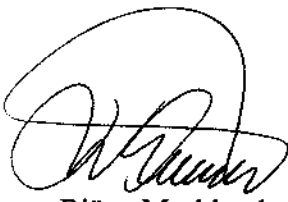
Minor comment

In the consequential amendment to IAS 17, Leases, we believe that the paragraph should be number 2.



Carl-Eric Bohlin

Chairman Accounting Practices Committee



Björn Markland
Secretary General