



NZ ACCOUNTING
STANDARDS
BOARD

Agriculture: Bearer Plants (Amendments to NZ IAS 16 and NZ IAS 41)

This Standard was issued on 7 August 2014 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This Standard is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on 4 September 2014.

Reporting entities that are subject to this Standard are required to apply it in accordance with the effective date, which is set out in Part C.

In finalising this Standard, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Standard has been issued to amend the relevant New Zealand Tier 1 and Tier 2 For-profit Accounting Standards as a result of changes to an International Financial Reporting Standard.

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Part A

Introduction

This document sets out amendments to NZ IAS 16 *Property, Plant and Equipment* and NZ IAS 41 *Agriculture*. These amendments update and finalise proposals in IASB Exposure Draft ED/2013/8 *Agriculture: Bearer Plants* (Proposed amendments to IAS 16 and IAS 41) that was issued in June 2013.

The amendments define a bearer plant and include bearer plants within the scope of NZ IAS 16. A bearer plant is defined as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Previously, bearer plants were not defined and bearer plants related to agricultural activity were included within the scope of NZ IAS 41.

Bearer plants are used solely to grow produce. The only significant future economic benefits from bearer plants arise from selling the agricultural produce that they create. Bearer plants meet the definition of property, plant and equipment in NZ IAS 16 and their operation is similar to that of manufacturing. Accordingly, the amendments require bearer plants to be accounted for as property, plant and equipment and included within the scope of NZ IAS 16, instead of NZ IAS 41. The produce growing on bearer plants will remain within the scope of NZ IAS 41.

Part B

Scope

This Standard applies to Tier 1 and Tier 2 for-profit entities.

Amendments to NZ IAS 16 *Property, Plant and Equipment*

Paragraphs 3, 6 and 37 are amended and paragraphs 22A and 81K–81M are added. New text is underlined and deleted text is struck through.

Scope

- ...
- 3 This Standard does not apply to:
- (a) property, plant and equipment classified as held for sale in accordance with NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;
 - (b) biological assets related to agricultural activity other than bearer plants (see NZ IAS 41 *Agriculture*). This Standard applies to bearer plants but it does not apply to the produce on bearer plants.;
 - (c) the recognition and measurement of exploration and evaluation assets (see NZ IFRS 6 *Exploration for and Evaluation of Mineral Resources*);~~or~~;
 - (d) ...

Definitions

6 The following terms are used in this Standard with the meanings specified:

A bearer plant is a living plant that:

- (a) **is used in the production or supply of agricultural produce;**
- (b) **is expected to bear produce for more than one period; and**
- (c) **has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.**

(Paragraphs 5A–5B of NZ IAS 41 elaborate on this definition of a bearer plant.)

Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

...

Elements of cost

...

22A Bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by management. Consequently, references to ‘construction’ in this Standard should be read as covering activities that are necessary to cultivate the bearer plants before they are in the location and condition necessary to be capable of operating in the manner intended by management.

...

Revaluation model

...

37 A class of property, plant and equipment is a grouping of assets of a similar nature and use in an entity's operations. The following are examples of separate classes:

- (a) ...
- (g) furniture and fixtures; ~~and~~
- (h) office equipment-; and
- (i) bearer plants.

...

Effective date and transition

...

81K *Agriculture: Bearer Plants* (Amendments to NZ IAS 16 and NZ IAS 41), issued in August 2014, amended paragraphs 3, 6 and 37 and added paragraphs 22A and 81L–81M. An entity shall apply those amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. An entity shall apply those amendments retrospectively, in accordance with NZ IAS 8, except as specified in paragraph 81M.

81L In the reporting period when *Agriculture: Bearer Plants* (Amendments to NZ IAS 16 and NZ IAS 41) is first applied an entity need not disclose the quantitative information required by paragraph 28(f) of NZ IAS 8 for the current period. However, an entity shall present the quantitative information required by paragraph 28(f) of NZ IAS 8 for each prior period presented.

81M An entity may elect to measure an item of bearer plants at its fair value at the beginning of the earliest period presented in the financial statements for the reporting period in which the entity first applies *Agriculture: Bearer Plants* (Amendments to NZ IAS 16 and NZ IAS 41) and use that fair value as its deemed cost at that date. Any difference between the previous carrying amount and fair value shall be recognised in opening retained earnings at the beginning of the earliest period presented.

Amendments to NZ IAS 41 *Agriculture*

Paragraphs 1–5, 8, 24 and 44 are amended and paragraphs 5A–5C and 62–63 are added. Deleted text is struck through and new text is underlined.

Scope

- 1 This Standard shall be applied to account for the following when they relate to agricultural activity:**
- (a) **biological assets, except for bearer plants;**
 - (b) **agricultural produce at the point of harvest; and**
 - (c) **government grants covered by paragraphs 34 and 35.**
- 2** This Standard does not apply to:
- (a) land related to agricultural activity (see NZ IAS 16 *Property, Plant and Equipment* and NZ IAS 40 *Investment Property*); ~~and~~
 - (b) bearer plants related to agricultural activity (see NZ IAS 16). However, this Standard applies to the produce on those bearer plants.
 - (c) government grants related to bearer plants (see NZ IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*).
 - (~~b~~d) intangible assets related to agricultural activity (see NZ IAS 38 *Intangible Assets*).
- 3** This Standard is applied to agricultural produce, which is the harvested ~~product~~ produce of the entity's biological assets, ~~only~~ at the point of harvest. Thereafter, NZ IAS 2 *Inventories* or another applicable Standard is applied. Accordingly, this Standard does not deal with the processing of agricultural produce after harvest; for example, the processing of grapes into wine by a vintner who has grown the grapes. While such processing may be a logical and natural extension of agricultural activity, and the events taking place may bear some similarity to biological transformation, such processing is not included within the definition of agricultural activity in this Standard.
- 4** The table below provides examples of biological assets, agricultural produce, and products that are the result of processing after harvest:

Biological assets	Agricultural produce	Products that are the result of processing after harvest
Sheep	Wool	Yarn, carpet
Trees in a <u>timber</u> plantation forest	Felled trees	Logs, lumber
Plants	<u>Cotton</u>	Thread, clothing
	Harvested cane	<u>Sugar</u>
Dairy cattle	Milk	Cheese
Pigs	Carcass	Sausages, cured hams
<u>Cotton plants</u>	<u>Harvested cotton</u>	<u>Thread, clothing</u>
<u>Sugarcane</u>	<u>Harvested cane</u>	<u>Sugar</u>
<u>Tobacco plants</u> Bushes	<u>Picked leaves</u> Leaf	Tea, c <u>C</u> ured tobacco
<u>Tea bushes</u>	<u>Picked leaves</u>	<u>Tea</u>

Biological assets	Agricultural produce	Products that are the result of processing after harvest
<u>Grape vines</u>	<u>Picked grapes</u>	Wine
Fruit trees	Picked fruit	Processed fruit
<u>Oil palms</u>	<u>Picked fruit</u>	<u>Palm oil</u>
<u>Rubber trees</u>	<u>Harvested latex</u>	<u>Rubber products</u>
<p><u>Some plants, for example, tea bushes, grape vines, oil palms and rubber trees, usually meet the definition of a bearer plant and are within the scope of NZ IAS 16. However, the produce growing on bearer plants, for example, tea leaves, grapes, oil palm fruit and latex, is within the scope of NZ IAS 41.</u></p>		

Definitions

Agriculture-related definitions

5 The following terms are used in this Standard with the meanings specified:

...

Agricultural produce is the harvested ~~product~~ produce of the entity's biological assets.

A bearer plant is a living plant that:

- (a) is used in the production or supply of agricultural produce;
- (b) is expected to bear produce for more than one period; and
- (c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

A biological asset is a living animal or plant.

...

5A The following are not bearer plants:

- (a) plants cultivated to be harvested as agricultural produce (for example, trees grown for use as lumber);
- (b) plants cultivated to produce agricultural produce when there is more than a remote likelihood that the entity will also harvest and sell the plant as agricultural produce, other than as incidental scrap sales (for example, trees that are cultivated both for their fruit and their lumber); and
- (c) annual crops (for example, maize and wheat).

5B When bearer plants are no longer used to bear produce they might be cut down and sold as scrap, for example, for use as firewood. Such incidental scrap sales would not prevent the plant from satisfying the definition of a bearer plant.

5C Produce growing on bearer plants is a biological asset.

...

General definitions

8 The following terms are used in this Standard with the meanings specified:

...

Government grants are as defined in NZ IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.

Recognition and measurement

- ...
- 24 Cost may sometimes approximate fair value, particularly when:
- (a) little biological transformation has taken place since initial cost incurrence (for example, for ~~fruit tree~~ seedlings planted immediately prior to the end of a reporting period or newly acquired livestock); or
 - (b) the impact of the biological transformation on price is not expected to be material (for example, for the initial growth in a 30-year pine plantation production cycle).

General

- ...
- 44 Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets. Examples of consumable biological assets are livestock intended for the production of meat, livestock held for sale, fish in farms, crops such as maize and wheat, produce on a bearer plant and trees being grown for lumber. Bearer biological assets are those other than consumable biological assets; for example, livestock from which milk is produced, grape vines, and fruit trees from which fruit is harvested, ~~and trees from which firewood is harvested while the tree remains.~~ Bearer biological assets are not agricultural produce but, rather, are self-regenerating held to bear produce.
- ...

Effective date and transition

- ...
- 62 *Agriculture: Bearer Plants* (Amendments to NZ IAS 16 and NZ IAS 41), issued in August 2014, amended paragraphs 1–5, 8, 24 and 44 and added paragraphs 5A–5C and 63. An entity shall apply those amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. An entity shall apply those amendments retrospectively in accordance with NZ IAS 8.
- 63 In the reporting period when *Agriculture: Bearer Plants* (Amendments to NZ IAS 16 and NZ IAS 41) is first applied an entity need not disclose the quantitative information required by paragraph 28(f) of NZ IAS 8 for the current period. However, an entity shall present the quantitative information required by paragraph 28(f) of NZ IAS 8 for each prior period presented.

Consequential amendments to other Standards

NZ IAS 1 *Presentation of Financial Statements*

Paragraph 54 is amended. New text is underlined.

Information to be presented in the statement of financial position

- 54 As a minimum, the statement of financial position shall include line items that present the following amounts:
- (a) ...
 - (f) biological assets within the scope of NZ IAS 41 Agriculture;
 - (g) ...

NZ IAS 17 *Leases*

Paragraph 2 is amended. Deleted text is struck through and new text is underlined.

Scope

- 2 ...
- However, this Standard shall not be applied as the basis of measurement for:
- (a) ...
 - (c) biological assets within the scope of NZ IAS 41 Agriculture held by lessees under finance leases (~~see NZ IAS 41 Agriculture~~); or
 - (d) biological assets within the scope of NZ IAS 41 provided by lessors under operating leases (~~see NZ IAS 41~~).

NZ IAS 23 *Borrowing Costs*

Paragraphs 4 and 7 are amended. Deleted text is struck through and new text is underlined.

Scope

- ...
- 4 An entity is not required to apply the Standard to borrowing costs directly attributable to the acquisition, construction or production of:
- (a) a qualifying asset measured at fair value, for example a biological asset within the scope of NZ IAS 41 Agriculture; or
 - (b) ...

Definitions

- ...
- 7 Depending on the circumstances, any of the following may be qualifying assets:
- (a) ...
 - (e) investment properties-
 - (f) bearer plants.

NZ IAS 36 *Impairment of Assets*

Paragraph 2 is amended. Deleted text is struck through and new text is underlined.

Scope

- 2 This Standard shall be applied in accounting for the impairment of all assets, other than:
- (a) ...
 - (g) **biological assets related to agricultural activity within the scope of NZ IAS 41 Agriculture that are measured at fair value less costs to sell (~~see NZ IAS 41 Agriculture~~);**
 - (h) ...

NZ IAS 40 *Investment Property*

Paragraphs 4 and 7 are amended. Deleted text is struck through and new text is underlined.

Scope

- ...
- 4 This Standard does not apply to:
- (a) biological assets related to agricultural activity (see NZ IAS 41 *Agriculture* and NZ IAS 16 *Property, Plant and Equipment*); and
 - (b) ...

Classification of property as investment property or owner-occupied property

- ...
- 7 Investment property is held to earn rentals or for capital appreciation or both. Therefore, an investment property generates cash flows largely independently of the other assets held by an entity. This distinguishes investment property from owner-occupied property. The production or supply of goods or services (or the use of property for administrative purposes) generates cash flows that are attributable not only to property, but also to other assets used in the production or supply process. NZ IAS 16 ~~*Property, Plant and Equipment*~~ applies to owner-occupied property.

Part C

Effective date

This Standard is effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.