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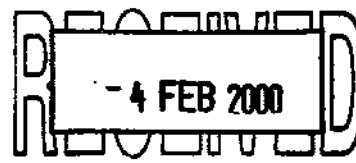
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Sir. Bryan Carsberg
The Secretary—General
International Accounting Standards Committee
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Dear Sir. Bryan Carsberg,

Please find the comments on E65: Agriculture.

Best Regards

Yours Sincerely

冯淑萍

Feng Shuping

Director—General

Department of Accounting

Ministry of Finance, PRC.

CL 4 4**Comments on E65 Agriculture****Question 1 - Scope: further processing after harvest (paragraphs 4-7 and 36)**

Do you :

- (a) agree that the final Standard should not address the further processing? If so, do you believe that the guidance in paragraphs 4-7 for distinguishing between agricultural activity and further processing is adequate; or
- (b) believe that the final standard should address further processing? if so , what method of accounting do you propose?

We agree that the final Standard should not address the further processing. But we also believe whether essential activities after harvest are included in agricultural activity shall be more clear.

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

Do you believe :

- (a) all biological assets should be measured at each balance sheet date at fair value and agricultural produce should be measured at fair value at the point of harvest;
- (b) biological assets should be measured at cost until harvested , and then agricultural produce should be measured at fair value at the point of harvest; or
- (c) all biological assets and agricultural produce should be measured at cost?

If you prefer (b) or (c) above, please explain how cost would be determined.

We prefer (c). The cost should be the directly incurred expenses for the biological assets.

CL 4 4**Question 3 - Reliability of fair value measurement (paragraphs 21-31)**

Do you believe that :

- (a) a reliable estimate of fair value can be determined for (i) biological assets and (ii) agricultural produce at point of harvest;
- (b) a reliable estimate of fair value can usually be determined, and even if, at times, fair value cannot be determined to a very high degree of precision, neither can cost, and on balance an estimate of fair value should be required; or fair value sometimes cannot be determined reliably, and the cost basis should be used? If this is your view, please identify circumstances in which fair value cannot be determined reliably and explain, in such cases, (i) how cost could be determined reliably and (ii) how cost of biological assets and agricultural produce is relevant to the users of the financial statements of an enterprise engaged in agricultural activity.

We believe that fair value sometimes cannot be determined reliably, and the cost basis should be used. The cost should be the directly incurred expenses for the biological assets.

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

If biological assets are measured at fair value, do you believe that the change in fair value should be?

- (a) reported entirely in net profit or loss for the period;
- (b) reported entirely in equity until the asset is sold or consumed, at which time it should be removed from equity and reported in net profit or loss for the period;
- (c) reported entirely in equity until harvest, at which time it should be removed from equity and reported in net profit or loss for the period;
- (d) reported in net profit or loss only to the extent of the physical change component; the price change component should be reported directly in equity until the asset is sold or consumed (or possibly until harvest); or
- (e) reported entirely in equity and, thereafter , never reported in net profit or loss

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for any period?

Alternative (b), (c), and (d) all would report some or all of the change in fair value of biological assets in equity, with ' recycling ' into net profit or loss triggered by a ' realisation ' event such as harvest, sale, or consumption. If you support one of those alternatives, please indicate clearly whether you do so because you do not believe that fair values can be measured reliably prior to a ' realisation ' event or because you do not believe that the change in fair values of biological assets prior to realization is the most appropriate indicator of the performance of an enterprise engaged in agricultural activities.

We believe that the increase and decrease in the fair value of biological assets should be treated in different ways. The increase in the fair value of biological assets should be recognised in equity, while the decrease in the fair value of biological assets should be recognised in net profit or loss for the period. Such a treatment is more conservative. Moreover, we believe fair value changes previously recognised in equity shouldn't be transferred ("recycled") to net profit or loss on disposal of biological assets.

Question 5 - Definition of fair value (paragraph 24)

Do you believe that:

- (a) price in an active market in the asset's intended location of sale or use is always the best measure of fair value; or
- (b) sometimes price in such a market should be adjusted to determine fair value? If so, under what circumstances and how should such market price be adjusted?

We agree with (a).

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

Do you believe that:

- (a) IAS 16 should apply to agricultural land;
- (b) all agricultural land should be measured at fair value, either separately or as part of a combined group that includes the land and related bearer biological assets;

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- (c) only agricultural land that is part of a combined group that includes the land and related bearer biological assets should be measured at fair value;
- (d) enterprises should be permitted or encouraged to measure agricultural land at fair value, but not required; or
- (e) all agricultural land should always be carried at cost, that is, the revaluation alternatives of IAS 16 should be prohibited?

We agree with (a).

Question 7- Government grants (paragraphs 41-44)

Do you:

- (a) agree that the grant should be recognised as income immediately if it is unconditional;
- (b) believe that the grant should be amortised into income over the life of the biological asset (if this Exposure Draft were silent on this matter, amortisation would automatically become the requirement under IAS 20, Accounting for Government Grants and Disclosure of Government Assistance); or
- (c) believe that the grant should reduce the carrying amount of the asset so that the carrying amount is below the fair value of the biological asset? If so, would that reduction continue as long as the asset is held? Would it be amortised?

We agree with (b).

Question 8 - Components of biological assets (paragraph 46-47)

Do you believe that:

- (a) the proposed set out in this Exposure draft is the appropriate way to accomplish the objective of providing information about the nature and stage of production of biological assets;
- (b) separate disclosure of the quantified consumable and bearer components of the carrying amount of each group of biological assets should be required;
- (c) separate disclosure of the quantified mature and immature components of each

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group of consumable and each group of bearer biological assets should be required; or

- (d) subdivisions of biological assets other than a consumable-bearer split and a mature-immature split might provide better information about an enterprise's biological assets in some or all cases and, if so , which type of subdivision(s) and in which case(s) ?

We agree with (a), (b) and (c).

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

Do you believe that if the production cycle is longer than one year:

- (a) an enterprise should be required to disclose separately the components of the change in fair value of its biological assets due to physical changes and price changes;
- (b) 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 ; or
- (c) separate reporting of the physical and price change components should be prohibited because they usually cannot be measured reliably?

We agree with (c).

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

Do you believe that:

- (a) the guidance for making the split in paragraphs 56-58 is adequate; or
- (b) the guidance for making the split in paragraphs 56-58 is inadequate and, if so , how would you modify it ?

We agree with (a).

CL 4 4**Question 11 - Analysis of expenses (paragraphs 59-60)**

Would you:

- (a) require classification by nature of expenses;
- (b) encourage but not require classification by nature of expenses; or
- (c) allow each enterprise to decide whether to classify by nature or function?

We agree with (c).

Question 12 - Disclosures in general (paragraphs 44-46)

Do you believe that the disclosures proposed in those paragraphs:

- (a) are about right;
- (b) are excessive (please indicate which one(s) you would eliminate and reasoning); or
- (c) are insufficient (please indicate your proposed addition(s) and reasoning)?

We agree with (a).

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

Do you believe that:

- (a) such sensitivity disclosure should be required (and, if so, please indicate what type of disclosure should be required) ; or
- (b) such sensitivity disclosure should not be required?

We agree with (a). The disclosures should include the grounds and assumptions that are relied on when determining the discount rate, number of years of income and amount of annual cash flows.

Question 14 - transition: Follow IAS 8 (paragraph 69)

Do you believe that:

- (a) both the benchmark and the allowed alternative treatments under IAS 8 should

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- be permitted when an enterprise adopts this Standard;
- (b) only the benchmark of IAS 8 should be allowed by this Standard;
 - (c) only the allowed alternative of IAS 8 should be allowed by this Standard;
 - (d) the adjustment to biological assets to adopt this Standard should be amortised over the estimated remaining life of the biological assets; or
 - (e) some other transition is appropriate (please specify)?

We agree with (a).

Question 15- Matters not covered by a specific question

We have no other disagreement with the proposed principles.