

Subsequent Expenditure on Biological Assets (IAS 41 Agriculture)

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Updated in January 2026 to replace references to IAS 1 Presentation of Financial Statements with references to IFRS 18 Presentation and Disclosure in Financial Statements

The Committee received a request about the accounting for costs related to the biological transformation (subsequent expenditure) of biological assets measured at fair value less costs to sell applying IAS 41. The request asked whether an entity capitalises subsequent expenditure (ie adds it to the carrying amount of the asset) or, instead, recognises subsequent expenditure as an expense when incurred.

IAS 41 does not specify the accounting for subsequent expenditure for biological assets measured at fair value less costs to sell. Paragraph B62 of the Basis for Conclusions on IAS 41 explains that ‘...the [IASB] Board decided not to explicitly prescribe the accounting for subsequent expenditure related to biological assets in the Standard, because it believes to do so is unnecessary with a fair value measurement approach’.

Accordingly, the Committee concluded that, applying IAS 41, an entity either capitalises subsequent expenditure or recognises it as an expense when incurred. The Committee observed that capitalising subsequent expenditure or recognising it as an expense has no effect on the fair value measurement of biological assets nor does it have any effect on profit or loss; however, it affects the presentation of amounts in the statement of profit or loss. In assessing how to present such subsequent expenditure in the statement of profit or loss, an entity would apply the requirements in IFRS 18. In particular, the Committee observed that:

- a. the entity would—applying paragraphs 23–24 of IFRS 18—present additional line items and subtotals if such presentations are necessary for a primary financial statement to provide a useful structured summary or not present separately a line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary; and
- b. if the expenses are classified in the operating category of the statement of profit or loss, the entity would—applying paragraph 78 of IFRS 18—classify and present expenses in line items in a way that provides the most useful structured summary of its expenses, using one or both of the nature of expenses or the function of the expenses within the entity.

Applying paragraph 13 of IAS 8 *Basis of Preparation of Financial Statements*, an entity would apply its accounting policy for subsequent expenditure consistently to each group of biological assets. An entity would also disclose the selected accounting policy applying paragraphs 27A–27I of IAS 8 if that disclosure would assist users of financial statements in understanding how those transactions are reflected in reported financial performance.

In the light of its analysis, the Committee considered whether to add a project to its standard-setting agenda on the accounting for subsequent expenditure on biological assets. The Committee has not obtained evidence to suggest that standard-setting on this matter at this time would result in an improvement to financial reporting that would be sufficient to outweigh the costs. The Committee therefore decided not to add the matter to its standard-setting agenda.

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