

Mexico City, January 26, 2000

The Secretary General
International Accounting Standards Committee
166 Fleet Street, London EC4A 2DY
United Kingdom

Re: Exposure Draft E65 – Agriculture

Dear Sir:

As requested in Proposed International Accounting standard Agriculture Exposure Draft issued for comment, enclosed are our comments thereon. The response was also sent by E-mail to reach you before January 31, 2000.

Sincerely yours,

C.P.C. Jorge Arias Chairman
Accounting Principles Committee
Instituto Mexicano de Contadores Públicos (IMCP)

Enclosure 1 – as above mentioned

- Question 1.- Scope. Further processing after harvest. We agree that the final Standard should not address the further processing and we believe that the guidance in paragraphs 4-7 for distinguishing between agricultural activity and further processing is adequate.
- Question 2.- Biological assets: measure of fair value. We believe that 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.
- Question 3.- Reliability of fair value measurement. We believe that 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.
- Question 4.- Fair value change in net profit or loss. If biological assets are measured at fair value, we believe that the change in fair value should be reported entirely in net profit or loss for the period.
- Question 5.- Definition of fair value. We believe that price in an active market in the asset's intended location of sale or use is always the best measure of fair value.
- Question 6.- Agricultural land. We believe that 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.
- Question 7.- Government grants. We agree that the grant should be recognised as income immediately, only if it is unconditional and if the grant is conditional, the enterprise should recognise it as income when there is reasonable assurance that the conditions are met; if the grant is received before the conditions are met, it should be recognized as a liability.
- Question 8.- Components of biological assets. We believe the disclosure could take the form of a narrative description in the notes or, alternatively, an enterprise may choose to separate quantified measurements as the appropriate way to accomplish the objective of providing information about the nature and stage of production of biological assets.

- Question 9.- Components of change in fair value. We believe that 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.
- Question 10.- Guidance on components of change in fair value. The guidance for making the split in paragraphs 56-58 is adequate.
- Question 11.- Analysis of expenses. Analysis of expenses using the classification based on the nature of the expenses should be encouraged but not required.
- Question 12.- Disclosures in general. We believe that the disclosures proposed in paragraphs 44-67 are about right.
- Question 13.- Present value sensitivity disclosure. We believe that such sensitivity disclosure should not be required.
- Question 14.- Transition. We believe that the allowed alternative treatment is to apply the new Standard retrospectively (unless the amount of the prior period adjustment cannot be reasonably determined), to reflect an adjustment to the previous carrying amount of biological assets and agricultural produce in net profit or loss for the period, and not to restate comparative information (but present restated prior period data on a pro forma basis unless impracticable).

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Mexico City
January, 2000