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Subject : Comments on E65.

Dear Sir

Attached please find our comments on the proposed IAS "Agriculture".

Yours sincerely

**C. S. Kim,
Director**

The comments for
proposed International Accounting Standard
– AGRICULTURE - Exposure Draft E65

Question 1 – scope: further processing after harvest

: We agree with (a)

Question 2 – Biological assets: measure at fair value

: We agree with (a)

Because

- 1. fair value provides an appropriate framework for measuring the expected future benefits from a group of biological assets because**
 - a) It enables representation of the effect of biological transformation-the fundamental activity in agriculture. Biological transformation is not accounted for under cost-based measurements**
 - b) most agricultural assets- biological assets, agricultural produce – trade in active markets with observable market prices**
 - c) precedents for fair value measurements exist in other International Accounting Standards**
- 2. fair value has greater relevance, reliability, comparability, and understandability as a measurement of future economic benefits expected from biological assets, than historical cost**
- 3. value changes provide more relevant information about the performance of an enterprise that undertakes agricultural activity than the more traditional historical-cost-based measure of profit or loss**
- 4. reliable measures of the fair values of biological assets and agricultural produce at the the point of harvest are available**
- 5. agricultural enterprises sometimes purchase agricultural produce for resale, and non-agricultural enterprises often engage in processing purchased agricultural produce into consumable products. Therefore measure all harvested agricultural produce at fair value at the date of harvest effectively brings the further processing of agricultural produce under the scope of IAS 2 and is thus consistent**

with the historical cost accounting model as applied to manufacturing processes in general

Question 3 – Reliability of fair value measurement

: We agree with (a)

Because

- 1. markets exist for most biological assets individually or in-groups.**
- 2. prices in these markets provide a basis for determining the fair values of biological assets and agricultural produce**
- 3. in addition to market prices, other accepted methodologies exist for estimating fair values of biological assets and agricultural produce – sector benchmarks, net present value of expected cash flows, net realizable values, cost –(paragraph 23 – 26)**

Question 4 – Fair value change in net profit or loss

: We agree with (a)

Because the change in fair value of biological assets is the most relevant indicator of the performance of an enterprise engaged in agricultural activities

Question 5 – Definition of fair value through question 8 – components of biological assets

: We agree with (a)

Question 9 – Components of change in fair value

: We agree with (b)

Because

- 1. both types of changes affect economic value and both are important components of the income producing activities of an agricultural enterprise**
- 2. separate disclosure of the components is useful in appraising current period performance and future prospects**
- 3. for some types of biological assets owned by some types of enterprises, the enterprise can reliably measure the portion of the total change in fair value due to physical changes separately from the portion due to price changes. In other case, however, the two components can not be separated with reliability**
in short because of the practicability concerns, an enterprise should be encouraged but not required to disclose.....

- paragraph 53 - 54

Question 10 – Guidance on components of change in fair value

: We agree with (a)

I believe that the guidance for making the split in paragraphs 56-58 is adequate

Question 11 – Analysis of expenses

: We would encourage classification by nature because in case of agricultural enterprise, the nature-of-expense method provides more useful information on expenses that might be expected to vary with the level of activity

Question 12- Disclosures in general

: We agree with (a)

Question 13 – Present value sensitivity disclosure

: We agree with (b)

Question 14 – Transition : Follow IAS 8

: We agree with (a)