



**INTERNATIONAL FEDERATION  
OF ACCOUNTANTS**

545 Fifth Avenue, 14th Floor  
New York, New York 10017  
Internet: <http://www.ifac.org>

Tel: (212) 286-9344  
Fax: (212) 286-9570

**Agenda Item**  
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**DATE:** August 10, 2009  
**MEMO TO:** Members of the IPSASB  
**FROM:** Joy Keenan  
**SUBJECT:** Agriculture

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**OBJECTIVES OF THIS SESSION**

- To **consider** responses to the April 2009 ED 36, “Agriculture”
- To **discuss** views and options as to how to address respondents’ concerns
- To **agree** the next steps to complete the project

**AGENDA MATERIAL**

- 2.1 Analysis of Key Issues
- 2.2 Respondent’s Comments Regarding Key Issues (Cut and Paste)
- 2.3 Minor and Editorial Comments (Cut and Paste)
- 2.4 Response Booklet (previously circulated)
- 2.5 Analyses of Respondents by Geographic Location, Function and Language

**BACKGROUND**

Project History

This project was commenced to develop an IPSAS on agriculture for the public sector. The project was assessed under the “Rules of the Road” and the determination made that an IPSAS could be developed that would be converged with IAS 41, “Agriculture.”

1. At the Zurich meeting in October 2008, the IPSASB considered a preliminary draft of an Exposure Draft, “Agriculture” drawn primarily from IAS 41. The IPSASB made a number of decisions, including that the ED should not deal with biological assets held for public welfare purposes, such as police dogs and forests cultivated for soil conservation purposes, and other activities of a non-commercial nature.
2. At the Paris meeting in February 2009, the IPSASB approved ED 36, “Agriculture,” which reflected the IPSASB’s earlier decisions. Prior to approving the ED, the IPSASB confirmed that the scope included non-exchange transactions.

3. A total of 16 responses to the ED were received. Analyses of the respondents' comments on the issues are included as AP 2.1, AP 2.2 and AP 2.3. Copies of the full responses were provided to Members previously.

#### Overall Summary

4. Nine of the sixteen respondents (#1, 3, 4, 5, 6, 7, 8, 9 and 14) expressed positive support for the ED and the development of an IPSAS. Some supportive respondents also raised certain issues, noted below. Respondents #2 and 11 indicated the IPSAS should not be finalized primarily because of issues in adopting IAS 41 as a standard in New Zealand rather than particular public sector issues related to ED 36. Respondent 11 also did not support finalizing the IPSAS, arguing that it is not a priority for the public sector. The other respondents did not express an overall view.
5. The main issues raised in the responses relate to the appropriateness of fair value measurement and reporting as set out in IAS 41 specifically with respect to accounting and reporting of non-exchange transactions. The key issues are analyzed in detail at **AP 2.1**. Many of the comments highlight issues that are interrelated to this broad issue, including:
  - (a) Consideration of alternative basis for measuring biological assets to be *transferred* “at fair value less cost to sell” when the assets will be transferred at less than fair value (in a non-exchange transaction);
  - (b) Clarity in initial recognition and measurement and subsequent measurement and reporting, in particular:
    - (i) Whether ED 36 or IPSAS 23 applies at initial recognition for biological assets acquired in non-exchange transactions;
    - (ii) When, why, and how the service potential of a biological asset or agricultural produce is expected to be considered in subsequent measurement at fair value;
    - (iii) The appropriateness of reporting changes in fair value of biological assets in the operating statement for non-exchange transactions;
6. Other issues respondents raised are analyzed at AP 2.2. They include:
  - (a) Definition of an agricultural activity (other than issues related to non-exchange transactions);
  - (b) Specific issues related to disclosure requirements; and
  - (c) The need for transitional provisions for first time adoption of this IPSAS and for first-time adoption of the accrual basis of accounting.

7. Based on the responses received there are a number of key issues that need to be discussed by the IPSASB. These relate primarily to public sector specific issues around fair value measurement and reporting of non-exchange transactions and related scope and definition issues. Staff notes that there was little debate on the issue of fair value measurement and other matters related to the inclusion of non-exchange transactions in the scope when the ED was approved. Given the respondents' comments in this area, further discussion of the options around some of these issues is needed.
8. Staff has undertaken a detailed review and analysis of the responses and issues raised. The accompanying materials outline the staff analyses of the issues along with the alternatives for resolving these issues. Once the IPSASB has discussed the issues and agreed upon an appropriate course of action, staff will be able to revise the ED to reflect these decisions.
9. As with all summaries, judgment has been necessary in classifying responses and in drawing out major points made by respondents. While staff have attempted to identify key extracts from each submissions, in many cases an extract does not do justice to the full response. The analyses in the agenda papers provided should therefore be read in conjunction with the submissions themselves.

## ANALYSIS OF KEY ISSUES

### Purpose of this Paper

To analyze the key issues respondents raised concerning ED 36, consider alternatives, and propose solutions.

### What Respondents Said

As indicated in agenda paper (AP) 2.0, respondents were generally supportive of ED 36, including its applicability to *non-exchange transactions* (transfers/distributions and acquisitions/receipts of biological assets), an important public sector issue. Respondents did not indicate disagreement with measuring *exchange* transactions at fair value less costs to sell.

Respondents' main concerns are as follows:

1. The appropriateness of fair value measurement for biological assets to be ultimately *transferred/distributed* in non-exchange transactions (see Appendix for summary of proposals)
2. Clarification of initial and subsequent measurement of biological assets *acquired/received* in non-exchange transactions (see Appendix for summary of proposals)
3. Need for additional guidance on fair value measurement
4. Scope exclusion of "biological assets used to provide a service"/inclusion of references to "service potential"
5. Transitional provisions
6. Disclosures

Detailed comments related to these issues are included as a cut-and-paste in AP 2.2; however, responses should be read in full to understand the context of the comments.

### Analysis of Key Issues:

#### 1. Measurement of biological assets to be transferred/distributed in a non-exchange transaction

##### *ED 36 – Fair Value less Costs to Sell*

ED 36 is intended to apply to transfer/distribution through both non-exchange and exchange transactions. However, ED 36.15-16 requires the subsequent measurement basis of fair value less costs to sell without distinguishing between non-exchange and exchange transactions:

15. **A biological asset shall be measured on initial recognition and at each reporting date at its fair value less costs to sell, except for the case described in paragraph 32 where the fair value cannot be measured reliably.**
16. **Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. ...**

This measurement basis is consistent with IAS 41 although IAS 41 addresses only those biological assets intended for final distribution in an exchange transaction.

Respondents #5, 10, 11 and 13 questioned whether fair value less costs to sell is appropriate for the subsequent measurement during the transformation process, of biological assets to be transferred/distributed in a non-exchange transaction. They noted that fair value measurement requires recognition of unrealized gains each accounting period. ED 36.28 requires any such gains to be reported through the operating statement. Because biological assets to be transferred in a non-exchange transaction are not held for sale, it can be argued that the reporting of such gains—which may be followed by a potentially large loss at the point of transfer for nominal or nil consideration— may not provide relevant information to users. Respondents # 2, 11 and 13 noted that even if such gains are recognized, it is not appropriate to report them through the operating statement. They suggested that if such gains are recognized, they should be reported directly through net assets/equity, similar to valuation changes for property, plant and equipment.

On the other hand, it is noted that fair value reporting provides greater transparency and accountability for the biological assets during the transformation process.

Based on respondents' comments to the ED, staff considers that there is a potential public sector specific issue that needs to be addressed.

*Is Lower of Cost and Current Replacement Cost a viable alternative?*

In order to address this public sector specific issue raised by respondents, staff considered whether a different measurement alternative would be appropriate. The closest analogy to the issue of assets to be distributed at no charge or for a nominal charge is found in IPSAS 12, *Inventories*. IPSAS 12.17 deals with a similar case of assets to be held for ultimate distribution at no charge or for a nominal charge. It requires that such assets be measured at the lower of cost or current replacement cost<sup>1</sup> where they are held for:

- (a) Distribution at no charge or for a nominal charge; or
- (b) Consumption in the production process of goods to be distributed at no charge or for a nominal charge.

This treatment for such assets differs from the treatment of other inventories in IPSAS 12, which are accounted for at the lower of cost and net realizable value. The difference recognizes that assets to be transferred/distributed in a non-exchange transaction are fundamentally different from those to be disposed of in an exchange transaction— analogous to the situation in ED 36.

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<sup>1</sup> Current replacement cost is defined in IPSAS 12.9 as “the cost the entity would incur to acquire the asset on the reporting date.”

If this alternative is supported, the additional guidance at IPSAS 12.43 could be adapted and included in this IPSAS. Suggested wording, based on IPSAS 12.43 would be as follows:

**Distributing Biological Assets or Agricultural Produce at the Point of Sale at No Charge or for a Nominal Charge**

xx. A public sector entity may hold biological assets and agricultural produce whose future economic benefits or service potential are not directly related to their ability to generate net cash inflows. These types of assets may arise when a government has determined to distribute certain biological assets or agricultural produce at the point of sale at no charge or for a nominal amount. In these cases, the future economic benefits or service potential of the biological assets or agricultural produce for financial reporting purposes is reflected by the amount the entity would need to pay to acquire the economic benefits or service potential if this was necessary to achieve the objectives of the entity. Where the economic benefits or service potential cannot be acquired in the market, an estimate of replacement cost will need to be made. If the purpose for which the biological asset or agricultural produce is held changes, then the biological asset is valued using the provisions of paragraph 15 or the agricultural produce is valued using the provisions of paragraph 16.

It is noted that this alternative relies on “management’s intent” to distribute the biological assets or agricultural produce at the point of sale. Because such intent may not be readily verifiable, the valuation may be subject to manipulation. However, the same issue exists currently in applying IPSAS 12.

**Staff Recommendation:**

Subsequent measurement of biological assets intended for ultimate disposal through a non-exchange transaction should be at the lower of cost/current replacement cost. This is a more appropriate treatment of this public sector specific issue. The IN and BC sections would need to clearly distinguish between initial and subsequent measurement for exchange and non-exchange transactions. The BC section would also need to set out the IPSASB’s reasons for the change (i.e., assets held for transfer are different in substance from those held for sale). In addition, there may instances where ED 36 would need to be amended because the guidance in ED 36 does not apply to non-exchange transactions (e.g., “onerous contracts”).

**Key Issue #1 – Questions for IPSASB:**

Do you agree that ED 36 should be modified for assets **to be transferred/distributed** through non-exchange transactions?

**2. Measurement of biological assets received through non-exchange transactions**

*Should ED 36 or IPSAS 23 Apply?*

Respondents #1 and 5 indicated that clarity is needed for the initial and subsequent measurement of biological assets acquired/received in non-exchange transactions. Respondent #5 disagreed that ED 36 should address the initial measurement of biological assets received through non-exchange transactions, as indicated in IN6. The respondent

noted that this standard should clarify that IPSAS 23 deals with the initial recognition and measurement, consistent with other types of assets acquired/received through non-exchange transactions, and ED 36 deals with the subsequent measurement.

In addition, it was noted that IN6 does not clearly indicate which aspects of measurement of biological assets are addressed in IPSAS 23. IN6 states:

IPSAS XX (ED 36) does not deal with accounting for non-exchange revenue from government grants related to biological assets and agricultural produce. IPSAS 23, "Revenue from Non-Exchange Transactions (Taxes and Transfers)" provides requirements and guidance for the accounting of government grants related to agricultural activity. IPSAS XX (ED 36) deals with the measurement of biological assets acquired in non-exchange transactions, both at initial recognition and subsequently. IPSAS 23 deals with other aspects of accounting for biological assets.

ED 36.15-16 requires initial measurement of biological assets in agricultural activity initially and subsequently at fair value less costs to sell in all cases except as noted in ED 36.32 (where the fair value cannot be measured reliably). This treatment differs from that required by IPSAS 23, which requires initial measurement of non-exchange transactions at fair value in all cases.

No specific reference to IPSAS 23 is provided in the body of ED 36 to replace this section of IAS 41, nor is the guidance noted above provided in ED 36. Thus, without specific reference to the aspects of IPSAS 23 which apply, there is a lack of clarity as noted by the respondent.

Respondent #5 indicated that the BC does not provide a rationale as to why the IPSASB believes it is appropriate to have a different basis for initial measurement from other assets acquired through non-exchange transactions. In regards to this issue, BC5 states:

IAS 41 provides requirements and guidance for accounting for government grants related to biological assets measured at fair value less costs to sell and agricultural activity. IAS 41 relies on the definition of government grants in IAS 20, "Government Grants." IPSAS 23, "Revenue from Non-Exchange Transactions (Taxes and Transfers)" deals with accounting for government grants provided in non-exchange transactions. Since such grants are within the scope of IPSAS 23, the requirements for the definition and the accounting treatments in IAS 41 relating to government grants have not been incorporated in this Standard.

#### *What Other IPSASs Require*

Other assets acquired through a non-exchange transaction addressed in existing IPSASs are initially measured at fair value in accordance with IPSAS 23 (therefore, excluding "costs to sell"). This principle is reflected in IPSAS 12.16 for inventories, IPSAS 16.27 for investment property and IPSAS 17.27 for property, plant and equipment (and proposed in ED 40 for intangible assets).

This alternative has merit because it retains the fundamental public sector accounting principle for initial measurement of assets acquired through non-exchange transactions at

fair value. As noted by Respondent #5, it is not necessary that IPSASB adopt the same measurement principle as the private sector if it is inconsistent with the IPSASB's existing principles. In the public sector, biological assets acquired through non-exchange transactions are likely to be more prevalent than those in the private sector, so it is important that the initial measurement for such assets be consistent with other assets acquired in a similar manner.

**Staff Recommendations:**

Staff recommends that the IPSASB adopt a consistent treatment with other IPSASs involving assets acquired through non-exchange transactions, as noted by Respondent #5. This would require a specific reference that such transactions are exceptions to the measurement principle currently at ED 36.15:

- 15. A biological asset shall be measured on initial recognition and at each reporting date at its fair value less costs to sell, except for the case described in paragraph 32 where the fair value cannot be measured reliably and when the biological asset is acquired through a non-exchange transaction as described in paragraph xx.**

In addition, a specific requirement (bold face) should be added that such transactions be measured initially at fair value (similar to IPSAS 121.16, IPSAS 16.27 and IPSAS 17.27):

- xx. When a biological asset is acquired through a non-exchange transaction, it shall be measured on initial recognition at its fair value as at the date of acquisition.**

The IN and BC sections would be revised accordingly. In particular, the BC would need to indicate the IPSASB's conclusion on this public sector specific issue and the reason for divergence..

This proposal would also mean that certain of the proposed consequential amendments would need to be changed.

The consequential amendment to IPSAS 23 set out in ED 36 (shown below as underlined text), would not need to be made (i.e., paragraph 42 would be unchanged, and the underlined text would not be added).

- 42. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition except for a biological asset or agricultural produce recognized in accordance with IPSAS XX (ED 36) "Agriculture."**

The consequential amendment proposed to IPSAS 12.29 in ED 36 would need to be further amended to appropriately address this issue.

**Cost of Agricultural Produce Harvested from Biological assets**

29. In accordance with ~~the relevant international or national accounting standard dealing with agriculture~~ IPSAS XX (ED 36), "Agriculture," inventories comprising agricultural produce that an entity has harvested from its biological assets ~~may~~ shall be measured on initial recognition at their fair value if they were received through a

non-exchange transaction, or at fair value less estimated point-of-sale costs to sell at the point of harvest if they were acquired in an exchange transaction. This is the cost of the inventories at that date for application of this Standard.

In addition, to address various respondents' comments that it is not clear which aspects of IPSAS 23 apply, the following wording is suggested (location to be determined):

- xx. IPSAS 23 applies to initial measurement of biological assets acquired through non-exchange transactions and the revenue related such biological assets.

**Key Issue #2 – Question for IPSASB:**

Do you agree that initial measurement of biological assets **acquired** through non-exchange transactions should be consistent with IPSAS 23?

**3. Need for Additional Guidance on Fair Value Measurement**

The following comments were made in conjunction with the issue of fair value measurement overall.

(a) *Exceptions to the fair value less costs to sell requirement*

ED 36.32 states:

**There is a presumption that fair value can be measured reliably for a biological asset. However, that presumption can be rebutted only on initial recognition for a biological asset for which market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such a case, that biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses.**

Respondent #11 recommended that this rebuttable presumption be expanded to include cases subsequent to initial recognition. Both Respondent #11 and #13 commented on the difficulties in measuring fair value when:

- Values for the agricultural produce (e.g. fruit), which forms part of the bearer asset (e.g. tree/vine) prior to harvest, are unable to be determined until many months after balance date due to delayed sales programmes and payments by exporters.
- There is no active market for bearer biological assets in horticulture.
- There is government intervention in “managing” the prices of biological assets the government owns.

Staff is not persuaded that the examples cited above are unique to the public sector. Even if governments are intervening to manage prices of biological assets, the interventions would also affect the fair/market value of biological assets being produced by private sector entities that own such biological assets. Likewise, private sector entities would also be faced with the issues of no active market for bearer biological assets in horticulture and of differences in determining market value at the reporting date versus the prices at

which the assets will be sold. Staff believes these issues were appropriately considered in paragraphs BC13-20 of IAS 41 when the IASB considered the appropriateness of fair value measurement of biological assets. In addition, there is guidance in ED 36.17-27 (consistent with IAS 41), on how to measure fair value in certain cases, including those noted by the respondents. This guidance is not intended as “exceptions” to the fair value less costs to sell principle.

**Staff Recommendation:**

No change is required.

*(b) Consideration of Service Potential*

Respondent #10 indicated that service potential needs to be considered in determining fair value. Respondent #1 noted that “Fair value calculations do not normally take service potential into account, although some sources believe that the market considers service potential when assigning a price to an asset.” Respondent #1 noted:

“IASB (CICA authored) 2005 Discussion Paper, “Measurement Bases for Financial Accounting (Initial Measurement)” states: “330. In summary, fair value incorporates the essential properties of replacement cost from the market’s perspective. The market price of an asset reflects the market’s perception of the highest and best use of the asset’s productive capacity or service potential. This is the “most economic” price of that capacity or service potential in the marketplace, taking into account publicly available information with respect to possible substitutes for delivering that potential or capacity.” PSAB Staff are not convinced that fair value is a proxy for the value of the productive capacity or service potential of an asset. And, IPSAS 21 uses “value in use” to calculate the impairment of non-cash generating assets, rather than fair value as is used for cash generating assets.

Alternatively, ED 36.25 could be amended as shown below to add references to “service potential” following “cash flows” to clarify that service potential is considered in determining fair value.

In agreeing an arm’s length transaction price, knowledgeable, willing buyers and sellers consider the possibility of variations in cash flows and service potential. It follows that fair value reflects the possibility of such variations. Accordingly, an entity incorporates expectations about possible variations in cash flows and service potential into either the expected cash flows, or the discount rate, or some combination of the two. In determining a discount rate, an entity uses assumptions consistent with those used in estimating the expected cash flows and service potential, to avoid the effect of some assumptions being double-counted or ignored.

Staff believes service potential is implicit in the definition of fair value as knowledgeable, willing parties would consider this factor. Staff agrees with the sources quoted above that believe the market considers service potential when assigning a price to an asset.

**Staff Recommendation:**

No change is required.

**Key Issue #3 – Questions for IPSASB:**

1. Do you agree that additional guidance on exceptions to the fair value requirement is not required?
2. Do you agree that it is not necessary to specifically indicate that service potential is considered in determining fair value?

**4. Scope and Definition of Agricultural Activity**

Respondents #2, 3, 4, 5, 7, 8, 9, 10, 11, 14 and 15 made various comments on the scope of ED 36.

Respondents # 3, 4, 8, 10 and 14 expressed agreement with the scope.

However, respondents' specific comments on the scope and definition of agricultural activity highlighted that clearly defining the scope of ED 36 hinges on the definition of "agricultural activity."

The main concern in this regard relates to biological assets held for the supply of services and references to service potential in ED 36. Respondents also raised other concerns related to the scope of the ED and the definition of "agricultural activity."

Biological Assets Held for the Supply of Services/References to Service Potential

Respondents #1, 5 and 15 indicated clarity is required as to the implications of references to "service potential" in light of the scope exclusion of biological assets held for the supply of services.

*ED 36*

Paragraph 3(c) of ED 36 excludes from the scope of the standard "biological assets held for the supply of services."

ED 36.3(c) states:

3. This Standard does not apply to:  
...  
(c) Biological assets held for the supply of services.

Consistent with other IPSASs, the phrase "future economic benefits" was amended to "future economic benefits and service potential" throughout ED 36

Staff believes the lack of clarity identified by respondents arises because the overall category of biological assets is broad. However, only biological assets used in agricultural activity (as defined in paragraph 8 below) are included within the scope of ED 36, as noted in the objective and scope (ED 36.1 and ED 32.2), below:

**Objective**

1. The objective of this Standard is to prescribe the accounting treatment and disclosures for agricultural activity.

**Scope**

2. **An entity which prepares and presents financial statements under the accrual basis of accounting shall apply this Standard for the following when they relate to agricultural activity:**
  - (a) **Biological assets; and**
  - (b) **Agricultural produce at the point of harvest.**

Paragraph 8 of ED 36 defines agricultural activity as follows:

**Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for sale, including exchange or non-exchange transactions, or for conversion into agricultural produce, or into additional biological assets.**

The intent of paragraph 3(c) of the ED and the examples in the BC (shown below) was to exclude biological assets that are not used in agricultural activity.

ED 36.BC3 notes:

The IPSASB acknowledged that in the public sector biological assets are often used in the supply of services. Examples of such biological assets include horses and dogs used for policing purposes and plants and trees in parks and gardens operated for recreational purposes. In order to clarify that such biological assets are not dealt with in this Standard the IPSASB decided to include a scope exclusion in paragraph 3(c) stating that the Standard does not apply to biological assets held for the supply of services.

As indicated by Respondent #6, this IPSAS is only intended to address biological assets related to agricultural activity. The intended scope is clearly stated in ED 36.2, noted above. The exclusion of “biological assets held for the supply of services” in ED 36.3(c) is redundant and confuses the issue.

By definition, the examples of excluded activities noted in BC3 are implicitly not within the scope of ED 36 because they are not agricultural activities (i.e., they do not involve biological transformation for sale or conversion). If the IPSASB determines it necessary, the BC wording could be specifically amended to refer to “provision of services in a non-agricultural activity.”

Although staff believes the scope exclusion in paragraph 3(c) is not necessary, the scope could be additionally clarified if the IPSAS indicated where the accounting for such assets might be found. As suggested by Respondents #5 and 9, the guidance could also indicate the difference between biological assets addressed in IPSAS 12 and ED 36 as well as when the classification of biological assets changes, such that the asset would move from being accounted for under one of the IPSASs to another.

If the IPSASB believes ED 36.2 is not clear in and of itself, paragraph 3(c) would need to be amended to clearly indicate that biological assets used to provide a service in a non-

agricultural activity are excluded from the scope. Examples in BC3 could be moved to the ED as guidance, as proposed by Respondents #1 and 5.

**Staff Recommendation:**

Staff recommends the first option be selected as the scope of the IPSAS is “agricultural activity,” which is clearly defined. This alternative should result in the least confusion. The IN and BC would be amended to reflect this decision. In particular, the BC would specify why the scope exclusion was deleted.

*General Comments on Scope/Definition of Agricultural Activities and Staff Recommendations*

Respondents #2 and 11 recommended a specific exclusion for “pasture that will be consumed *in situ* by other biological assets.” Staff does not believe it is necessary to specifically scope out grass on pastoral land as suggested by respondents #2 and 11, because this is not a unique public sector issue (i.e., it would also exist in private sector farms).

Respondent #13 indicated that it would be appropriate to clearly define broad economic management and stewardship of natural resources as being outside the definition of agricultural activities in paragraph 3 of the exposure draft. Staff believes the definition of agricultural activity would implicitly exclude the “stewardship” activities, as they do not involve biological transformation. No change is recommended.

Respondent #15 noted that the definition needed to be clarified because “...it could be argued that the definition of ‘agricultural activity’ includes activities aimed at protecting endangered species or establishing forests for flood prevention, because it includes management to transform biological assets into additional biological assets.” Staff believes that if the activity meets the definition of an agricultural activity as noted by the respondent, it may well fall within the scope of ED 36. In other cases, the examples noted above will not meet the definition. Judgment would be required in applying the definition to the specific facts and circumstances of the activity.

Respondent #1 commented that the examples in BC3 should be included in the body of the standard. Staff does not believe these changes are necessary, because they do not deal with unique public sector issues. For example, private sector entities may also use dogs (e.g., guard dogs) and horses (e.g., equestrian centers) which are also not considered agricultural activity and are implicitly excluded from the scope of IAS 41. No change is recommended.

**Key Issue #4 – Questions for the IPSASB:**

1. Do you agree with the proposal to delete paragraph 3(c) and amend the BC to clarify why the examples are excluded (i.e., they are not used in agricultural activity)?
2. Do you agree that the staff proposals for each of the general comments on scope and the definition of “agricultural activity” are appropriate?

**5. Disclosure**

The ED contains certain disclosure requirements that differ from IAS 41. Respondents questioned the reasons for such differences. They also asked for some additional disclosures.

*Specific Issues and Staff Recommendations*

- (a) Respondent #5 indicated that the GFS classifies certain biological assets (e.g., consumable assets) as inventory and not as fixed assets, whereas the IPSAS classifies such assets as biological assets and only at the point of harvest are some of these biological assets classified as inventories. The respondent also noted that this difference has not been considered by the IPSASB (it was not previously included in the comparison undertaken by the IPSASB between IPSASs and statistical bases of reporting as there was no IPSAS at the time).

It was suggested that the disclosure of bearer and consumable biological assets as is currently in ED 36 be required rather than encouraged to address this issue.

Staff agrees with this suggestion on the basis that it is a public sector issue that requires clarity. The IPSASB also needs to consider whether this change would also require including definitions of “bearer biological assets” and “consumable biological assets” in the Definitions section (see agenda item 2.3), as proposed by Respondent #5. The terms are currently embedded in paragraph 40 of ED 36, along with examples.

- (b) Respondent #5 questioned why paragraph 46(c) was deleted and suggested that the paragraph should be amended to refer to “the relevant international or national standard dealing with non-current assets held for sale and discontinued operations.” This wording would be consistent with the treatment of such references in other IPSASs that refer to “the relevant international or national standard dealing with [issue],” and with a similar change made in ED 36.32.

Staff agrees with this suggestion to reinstate paragraph 46(c), making the appropriate changes.

Proposed wording would be as follows:

- (c) **decreases attributable to sales and biological assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 the relevant international or national standard dealing with non-current assets held for sale and discontinued operations;**
- (c) Respondent #5 recommended that if the current measurement requirements for biological assets to be transferred/distributed in a non-exchange transaction remain, the disclosure requirements should be amended to require an entity to explain the purpose for which the biological asset is held (either for sale or transfer) and provide enough detail in order for users to interpret the unrealized gains and losses appropriately.

Staff agrees with the respondent's recommendation if the IPSASB does not decide to change the measurement for such transactions. The issue of biological assets intended for transfer/distribution in a non-exchange transaction is a public sector specific issue. The recommended disclosure would be an appropriate way to distinguish such unrealized gains from those related to biological assets intended for sale in an exchange transaction.

- (d) Respondent #5 suggested that, although it is not a requirement in IAS 41, additional disclosure requirements to those in IAS 41 relating to restrictions on the sale or transfer of biological assets would provide useful information on the risks and rewards associated with the activity. Such restrictions would include those imposed by legislation on the transfer of or selling of biological assets that form part of an agricultural activity or certain licensing agreements.

The respondent noted that similar requirements are contained in some of the other asset standards. However, the IPSAS 17.89(a) wording regarding restrictions is similar to ED 36.44 (a):

IPSAS 17.89 states:

- 89. The financial statements shall also disclose for each class of property, plant and equipment recognized in the financial statements:**
  - (a) The existence and amounts of restrictions on title, and property, plant and equipment pledged as securities for liabilities;**

ED 36.44(a) states:

- (a) The existence and carrying amounts of biological assets whose title is restricted and the carrying amounts of biological assets pledged as security for liabilities;**  
...

Staff does not believe the suggested additional wording is public sector specific, and accordingly, does not recommend making the suggested change.

- (e) Amend the wording of paragraph 36 to clarify application (Respondent #1).  
Paragraph 36 of ED 36 reads as follows (consistent with IAS 41.40):

**36. An entity shall disclose the aggregate gain or loss arising during the current period on initial recognition of biological assets and agricultural produce and from the change in fair value less costs to sell of biological assets.**

Staff agrees this paragraph is not entirely easy to read; however, it is also not unduly complex. It is not a unique public sector concern. Staff recommends no change be made.

**Key Issue #5 – Question for the IPSASB:**

Do you agree with the proposals to address respondent's comments on disclosure, set out above?

**6. Transitional Provisions**

ED 36 Respondents #1, 5 and 15 indicated the need for specific transitional provisions for first time adoption of the standard and for first time adoption of accrual basis IPSASs.

Other IPSASs dealing with assets (e.g., IPSAS 16, IPSAS 17 and ED 40 contain detailed requirements for these circumstances, which seems a sensible approach for this IPSAS also.

**Staff Recommendation:**

The revised ED should include detailed transitional provisions consistent with IPSAS 16, IPSAS 17 and ED 40.

Proposed wording would be similar to the following (wording based on ED 36 requirements, subject to changes the IPSASB may agree to regarding measurement at fair value less costs to sell):

**Transitional Provisions and Effective Date**

**First-time Adoption of this Standard by an Entity that Applies the Accrual Basis of Accounting**

- xx. **An entity that follows the accrual basis of accounting as set out in the IPSASs shall apply this Standard to the accounting for biological assets and agricultural produce at the point of harvest prospectively from the beginning of the first annual period beginning on or after MM DD, YYYY.**
- xx. **The entity shall initially recognize biological assets and agricultural produce at the point of harvest at fair value less costs to sell. Biological assets and agricultural produce at the point of harvest that were acquired in a non-exchange transaction shall be recognized at fair value.**
- xx. **The entity shall recognize the effect of the initial recognition of biological assets and agricultural produce at the point of harvest as an adjustment to the opening balance of accumulated surpluses or deficits for the period in which the biological assets and agricultural produce are initially recognized.**

### **Early Application**

- xx. Entities to which paragraph xx applies are encouraged to apply the requirements of this Standard before the effective dates specified in paragraph xx. However, if an entity applies this Standard before those effective dates, it also shall apply IPSAS 21 and IPSAS 26 at the same time.
- xx. Prior to first application of this Standard, an entity may recognize its biological assets and agricultural produce at the point of harvest on a basis other than fair value less costs to sell as defined in this Standard, or may control such assets that it has not recognized. This Standard requires entities to initially recognize intangible assets fair value less costs to sell as at the date of initial recognition.
- xx. IPSAS 3 requires an entity to retrospectively apply accounting policies unless it is impracticable to do so. Therefore, when an entity initially recognizes a biological asset or agricultural produce at the point of harvest in accordance with this Standard, it shall also recognize any accumulated impairment losses that relate to that item, as if it had always applied those accounting policies.

### **First-time Adoption of the Accrual Basis of Accounting**

- xx. **Entities are not required to recognize biological assets or agricultural produce at the point of sale for reporting periods beginning on a date within five years following the date of first adoption of the accrual basis of accounting in accordance with International Public Sector Accounting Standards.**
- xx. **An entity that adopts the accrual basis of accounting for the first time in accordance with International Public Sector Accounting Standards shall initially recognize biological assets and agricultural produce at the point of sale at fair value less costs to sell, as required under this Standard. For biological assets and agricultural produce at the point of sale that were acquired through non-exchange transactions, cost is the item's fair value as at the date of acquisition (see paragraphs xx-xx).**
- xx. **The entity shall recognize the effect of the initial recognition of biological assets and agricultural produce at the point of sale as an adjustment to the opening balance of accumulated surpluses or deficits for the period in which the biological asset or agricultural produce at the point of sale is initially recognized.**
- xx. The transitional provisions in paragraphs xx and xx are intended to give relief in situations where an entity is seeking to comply with the provisions of this Standard, in the context of implementing accrual accounting for the first time in accordance with International Public Sector Accounting Standards, with effect from the effective date of this Standard or subsequently. When entities adopt the accrual basis of accounting in accordance with International Public Sector Accounting Standards for the first time, there are often difficulties in compiling comprehensive information on the existence and valuation of biological assets and agricultural produce at the point of sale. For this reason, for a five-year period following the date of first adoption of accrual accounting in accordance with International Public Sector Accounting Standards, entities are not required to comply fully with the requirements of paragraph 13.
- xx. Notwithstanding the transitional provisions in paragraphs xx and xx, entities that are in the process of adopting the accrual basis of accounting are encouraged to comply in full with the provisions of this Standard as soon as possible.
- xx. **When an entity takes advantage of the transitional provisions in paragraphs xx and xx that fact shall be disclosed. Information on the major classes of asset that have not been recognized by virtue of paragraph xx shall also be disclosed. When an entity takes advantage of the transitional provisions for a second or subsequent**

reporting period, details of the assets or classes of asset that were not recognized at the previous reporting date but that are now recognized shall be disclosed.

**Key Issue #6 – Question for the IPSASB:**

Do you agree with the proposal to add detailed transitional provisions similar to those shown above?

**Appendix – Summary of Proposals for Exchange and Non-Exchange Transactions**

	<b>Asset Acquired/Received through a Non-Exchange Transaction</b>	<b>Asset to be Transferred/Distributed in a Non-Exchange Transaction</b>
<b>Initial Measurement if asset acquired/received through a non-exchange transaction (value as determined in this row becomes cost of the asset)</b>	Fair value per IPSAS 23	Fair value per IPSAS 23
<b>Initial Measurement if asset acquired through an exchange transaction (value as determined in this row becomes cost of the asset)</b>	N/A	Fair value less costs to sell per ED 36
<b>Subsequent Measurement if asset to be transferred/distributed through a non-exchange transaction</b>	Lower of cost and replacement cost	Lower of cost and replacement cost
<b>Subsequent Measurement if asset to be sold through an exchange transaction</b>	Fair value less costs to sell per ED 36	N/A

To add greater clarity in the standard, it may be appropriate to highlight in the IN and BC sections, that initial and subsequent measurement of biological assets obtained through *exchange* transactions and expected to be disposed of through exchange transactions should be consistent with IAS 41, as the transactions are the same in substance (i.e., respondents did not specify unique public sector issues for exchange transactions).

**RESPONDENTS’ COMMENTS ON KEY ISSUES**

**Purpose:**

The March 2009 Exposure Draft 36, “Agriculture,” did not contain any specific issues on which comment was sought.

This paper presents staff’s analysis of the key issues respondents raised to ED 36, as analyzed in AP 2.1.

**List of Respondents:**

<b>Response #</b>	<b>Respondent Name</b>	<b>Response #</b>	<b>Respondent Name</b>
1	Public Sector Accounting Board (Canada)	10	Comité des Normes des Comptabilité Publique (France)
2	Landcorp Farming Ltd. (New Zealand)	11	Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants
3	Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)	12	Australian Joint Accounting Bodies
4	Japanese Institute of Certified Public Accountants	13	Controller General, Province of British Columbia (Canada)
5	Accounting Standards Board (South Africa)	14	Fédération des Experts Comptables Européens (FEE)/Federation of European Accountants
6	Australian Accounting Standards Board	15	United Nations Task Force
7	HoTARAC (Australia Heads of Treasuries Accounting and Reporting Advisory Committee)	16	Dr. Joseph Maresca
8	CIPFA (UK)		
9	Accounting Standards Board (UK)		

**Comments by Issue**

<b>#</b>	<b>RESPONDENT NAME</b>	<b>OVERALL COMMENT – SUPPORTIVE</b>
1	Public Sector Accounting Board (Canada)	In general, PSAB staff are supportive of the IPSASB issuing a standard on Agriculture. We have some issues with the proposed standard in ED 36 that are presented for consideration by the IPSASB in Appendix 1.
3	Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)	SRS-CSPCP agrees with ED 36 as proposed and has no remarks on the specific matters for comment. [Staff note: this is verbatim; however, there were no Specific Matters for Comment for ED 36.]
4	Japanese Institute of Certified Public Accountants	The Japanese Institute of Certified Public Accountants (JICPA) is pleased to comment on the Proposed International Public Sector Accounting Standard, “Agriculture” (the “ED”), as follows: We agree with the proposals contained in this ED.
5	Accounting Standards Board (South Africa)	In summary, we support the principles that are proposed in the exposure draft, but would urgently request the IPSASB to consider further clarifying the scope of the Standard. Please refer to the detailed comment in this regard.
6	Australian Accounting Standards Board	The AASB staff supports the development of an IPSAS that is converged with IAS 41 <i>Agriculture</i> and generally supports the proposals in ED 36.

7	HoTARAC (Australia Heads of Treasuries Accounting and Reporting Advisory Committee)	HoTARAC members support the introduction of a Standard that is consistent with IAS 41 <i>Agriculture</i> .
8	CIPFA (UK)	We strongly support IPSASB's project to develop a suite of IFRS converged IPSASs on relevant issues, closely reflecting IFRS where this is possible, and providing interpretation or additional guidance where this is necessary.
9	Accounting Standards Board (UK)	The UK Accounting Standards Board's Committee on Accounting for Public Benefit Entities (CAPE) welcomes the opportunity to comment on the International Public Sector Accounting Standards Board's (IPSASB) proposals in Exposure Draft 36 'Agriculture'. CAPE supports the IPSASB's policy to develop a set of accrual based International Public Sector Accounting Standards that are convergent with IFRSs issued by the International Accounting Standards Board, where appropriate for public sector entities.  We agree with IPSASB that, in the absence of any specific public sector reasons for departure, ED 36 should be a converged standard, ie it should maintain the requirements, structure and text of IAS 41.
14	Fédération des Experts comptables Européens (FEE)/Federation of European Accountants	We strongly support IPSASB's project to develop a suite of IFRS converged IPSASs on relevant issues, closely reflecting IFRS where this is possible, and providing interpretation or additional guidance where this is necessary.

**OVERALL COMMENT – NOT SUPPORTIVE**

2	Landcorp Farming Ltd. (New Zealand)	Landcorp does support the need for a standard relating to agricultural activities, as previously there was little consistency in accounting between entities, and subtle differences in accounting policies led to large differences in financial results.  The <i>Agricultural</i> exposure draft prior to adoption of NZ IFRS was significantly opposed when it was exposed in New Zealand. Landcorp considers the standard should not be adopted any further until there has been a fundamental review of the costs, benefits and relevance of this standard. On this basis Landcorp recommends that the IPSASB do not adopt this standard.
10	Comité des Normes des Comptabilité Publique (France)	We believe that the topic of accounting for biological assets and agricultural produce is not a priority for the public sector.  We have taken note of the convergence process towards IAS 41 undertaken by the IPSAS Board under the Exposure Draft on agriculture although we regret that in this project as in other current Exposure Drafts are not addressed the specificities of the public sector. We point out the IFRS have been at first designed with the objective of meeting the financial information purpose for private profit corporation and for public distribution. In this context of convergence deliberately excluding these characteristics, this Exposure Draft seems nevertheless adapted to public entities that have an activity comparable to private entities.

<b>OVERALL COMMENT – NOT SUPPORTIVE</b>		
11	New Zealand Institute of Chartered Accountants (Financial Reporting Standards Board)	<p>2. The Primary Sector Committee does support the need for a standard relating to agricultural activities, as previously there was little consistency in accounting between entities, and subtle differences in accounting policies led to large differences in financial results.</p> <p>3. The Primary Sector Committee does note the following significant weaknesses with the proposed standard and the fact that this standard was widely opposed when exposed in New Zealand. The Primary Sector Committee considers the standard should not be adopted any further until there has been a fundamental review of the costs, benefits and appropriateness of this standard. On this basis it is recommended that the Exposure Draft is not approved until IAS 41 has been reviewed and updated.</p>

<b>#</b>	<b>RESPONDENT NAME</b>	<b>APPROPRIATENESS OF FAIR VALUE MEASUREMENT IN NON-EXCHANGE TRANSACTIONS</b>
1	Public Sector Accounting Board (Canada)	<ul style="list-style-type: none"> <li>• Paragraph 8 – definition of agricultural activity: The proposed standard in ED 36 states that biological assets might be transformed “for sale, including exchange or non-exchange transactions”. IPSAS 23 defines non-exchange transactions as: Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange. Therefore, we have to assume that this phrase in the definition of agricultural activity means that the transformed biological assets are being sold for approximately equal value (exchange transaction) or for less than equal value (non-exchange transaction). If this is the intent of including non-exchange transactions in the proposed standard, then more detail is required to explain what is being scoped into the standard. If the use of the phrase “non-exchange transactions” is intended to mean more than this (or something different), then the proposed standard must elaborate further.</li> <li>• The implications of the inclusion of the phrase, “for sale, including exchange or non-exchange transactions” in the definition of agricultural activity, if any, are not clear. What activities are being scoped into the standard by the inclusion of “non-exchange transactions” in this definition and why? We believe that this inclusion in the agricultural activity definition is the reason that the term “service potential” is sprinkled in places throughout the document. However, it is not really clear the extent to which this phrase adds to the scope of what is addressed by the proposed standard. What is now covered by the proposed standard in ED 36 that is not covered by IAS 41? The approach suggested above regarding setting out the scope of the standard for the public sector would help in clarifying the effect of including the phrase “non-exchange transactions” in the definition of agricultural activity. See also Issues 2 and 3 below regarding biological assets with service potential and the measurement of biological assets. Presumably these two issues also are related to the inclusion of “non-exchange transactions” in the agricultural activity definition.</li> </ul>

#	RESPONDENT NAME	APPROPRIATENESS OF FAIR VALUE MEASUREMENT IN NON-EXCHANGE TRANSACTIONS		
1	Public Sector Accounting Board (Canada)	These are the conclusions that we reached after reviewing the proposals. If these are not the intended measurement principles, then additional clarity in the document is required to make the intentions of the IPSASB clear to readers. In particular, we suggest that it is critical to articulate when, why, and how the service potential of a biological asset or agricultural produce is expected to be considered in the measurement of agricultural activity in the public sector.		
		<b>Item</b>	<b>Initial measurement</b>	<b>Subsequent measurement</b>
		Biological assets – untransformed – “raw materials” (¶ 15)	FV-C2S unless not available or reliable, then cost-accumulated depreciation & accumulated impairment	<ul style="list-style-type: none"> <li>FV-C2S unless not available or reliable, then cost-accumulated depreciation &amp; accumulated impairment - use IPSAS 12, 17, 21 and 26. Includes consideration of changes in service potential when relevant under either FV or cost measurement.</li> <li>Move to FV if it becomes available and reliable.</li> </ul>
		Biological assets transformed but not yet ready for sale (¶ 15)	FV-C2S unless not available or reliable, then cost-accumulated depreciation & accumulated impairment	<ul style="list-style-type: none"> <li>FV-C2S unless not available or reliable, then cost-accumulated depreciation &amp; accumulated impairment - use IPSAS 12, 17, 21 and 26. Includes consideration of changes in service potential when relevant under either FV or cost measurement.</li> <li>Move to FV if it becomes available and reliable.</li> </ul>
		Biological assets transformed and ready for sale (¶ 15)	FV-C2S unless not available or reliable, then cost-accumulated depreciation & accumulated impairment	<ul style="list-style-type: none"> <li>FV-C2S unless not available or reliable, then cost-accumulated depreciation &amp; accumulated impairment - use IPSAS 12, 17, 21 and 26. Includes consideration of changes in service potential when relevant under either FV or cost measurement.</li> <li>Move to FV if it becomes available and reliable.</li> </ul>
		Agricultural produce at the point of harvest (¶ IN3)	FV-C2S	<ul style="list-style-type: none"> <li>FV-C2S.</li> <li>Assumes that FV considers increases/decreases in future economic benefits or service potential to the entity (IN4).</li> </ul>
		Harvested agricultural produce (¶ 16)	FV-C2S	<ul style="list-style-type: none"> <li>FV-C2S.</li> <li>Assumes that FV considers increases/decreases in future economic benefits or service potential to the entity (IN4).</li> </ul>
5	Accounting Standards Board (South Africa)	IPSASB amended the definition of an agricultural activity in paragraph 8 to include biological assets for sale, including exchange and non-exchange transactions (also see IN1). Although most respondents agreed that non-		

#	RESPONDENT NAME	APPROPRIATENESS OF FAIR VALUE MEASUREMENT IN NON-EXCHANGE TRANSACTIONS
		<p>exchange transactions should be included in the scope, they did not agree that the current way in which it has been dealt with is adequate. The conclusions were:</p> <ol style="list-style-type: none"> <li>a. That “for sale” does not include non-exchange transactions. The definition should rather read: “Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for sale or <u>for transfer</u>...” The word “transfer” would include “non-exchange transactions” and the terminology is consistent with the terminology used in IPSAS 23 that refers to “transfers of assets”. If the proposed amendment is approved, the IPSAS should be amended to consistently refer to “sale and transfer” throughout the standard.</li> <li>b. In some instances it is not appropriate to include a reference to non-exchange transfers. Examples of these are paragraph 18 dealing with onerous contracts. Onerous contracts would not, for example, arise from social benefits (non-exchange transactions); and IFRS 5 that deals with assets classified as “held for sale” only deals with sales at fair value, i.e. exchange transactions.</li> <li>c. We are also concerned about the potential conflict in understanding the scope exclusion in paragraph 3(c) and believe that examples should be included to illustrate and clarify what is meant with the inclusion of “non-exchange transactions” e.g. the growing of crops for transfer to consumers at below market prices. The scope and application of the Standard should be clear.</li> </ol>
5	Accounting Standards Board (South Africa)	<p>The proposed IPSAS is not clear on <i>how and where</i> biological assets <i>received</i> through a non-exchange transaction should be recognised and measured. It first states in IN6 that <i>IPSAS 23 provides guidance in this regard</i> and that the proposed IPSAS deals with the <b>measurement</b> of biological assets acquired in non-exchange transactions, both on initial recognition and subsequent measurement. In the consequential amendments to IPSAS 23, it states that the proposed IPSAS deals with the measurement of non-exchange transactions recognised in accordance with IPSAS xx (ED36). Therefore, it appears that these types of transactions are recognised and measured in accordance with this IPSAS and that the guidance in IPSAS 23 should be ignored as it has no relevance. We suggest that the biological assets obtained through non-exchange transactions initially be recognised and measured in accordance with IPSAS 23 (similar to IPSAS 17 and other asset standards). This Standard should then clarify that IPSAS 23 deals with the initial recognition and measurement and this Standard deals with the subsequent measurement.</p> <p>As this may result in inconsistent measurement at initial recognition of biological assets received through non-exchange transactions in terms of this Standard and other biological assets recognised and received through non-exchange transactions. The inconsistent measurement between the initial fair value measurement of biological assets in agricultural activity and other assets e.g. property, plant and equipment should be considered as the initial measurement of biological assets excludes “cost to sell”, whilst IPSAS 23 requires assets acquired through non-exchange transactions to be measured at fair value only (therefore, excluding “cost to sell”).</p>
5	Accounting Standards Board (South Africa)	<p>The rationale for requiring the measurement of biological assets to be <i>transferred</i> “at fair value less cost to sell” should be clarified in the basis for conclusion. The IASB concluded that the fair value measurement basis should be used because of the unique nature and characteristics of agricultural activity. That is, for example, that the pattern of</p>

#	RESPONDENT NAME	APPROPRIATENESS OF FAIR VALUE MEASUREMENT IN NON-EXCHANGE TRANSACTIONS
		<p>growth in a plantation forest directly affect expectations of future economic benefits but differs markedly, in timing, from patterns of cost incurrence. With fair value measurement, income is measured and reported throughout the period (see IAS 41 paragraphs B15 and B19). Although this is true for biological assets that will be sold eventually, the same argument cannot be used for biological assets that will be transferred at less than fair value. The effect of this is that an entity would report gains while it is holding the asset and losses when the asset is distributed. These gains would never be realised as the purpose of holding these assets are to distribute them at less than fair value. This may reflect the reality and substance of the transactions but there is a concern that this may result in misinterpretation by the users of financial statements that may believe that surpluses reported in the years before the actual sales would be realised. Adequate consideration should be given to the fact that “value” may be created when these assets are measured at fair value, whilst these gains may never be realised. We support the inclusion of these types of assets into the IPSAS on Agriculture. However, the IPSASB should carefully consider whether the current measurement is what the public sector would want to report. This Standard can include a different measurement basis for these assets. If the current measurement requirements remains, we recommend that the disclosure requirements should be amended to require an entity to explain the purpose for which the biological assets is held (either for sale or transfer) and provide enough detail in order for users to interpret these gains and losses appropriately.</p> <p>The basis for conclusion should outline the reasons why the IPSASB believes that the fair value measurement basis provides the best method for measuring assets that will be transferred through a non-exchange transaction and not just state transferred assets are within the scope of this IPSAS.</p>
5	Accounting Standards Board (South Africa)	As a result of the inclusion of non-exchange transactions, the IPSASB should consider the definition for “cost to sell”. The current definition does not include cost associated with the transfer or distribution of assets that may be relevant for the measurement of biological assets that will be transferred through a non-exchange transaction.
6	Australian Accounting Standards Board	...(b) the proposed definition of ‘agricultural activity’ in paragraph 8 should read: “... biological assets for sale or distribution, including exchange ...”, as non-exchange transactions (especially those involving no consideration in return) are not normally considered a ‘sale’, Such an amendment would be consistent with the reference to inventories “held for sale or distribution” in the definition of ‘inventories’ in paragraph 9 of IPSAS 12 <i>Inventories</i>
10	Comité des Normes des Comptabilité Publique (France)	<p>We note that the definition of agricultural activity has been extended to non exchange transactions, and consider that the debate is whether the fair value for non exchange transactions is relevant or not.</p> <p>While it is important to take into account sales or transfers to public sector entities, nongovernmental organizations or other entities with non exchange transactions, the question of the relevance of the fair value model to measure assets and in this case the biological assets and agricultural produce held for sale in non exchange transactions, can be raised even if the alternatives proposed by § 20 to 27 constitute a beginning of solution.</p>
11	New Zealand Institute of Chartered Accountants (Financial	16. The experience of constituents of the Primary Sector Committee involved in horticulture is that the implementation of NZ IAS 41 has not led to any improvement in consistency or comparability of reports.

#	RESPONDENT NAME	APPROPRIATENESS OF FAIR VALUE MEASUREMENT IN NON-EXCHANGE TRANSACTIONS
	Reporting Standards Board)	<p>There are two main reasons for this:</p> <p>(1) Values for the agricultural produce (e.g. fruit), which forms part of the bearer asset (e.g. tree/vine) prior to harvest, are unable to be determined until many months after balance date due to delayed sales programmes and payments by exporters. As a result, valuations rely heavily on assumptions and are often wildly inaccurate when compared with actual results affected by climate and global markets.</p> <p>(2) There is no active market for bearer biological assets in horticulture. The assets are always attached to land and often combined with other Property Plant and Equipment which means that recent transactions and discounted cash flows are also unable to be used as methods to value the bearer asset specifically. The result is to require application of para 27 of ED-36 to derive a residual value. However, in using a residual value after deducting many other variables, the values for biological assets vary widely amongst different entities.</p> <p>17. We recommend that para 32 of the Exposure Draft which contains the rebuttable presumption that fair value can be reliably measured, be modified to also allow for rebuttal after initial recognition where fair value is clearly unreliable.</p>
12	Australian Joint Accounting Bodies	<p>ED 36 modifies the IAS 41 definition of agricultural activity to include the word “including exchange or non-exchange transactions. The IPSASB holds the view that IAS 41 deals with commercial agricultural activity. We understand the IPSASB wants non-exchange transactions to be within the definition of agricultural activity (and therefore, the scope of the [proposed] Standard). The Joint Accounting Bodies do not think that non-exchange transactions are outside the scope of IAS 41, as we think a “sale” can be a non-exchange transaction. Accordingly, we do not think the modification of the definition is necessary — nor we do think there is a public sector specific reason for its inclusion. We acknowledge that its inclusion probably does not matter. However, we think it could affect the way that some people read IAS 41 (given their knowledge of the IPSASB [proposed] Standard).</p>
13	Controller General, Province of British Columbia (Canada)	<p>Market value is defined in paragraph 11 as being “the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction”. Most OECD governments operate some sort of price support mechanism either directly as a price support/price guarantee or indirectly as an input subsidy. Some countries pay farmers not to farm which is intended to limit the supply entering the market. As noted, our government stocks rivers with fish fry to increase the fish available, which increases the supply of fish in the market.</p> <p>The exposure draft applies market value to government owned biological assets but OECD governments can be heavily involved in “managing” the prices of those same biological assets.</p> <p>The fact that the government owns biological assets means it is intervening in the supply and demand balance thereby influencing the market price, plus many governments intervene directly in price setting through marketing boards etc. From the perspective of the government, it is not possible to determine an arm’s length fair value for government owned biological assets.</p>

#	RESPONDENT NAME	APPROPRIATENESS OF FAIR VALUE MEASUREMENT IN NON-EXCHANGE TRANSACTIONS
		A farmer may sell a biological asset directly to a retailer thus determining a market price between them. However, because the government through its actions, noted above, has influenced/intervened in the pricing of the farmer to retailer transaction, that transaction would not be at arm's length from the government's perspective. The government has intervened in either supply or pricing or both.
13	Controller General, Province of British Columbia (Canada)	<p>While we support the use of professional judgement throughout accounting standards we are concerned with the difficulties in measurement of market value or fair value for biological assets. As described in this exposure draft, measuring market value for similar assets currently in the market less cost to sell does not take into consideration that biological assets are subject to death from weather, disease and or predators, often have a short selling window and market prices fluctuate significantly through the crop season as supply and demand are very elastic. The effect of the short selling window can be dramatic. Many government fiscal year ends in are 31 March at which time crops, such as strawberries might be planted. At that time imported strawberries are selling in the retail markets at premium prices. Basing the market value of government owned strawberries, which are in all respects identical (except origin) at that price would virtually guarantee a loss in the subsequent period because market prices drop dramatically when domestic crops come to market in large quantities. An appropriate basis would be discounted future prices based on a number of assumptions about domestic crop yields.</p> <p>Professional judgement will also be needed in determining fair value on the basis of discounted future cash flows as to whether the "market-determined rate" would be an inflation rate to determine current values; an expected or historical return on investment rate to recognize an even flow of earning profit; or an interest rate or cost of capital reflecting the time value of money.</p>
13	Controller General, Province of British Columbia (Canada)	Paragraph 26 which refers to "cost sometimes approximates fair value" may be closer to the most probable transfer price for any biological asset that is not yet ready for market. It cannot be assumed that profit is earned evenly or at an even rate of return over the life of the biological asset. It is probable that there is a significant rise in market value close to the market date.

#	RESPONDENT NAME	REPORTING CHANGES IN FAIR VALUE FOR BIOLOGICAL ASSETS
2	Landcorp Farming Ltd. (New Zealand)	<p>One of the major criticisms of NZ IAS 41, which is included in ED 36, is the requirement for all changes in fair value of biological assets to be reported in the income statement. This does not differentiate between biological assets held for production and those intended for sale.</p> <p>Biological assets held for production are biological assets that are not held in order to make a profit from sale, but instead to produce either further biological assets or agricultural produce. Examples include grape vines (produce grapes), breeding livestock (produce livestock for sale and/or replacement) and dairy cows (produce milk).</p> <p>As a pastoral farmer, Landcorp considers production biological assets held for production to be ideologically similar to property, plant and equipment (PPE).</p> <p>IAS 16 <i>Property, Plant and Equipment</i> defines PPE as tangible items that:</p>

#	RESPONDENT NAME	REPORTING CHANGES IN FAIR VALUE FOR BIOLOGICAL ASSETS
		<p>(a) Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and</p> <p>(b) Are expected to be used during more than one period.</p> <p>The only difference between biological assets held for production and PPE is the physical form of the asset.</p> <p>Landcorp considers that fair value changes resulting from revaluations (value changes) should be taken directly to equity, in the same manner as PPE. Due to the difficulties in tracking individual biological assets, this should be at the class level.</p> <p>Landcorp considers that changes in physical form should be reported in the income statement. Such changes include birth, growth, aging and death. This is similar to the PPE requirements to recognise physical changes in PPE, such as impairment, depreciation and disposal.</p> <p>It is to be noted that an agricultural entity cannot directly realise the value change in biological assets held for production, and still remain a going concern.</p> <p>Reporting value changes in biological assets held for production in the income statement does not assist with the analysis of the entity's performance, as these are often beyond an entity's control and are not usually part of the day-to-day management of an entity.</p> <p>Also, in Landcorp's experience, for credit rating and funding purposes, many funding providers 'back-out' the effects of value changes on biological assets held for production.</p>
11	New Zealand Institute of Chartered Accountants (Financial Reporting Standards Board)	<p>4. One of the major criticisms of NZ IAS 41, which is included in ED 36, is the requirement for all changes in fair value of biological assets to be reported in the income statement. This does not differentiate between biological assets held for production and those intended for sale.</p> <p>5. Biological assets held for production are biological assets that are not held in order to make a profit from sale, but instead to produce either further biological assets or agricultural produce. Examples include fruit trees, grape and kiwifruit vines (producing produce), breeding livestock (livestock for sale and replacement) and dairy cows (produce milk).</p> <p>6. The Primary Sector Committee considers production biological assets held for production to be ideologically similar to property, plant and equipment (PPE). IAS 16 Property, Plant and Equipment defines PPE as: ... tangible items that:</p> <p>(a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and</p> <p>(b) are expected to be used during more than one period.</p> <p>7. The only difference between biological assets held for production and PPE is the physical form of the asset.</p> <p>8. The Primary Sector Committee considers that fair value changes resulting from revaluations (value changes) should be taken directly to equity, in the same manner as PPE. Due to the difficulties in tracking individual biological assets, this should be at the class level.</p>

#	RESPONDENT NAME	REPORTING CHANGES IN FAIR VALUE FOR BIOLOGICAL ASSETS
		<p>9. The Primary Sector Committee considers that changes in physical form should be reported in the income statement. Such changes include birth, growth, aging and death. This is similar to the PPE requirements to recognise physical changes in PPE, such as impairment, depreciation and disposal.</p> <p>10. It is to be noted that an agricultural entity cannot directly realise the value change in biological assets held for production, and still remain a going concern.</p> <p>11. Reporting value changes in biological assets held for production in the income statement does not assist with the analysis of the entity's performance, as these are often beyond an entity's control and are not usually part of the day-to-day management of an entity. Also, in the Primary Sector Committee's experience, for credit rating and funding purposes, many funding providers 'back-out' the effects of value changes on biological assets held for production.</p>
13	Controller General, British Columbia (Canada)	The recognition of gains or losses in the value of biological assets in the operating statement mixes holding gains with revenue. This practice introduces volatility into the statement of operations and makes it very difficult to compare actual operating results with budget documents which do not include holding gains. Holding gains also create the illusion of available resources that the public may expect to be spent on other services or fears that losses are real and impact service availability.

#	RESPONDENT NAME	SCOPE EXCLUSION OF "BIOLOGICAL ASSETS USED TO PROVIDE A SERVICE"/INCLUSION OF REFERENCES TO "SERVICE POTENTIAL"
1	Public Sector Accounting Board (Canada)	<p>The language of most of the document revolves around cash flows and fair value calculations that involve cash flows. The idea of service potential and how and where it fits in is not fully integrated in the document. This issue relates to the scope issue above in that the term "service potential" would not even be used if the standard was only for "commercial" agriculture activity in the public sector – i.e., the proposed standard had the same scope as IAS 41. We assume that it is because non-exchange transactions have been included in the definition of agricultural activity, that references to "service potential" and to IPSAS 21, "<i>Impairment of Non-Cash-Generating Assets</i>", have been retained.</p> <p>It appears that service potential is only relevant for biological assets – at least it is primarily mentioned in relation to impairments of biological assets. It is also mentioned in the recognition paragraph for both biological assets and agricultural produce (paragraph 13) – that is, to be recognized it must be probable that future economic benefits or service potential associated with the asset will flow to the entity.</p> <p><u>Paragraph IN3 – last sentence and paragraph IN 4 – service potential:</u> Based on the ED proposals, at point of harvest for agricultural produce, service potential does not matter. Fair value calculations do not normally take service potential into account, although some sources believe that the market considers service potential when assigning a price to an asset (see footnote above). Only the impairment standards for non-cash generating assets in IPSAS 21 that would require "value in use" calculations explicitly consider service potential. The role of service potential in this document and when it plays a role must be made clear in the standard.</p>

#	RESPONDENT NAME	SCOPE EXCLUSION OF “BIOLOGICAL ASSETS USED TO PROVIDE A SERVICE”/INCLUSION OF REFERENCES TO “SERVICE POTENTIAL”
		<p><u>Paragraphs 13, 14 and 48 – use the term “service potential”:</u> It appears that service potential has a role in determining whether recognition should occur (paragraph 13) and in measurement when fair value cannot be reliably measured for a biological asset (paragraphs 32 and 35). However, the guidance as to when there is not an active market for a biological asset (paragraphs 20-22) only mentions cash flows. Again, the role of service potential in measurement in this document needs to be clarified.</p>
1	Public Sector Accounting Board (Canada )	<p>There are two issues: (1) whether there are any biological assets that have only service potential to the entity; and (2) providing additional clarity regarding the role of service potential in the recognition and measurement of agricultural activity in the public sector.</p> <p><u>3 (c) – What are “biological assets used for the supply of services”?</u> The meaning of this exclusion is unclear from paragraph 3(c)so the scope of the standard is unclear. Clarity as to what might be included in this category, and thus excluded from this proposed standard, is needed. The examples included in paragraph BC3 in the Basis for Conclusions are a start and they should be included in the body of the standard itself. However, they seem narrow and additional examples might further explain the exclusion. Consider the following:</p> <ul style="list-style-type: none"> <li>• Are there countries that have collective government farms?</li> <li>• Given the current economic environment, are there any agriculture companies that governments will need to support, take over, or take a stake in because what the companies produce is so essential?</li> <li>• What about trees planted by a government along highways to prevent erosion or trees planted by a city to beautify the downtown area and attract shoppers?</li> </ul> <p>Are these examples assets? They would appear to have service potential to the government. How should they be measured? There is some question as to whether fair value is an appropriate surrogate for the service potential of an asset<sup>1</sup>.</p> <p><u>Suggestions:</u></p> <ul style="list-style-type: none"> <li>• At a minimum, the examples from BC3 need to be moved into the IPSASB because the Basis for Conclusions document does not appear to be part of GAAP. The note at the beginning of every Basis for Conclusions</li> </ul>

<sup>1</sup> IASB (CICA authored) 2005 Discussion Paper, “Measurement Bases for Financial Accounting (Initial Measurement)” states: “330. In summary, fair value incorporates the essential properties of replacement cost from the market’s perspective. The market price of an asset reflects the market’s perception of the highest and best use of the asset’s productive capacity or service potential. This is the “most economic” price of that capacity or service potential in the marketplace, taking into account publicly available information with respect to possible substitutes for delivering that potential or capacity.” PSAB Staff are not convinced that fair value is a proxy for the value of the productive capacity or service potential of an asset. And, IPSAS 21 uses “value in use” to calculate the impairment of non-cash generating assets, rather than fair value as is used for cash generating assets.

#	RESPONDENT NAME	SCOPE EXCLUSION OF “BIOLOGICAL ASSETS USED TO PROVIDE A SERVICE”/INCLUSION OF REFERENCES TO “SERVICE POTENTIAL”
		<p>document explicitly excludes such documents from being part of the IPSAS. Thus they would not qualify for consideration under IPSAS 3, “<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>”, paragraph 14, which, taken together with paragraphs 9-15 of IPSAS 3 is the only guidance in the IPSAS that currently provides a guide as to what is considered GAAP. Therefore explanatory detail that is crucial to the understanding of the scope of an IPSAS should not be relegated to a Basis for Conclusions document. The standard must stand on its own.</p> <ul style="list-style-type: none"> <li>• Consider adding other examples too such as collective government farms, tress planted for erosion control or beautification, horses and dogs used for services such as policing.</li> <li>• Explicitly address items that might be seen as public sector agricultural activity such as the management of biological assets held for research, experimental and public recreation purposes, including breeding for the preservation of species and raising in game parks and zoos. These examples were cited as exclusions in previous drafts of the document, albeit later in the document and not in the scope section. Now these examples are missing and not even included in the examples of biological assets used in the supply of services set out in paragraph BC3. Are they part of the scope or are they “biological assets used for the supply of services” or are they another type of agricultural activity that needs to be explicitly excluded from the scope of the standard?</li> </ul>
5	Accounting Standards Board (South Africa)	<p>More clarification is needed on the scope paragraphs dealing with biological assets included and excluded in this IPSAS.</p> <ol style="list-style-type: none"> <li>a. The current paragraphs dealing with the exclusion of biological assets held for the supply of services are not specific enough. This is because the recognition paragraphs include service potential, but paragraph 3© excludes assets held for the supply of services. We suggest that paragraph 3© be amended to read: “Biological assets held for the provision or supply of services (such as conservation and research)”; and that the current examples included in the basis for conclusions be included in the text of the Standard itself. The basis for conclusion should record the reasons why the IPSASB excluded these items from the scope and not only state that they have been excluded. It is also suggested that the IPSASB provide guidance and public sector specific examples on what standard is appropriate for what types of biological assets, i.e. either IPSAS 17 or IPSAS 12, where it considers that the current standards are not relevant and what alternatives are available in the absence of a specific IPSAS.</li> <li>b. The IPSASB should clarify when biological assets “held for sale” in IPSAS 12 and those that are “held for sale in agricultural activities” in this IPSAS. Although IPSAS 12 excludes biological assets that are recognised and measured in terms of this Standard, it is suggested that additional examples be included to illustrate the difference. For example, if an entity buys living animals to sell or use them in its production process, that would be within the scope of IPSAS 12. However, when the entity buys these animals for reproduction purposes and then uses the offspring in further production processes, then the entity would apply this IPSAS.</li> <li>c. The IPSASB should also clarify how a change in use of biological assets should be recognised, particularly</li> </ol>

#	RESPONDENT NAME	SCOPE EXCLUSION OF “BIOLOGICAL ASSETS USED TO PROVIDE A SERVICE”/INCLUSION OF REFERENCES TO “SERVICE POTENTIAL”
		biological assets that are excluded from the scope as a result of applying paragraph 3©, for example where animals are kept in a camp for conservation purposes. Our understanding is that these animals will not be within the scope of this IPSAS. However, as a result of the management of the biological transformation of the assets (special breeding programmes and safe keeping), the numbers of these animals may now exceed the space reserved for them and the entity would be forced to sell or transfer them from time to time. An entity may be able to argue that the activity meets the definition of agricultural activity. However, we believe that the ad hoc sales of biological assets that were recognised in accordance with another standard will not result in the activity being classified as biological assets (as the recognition of these biological assets was scoped out previously). Therefore, the change in use of these biological assets should not result in the application of this IPSAS.
6	Australian Accounting Standards Board	... (a) the text of IAS 41 should not be amended to specifically exclude biological assets held for the supply of services (see paragraph 3(c)), because scope paragraph 2 and the definitions in IAS 41 already exclude them. Biological assets held only for the supply of services are not managed for biological transformation, and therefore do not meet the definition of ‘agricultural activity’
9	Accounting Standards Board (UK)	Whilst we understand the reasons for excluding biological assets held for the supply of services from the scope of the proposed standard, we consider it would be helpful for the standard to suggest how these assets should be recognised and measured under other IPSASs.
10	Comité des Normes des Comptabilité Publique (France)	We note the exclusion from the scope of the biological assets held to provide a service (see § 3 c) and consider that this exclusion would have earned specific developments in the basis for conclusions regarding the single point of interest for the public sector.  The examples given in paragraph BC 3 about biological assets held for providing services are, but not exclusive, appropriate to the public sector (horses and dogs used for policing purpose and plants and trees in parks and gardens operated for recreational purposes) and should be treated in a standard applicable to public entities.
10	Comité des Normes des Comptabilité Publique (France)	We believe that the presence of a service potential in the valuation of assets should be taken into account. Although the biological assets or agricultural produce held for providing a service are excluded from the scope, the criteria for recognition as an asset (see paragraph 13) include the service potential associated with the asset. For example, a forest is assessed by its operations and the service it provides. However, it seems difficult to separate what is the market value of wood and service. The service potential is certainly reflected in the value but difficult to isolate without recourse to a professional judgement. Biological assets comprising the mixed nature should be taken into account. The issue of service potential as a measurement method refers to the work on the conceptual framework (group 3) since the concept used in IPSAS has not yet received a precise definition.
15	United Nations Task Force	<i>Scope of the Standard –exclusion of ‘biological assets held for the supply of services’</i> : It is not entirely clear in the Standard how wide a set of biological assets would be covered by this exclusion. The explanation in the Basis for Conclusions provides some further help to clarify what is meant by ‘biological assets held for the supply of services’,

#	RESPONDENT NAME	SCOPE EXCLUSION OF “BIOLOGICAL ASSETS USED TO PROVIDE A SERVICE”/INCLUSION OF REFERENCES TO “SERVICE POTENTIAL”
		but it would be helpful to have more clarification in the Standard itself. The Standard does not address the question of how to treat assets that have a dual purpose i.e. biological assets held both to supply services and to ‘sell.’ For example, forests may be established for recreational or flood control purposes, but at the same time generate revenue through culling of older or damaged trees and sale of the resulting wood. Clarification of how to determine the use that would drive the accounting treatment in dual purpose situations would be helpful.

#	RESPONDENT NAME	GENERAL COMMENTS ON SCOPE
2	Landcorp Farming Ltd. (New Zealand)	<p>The scope of ED 36 includes all biological assets used in agricultural activity. Under the definition, the grass or other pasture grown on agricultural land should technically be quantified and valued. As a pastoral farmer, this grass will be eaten by livestock <i>in situ</i>. It will not be harvested.</p> <p>It is impractical for a pastoral farmer to value this grass, both on a physical level and financially, as no active market exists for this 'asset'. Further, grass is an integral part of the land asset. Agricultural land is valued based on the productive value of the land, which is dependent on the quality of pasture. Landcorp considers that it is impossible to accurately separate the value of grass/pasture from the land asset.</p> <p>Landcorp recommends that the scope of the standard is modified to exclude pasture that will be consumed <i>in situ</i> by other biological assets.</p>
3	Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)	SRS-CSPCP discussed ED 36. Agriculture as defined in Objectives and Scope is not a usual activity of public sector entities in Switzerland. On the other hand side, activities such as agricultural research and education, as well as zoos, are common public sector activities in Switzerland but are not covered by the scope of ED 36. SRS-CSPCP agrees with this decision not to include these activities.
4	Japanese Institute of Certified Public Accountants	This ED deals with biological assets and agricultural produce for sale, including exchange or non-exchange transactions, as part of the International Financial Reporting Standards (IFRSs) Convergence Program. In the public sector there are important biological assets which are used in the supply of services, including plants and trees used for environmental protection purposes. But such biological assets are not dealt with in this ED. We hope that the International Public Accounting Standards Board (IPSASB) will soon develop standards which deal with such biological assets.
7	HoTARAC	It is acknowledged that the content of ED 36 is consistent with that of IAS 41 <i>Agriculture</i> . However, although the title of the proposed Standard would suggest otherwise, HoTARAC believes the eventual Standard should clarify whether or not the definition of “biological asset” applies to physical items associated with the biological transformation of products of living animals or human beings (eg. stem cells, stud semen etc). Given the scope of IPSAS 12 <i>Inventories</i> does not apply to “biological assets related to agricultural activity”, if the biological transformation of products of living animals or human beings is also not included, there will be no Accounting Standard to facilitate consistency in accounting for such activities. This is particularly a concern where such

#	RESPONDENT NAME	GENERAL COMMENTS ON SCOPE
		<p>activities are undertaken for commercial purposes and significant values are involved.</p> <p>HoTARAC considers such a situation to be undesirable, as these activities are likely to be of more interest to public sector entities than traditional agricultural activities. It is acknowledged that there may be ethical or moral concerns about explicitly referring to such activities in an Accounting Standard, but clarity about the scope of the eventual Standard would be useful.</p> <p>If the definition of “biological asset” is clarified to cover physical items associated with the biological transformation of products of living animals or human beings, HoTARAC recommends that the Standard’s title be changed to better reflect the scope of its application.</p>
8	CIPFA (UK)	<p>The proposed IPSAS closely reflects IAS 41. The main differences are</p> <ul style="list-style-type: none"> <li>- The definition of “agricultural activity” includes transactions for the sale of biological assets in non-exchange transactions;</li> <li>- IAS 41 includes requirements for <u>government grants</u> relating to biological assets measured at fair value less costs to sell. ED 36 does not include requirements and guidance for government grants, because IPSAS 23, “Revenue from Non-Exchange Transactions” provides requirements and guidance related to government grants provided in non-exchange transactions.</li> <li>- ED 36 uses terminology which is more suited to the public sector context.</li> </ul> <p>CIPFA agrees that the changes are appropriate and should be reflected in the IPSAS as proposed.</p>
9	Accounting Standards Board (UK)	<p>We also agree with the changes that are proposed in respect of the definition of agricultural activity and the decision that ED 36 should not deal with accounting for government grants related to agricultural activity because this is addressed in IPSAS 23 ‘Revenue from Non-Exchange Transactions’.</p> <p>In our view, the standard should be explicit that it applies to agricultural assets held by national agencies as a result of intervention buying before harvest and that, after harvest, intervention stocks are accounted for in accordance with IPSAS 12 ‘Inventories’, as stated in paragraph 16 of the draft standard.</p>
10	Comité des Normes des Comptabilité Publique (France)	<p>The scope retains the recognition of biological assets and agricultural produce until the harvest or sale. We express our agreement on the following exclusions from the scope proposed by the ED:</p> <ul style="list-style-type: none"> <li>- Government grants because they are dealt with in IPSAS 23 “Revenue from non-exchange transactions;</li> <li>- Land, covered by IPSAS 16 “Investment Property” and IPSAS 17 “Property, plant and equipment”;</li> <li>- Intangible assets (see current project ED 40);</li> <li>- The exclusion from the scope of the ED of products after harvest involves considering the subsequent valuation process to be addressed under the IPSAS 12 “inventories” (case of wine stocks).</li> </ul>
10	Comité des Normes des Comptabilité Publique (France)	<p>The requirement for the renewal or preservation of certain assets is excluded (cf. § 24). The fact that this obligation shall occur after the harvest as the § implies, thus outside the scope, must not exempt from thinking about the</p>

#	RESPONDENT NAME	GENERAL COMMENTS ON SCOPE
		consideration of this liability or its impact on value. (impairment or estimated liability).
11	Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants	<p>12. The scope of ED 36 includes all biological assets used in agricultural activity. Under the definition, the grass or other pasture grown on agricultural land should technically be quantified and valued. For a pastoral farmer, this grass will be eaten by livestock <i>in situ</i>. It will not be harvested.</p> <p>13. It is impractical for a pastoral farmer to value this grass, both on a physical level and financially, as no active market exists for this ‘asset’.</p> <p>14. Further, grass is an integral part of the land asset. Agricultural land is valued based on the productive value of the land, which is dependent on the quality of pasture. Primary Sector Committee considers that it is impossible to accurately separate the value of grass/pasture from the land asset.</p> <p>15. The Primary Sector Committee recommends that the scope of the standard is modified to exclude pasture that will be consumed <i>in situ</i> by other biological assets.</p>
14	Fédération des Experts comptables Européens (FEE)/Federation of European Accountants	<p>The proposed IPSAS closely reflects IAS 41. The main differences are:</p> <ul style="list-style-type: none"> <li>- The definition of “agricultural activity” includes transactions for the sale of biological assets in non-exchange transactions;</li> <li>- IAS 41 includes requirements for government grants relating to biological assets measured at fair value less costs to sell. ED 36 does not include requirements and guidance for government grants, because IPSAS 23, “Revenue from Non-Exchange Transactions” provides requirements and guidance related to government grants provided in non-exchange transactions;</li> <li>- ED 36 uses terminology which is more suited to the public sector context.</li> </ul> <p>We agree that the changes are appropriate and should be reflected in the IPSAS as proposed.</p>
15	United Nations Task Force	<p><i>Definition of ‘agricultural produce at the point of harvest’</i>: One point that could be clarified in the Standard is whether activities such as cleaning, bagging etc are post-harvest processing activities. It is likely that the Board’s aim is to interpret processing widely so that all costs immediately after harvesting will be covered by IPSAS 12 Inventory, which would mean that activities such as cleaning, bagging etc of produce should be classified as <i>post-harvest processing activities</i>. But Paragraph 4 and the table under paragraph 5 do not clearly make this point. All the examples in the table involve major processing that changes the form of the agricultural produce, for example from grapes to wine. This implies that so long as the form of the produce is unchanged, the produce should continue to be accounted for under the Agriculture Standard. Yet the requirements of IPSAS 12 appear more appropriate to capture the costs of items such as grapes, milk, picked fruit etc being cleaned, packaged into bottles or boxes, transported to other locations etc even when the form of the produce does not undergo and substantial change.</p>

#	RESPONDENT NAME	DEFINITION OF AGRICULTURAL ACTIVITY
13	Controller General, Province of British Columbia (Canada)	<p>I can understand the application of the definition of Agricultural Activity in reference to a specific endeavour such as a tree farm or a fish farm where there is a deliberate intent to manage the resources for a profit. There is a concern that the definition could be applied on a very broad scale to a range of government stewardship activities which are not specifically designed or coordinated in a manner that is intended to generate a profit.</p> <p>Under our constitution, any land not specifically owned by the private sector, zoned to exist within a municipality or owned by First Nations; is owned by the government (Crown Land). This represents a vast amount of land most of which is forested and is known to contain significant mineral resources. The land area of the Province of BC is 945,000 sq. Km., most of which is Crown Land. The government manages this land and the resources on or within the land on the principles of sustainability of renewable resources and appropriate sharing of the economic benefits of the resources between any developer of the resource and the people through the government.</p> <p>The following are all disparate activities undertaken within the broad stewardship role of a government managing its total economic resources; they are not part of a commercial business or activity undertaken by government:</p> <ul style="list-style-type: none"> <li>• The government manages the province’s forest resources. The government, for sustainability reasons, wishes to ensure that reforestation occurs where tree harvesting has taken place on Crown Land. To ensure this occurs, the government contracts out sapling planting on a large scale utilizing funds raised through a “stumpage fee” charged on the basis of trees cut down and sold or further processed by private sector operators. The government maintains a forest service agency which monitors/polices the use of forested land and undertakes research on forest species and pests, etc. A fleet of government owned forest firefighting aircraft and ground based fire fighters control forest fires which also addresses public safety issues. In addition a significant number of kilometres of forest access roads have been built which also serve fire fighting needs. The government does not cut and sell timber to raise revenue for itself, it auctions forest cutting licenses on Crown Land but the license fees do not approximate the market value of the timber. A specific forest profit tax is paid by private sector forestry companies, in addition to general corporate income taxes.</li> <li>• The federal and provincial governments manage fish resources. The province grows salmon fry and releases them into its rivers knowing that they will return to the same rivers after several years at sea. The fish are captured by individuals and private sector corporations and either consumed or sold. This would involve a non-exchange transfer in an immeasurable amount from government to private sector. Fishing is licensed and catches limited based on government monitoring and research on expected yields and sustainable catch levels. General income taxes and sales taxes are collected on private sector commercial fishing activities.</li> <li>• At the other extreme there are the wildlife agencies that license hunting while other government agencies maintain parks and wildlife refuges etc.</li> <li>• Government also maintains research facilities for a number of agriculture related activities and may obtain some cost recovery from the sale of small amounts of the experimental growth.</li> </ul> <p>I do not believe the definition of agricultural activities should be applied to these activities, although there is room in</p>

#	RESPONDENT NAME	DEFINITION OF AGRICULTURAL ACTIVITY
		the definition for some ambiguity. There is a distinction between economic management of natural resources for sustainability or availability for the private sector compared with farming for profit. Therefore, it would be appropriate to clearly define broad economic management and stewardship of natural resources as being outside the definition of agricultural activities in paragraph 3 of the exposure draft.
15	United Nations Task Force	<i>Scope of the Standard – definition of ‘agricultural activity’.</i> The definition of ‘agricultural activity’ is critical to determination of the scope of the Standard. This definition is not entirely clear. It could be argued that the definition of ‘agricultural activity’ includes activities aimed at protecting endangered species or establishing forests for flood prevention, because it includes management to transform biological assets into additional biological assets. The scope exclusion related to assets ‘held for the supply of services’ does not clearly contradict this, although the examples in the Basis for Conclusions makes it clear that the Board’s intention is to exclude at least ‘plants and trees in parks and gardens operated for recreational purposes.’ If some United Nations System organizations hold plants and animals related to such activities, then it would be important to clarify the definition of ‘agricultural activities’ so that the scope of the Standard is clear.

#	RESPONDENT NAME	TRANSITIONAL PROVISIONS
1	Public Sector Accounting Board (Canada )	In the absence of transitional provisions in an individual IPSAS, the provisions in IPSAS 3, paragraph 24 (b) would apply. That paragraph would require retrospective application of the change in accounting policy to adopt a new IPSAS.  Obviously retrospective restatement of comparatives is the ideal situation. And for an entity adopting accrual accounting for the first time, this might be a general requirement that the IPSASB wishes to promote. However, the initial staff proposal was more in the nature of prospective application. A better understanding of why this application was proposed initially would be useful. Is a retrospective requirement practical for this type of standard? Will public sector entities have the information to meet these requirements?
5	Accounting Standards Board (South Africa)	In the comparison with IAS 41, the statement that this Standard includes detailed transitional provisions compared to the IAS has not been deleted. We believe that this Standard should include transitional provisions for the first time adoption of the Standard.
15	UN Task Force	<i>Lack of transitional provisions:</i> The draft Standard does not include transitional provisions for first time adoption of its requirements. This is a gap in the Standard, which is likely to leave entities unclear as to the correct procedures to follow when first adopting this Standard, whether first adoption is from another basis of accounting (cash, modified cash, etc) or from another set of accounting standards.

#	RESPONDENT NAME	DISCLOSURE
1	Public Sector Accounting Board (Canada )	<u>Paragraph 36:</u> This paragraph includes two disclosure principles – one for biological assets and one for agricultural produce. They

#	RESPONDENT NAME	DISCLOSURE
		are intermingled and the paragraph is confusing. The principles should be separated into two paragraphs – or at least two sentences. This change would be a departure from IAS 41 wording. However, clarity in public sector standards is important. In some cases, those applying the standards may be less financially sophisticated than their private sector counterparts. Why not be clear?
5	Accounting Standards Board (South Africa)	... If the current measurement requirements remains, we recommend that the disclosure requirements should be amended to require an entity to explain the purpose for which the biological assets is held (either for sale or transfer) and provide enough detail in order for users to interpret these gains and losses appropriately. [Reference is to measurement of biological assets to be transferred at FV – cost to sell]
5	Accounting Standards Board (South Africa)	Although it is not a requirement in IAS 41, we believe that this IPSAS should include additional disclosure requirements relating to restrictions on the sale or transfer of biological assets as it provides useful information on the risks and rewards associated with the activity e.g. restrictions by legislation on the transfer of or selling of biological assets that for part of an agricultural activity or certain licensing agreements. Similar requirements are contained in some of the other asset standards.
5	Accounting Standards Board (South Africa)	We are not sure why this Standard deleted the disclosure requirement in paragraph 46 of decreases attributable to sales and biological assets classified as held for sale in accordance with IFRS 5 without replacing it with similar guidance. As paragraph 32 refers to the equivalent international or national standard, we believe this disclosure requirement is relevant and that there are no public sector specific reasons to deviate from this disclosure requirement.
5	Accounting Standards Board (South Africa)	<p>According to the GFS certain biological assets (e.g. consumable assets) are classified as inventory and not as fixed assets, whereas the IPSAS classifies such assets as “biological assets”. Only at the point of harvest, some of these biological assets are classified as inventories. This difference has not been considered by the IPSASB (it was not previously included in the comparison undertaken by the IPSASB between IPSASs and statistical bases of reporting as there was no IPSAS at the time). The relevant section from the GFS is included below:</p> <p>“7.47 Other fixed assets consist of cultivated assets (61131) and intangible fixed assets (61132).</p> <p>7.48 Cultivated assets consist of animals and plants that are used repeatedly or continuously for more than one year to produce other goods or services. The types of animals included in this category include breeding stocks (including fish and poultry), dairy cattle, draft animals, sheep or other animals used for wool production, and animals used for transportation, racing, or entertainment. The types of plants in this category include trees, vines, and shrubs cultivated for fruits, nuts, sap, resin, bark, and leaf products. <u>Animals and plants for one-time use, such as cattle raised for slaughter and trees grown for timber, are classified as inventories rather than fixed assets.</u> 7.49 Only animals and plants cultivated under the direct control, responsibility, and management of general government units are cultivated assets or inventories. All other animals and plants either are classified as non produced assets or are not economic assets. 7.50 Animals in this category usually can be valued on the basis of the current market prices for similar animals of a given age. Such information is less likely to be available for plants; more likely they will have to</p>

#	RESPONDENT NAME	DISCLOSURE
		<p>be valued at the written-down replacement cost.”</p> <p>We do not recommend that the principles in the proposed Standard be amended, but that the difference could be addressed by requiring the disclosure of bearer and consumable biological assets instead of encouraging the disclosure.</p> <p>...</p> <p>The above illustrates further why clarification is needed in terms of the scope as animals acquired for “one-time use” may still be inventories. However where these are “grown” by the entity, they should be classified as part of “agricultural activities”.</p>
5	Accounting Standards Board (South Africa)	<p>This Standard can include a different measurement basis for these assets. If the current measurement requirements remains, we recommend that the disclosure requirements should be amended to require an entity to explain the purpose for which the biological assets is held (either for sale or transfer) and provide enough detail in order for users to interpret these gains and losses appropriately.</p>
10	Comité des Normes des Comptabilité Publique (France)	<p>We are agree with the section related to the disclosure, in particular the reasons why the fair value cannot be used and the adoption of the cost approach and the explanation of the origin of the change in fair value due to price change, or physical changes.</p> <p>However an analysis should be developed on the relevance of a section in the financial statements similar to that of “stewardship” in U.S. accounts. This section would have intended to bring together what can not be finally or provisionally recognized in the balance sheet for reasons of unreliable or impossible measurement. The standard treatment of public specificities will face this problem.</p>

**OTHER COMMENTS – MINOR AND EDITORIAL**

**Purpose:**

This paper presents staff’s analysis of the other comments received on the ED.

**List of Respondents:**

<b>Response #</b>	<b>Respondent Name</b>	<b>Response #</b>	<b>Respondent Name</b>
1	Public Sector Accounting Board (Canada)	10	Comité des Normes des Comptabilité Publique (France)
2	Landcorp Farming Ltd. (New Zealand)	11	Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants
3	Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)	12	Australian Joint Accounting Bodies
4	Japanese Institute of Certified Public Accountants	13	Controller General, Province of British Columbia (Canada)
5	Accounting Standards Board (South Africa)	14	Fédération des Experts Comptables Européens (FEE)/Federation of European Accountants
6	Australian Accounting Standards Board	15	United Nations Task Force
7	HoTARAC (Australia Heads of Treasuries Accounting and Reporting Advisory Committee)	16	Dr. Joseph Maresca
8	CIPFA (UK)		
9	Accounting Standards Board (UK)		

<b>#</b>	<b>RESPONDENT NAME</b>	<b>OTHER COMMENTS</b>	<b>PROPOSED IPSASB RESPONSE</b>
1	Public Sector Accounting Board (Canada )	<p><u>Paragraph IN3:</u> IAS 41 does not clarify the measurement of biological assets acquired at no or nominal cost. Public sector entities may acquire such assets and so clarification of the measurement at acquisition of such assets may be appropriate. A previous draft said in IN3: Biological assets acquired at no or nominal cost will be measured at fair value less estimated point of sale of costs at the point of harvest, provided that a market-determined price or value is available. Although the requirements of ED 36 paragraphs 15 and 16 would address this issue, it may be appropriate to explicitly address it in a public sector standard. It would not be a needed clarification in the private sector.</p>	Wording of IN and BFC sections will be revised in light of the IPSASB’s decisions on this issue (at 2.1).

#	RESPONDENT NAME	OTHER COMMENTS	PROPOSED IPSASB RESPONSE
1	Public Sector Accounting Board (Canada )	<p>The scope of this standard needs to be further clarified. It is obvious that it does not address all public sector agricultural activity because paragraph 3 sets out some scope exclusions. But the nature of the exclusions in (b) and (c) is not clear and other scope questions also arise. Examples and additional descriptive text would help (see below for elaboration).</p> <p>As this will be the IPSASB’s first (perhaps only) standard on agriculture, the “universe” of all potential agricultural activity in the public sector should be set out and then exclusions from this universe that will not be addressed in this standard explained. Aspects of public sector agricultural activity that are unique to the public sector should also be highlighted.</p> <p><u>Suggestion:</u> Consider the following approach to setting out the scope of the proposed standard:</p> <ul style="list-style-type: none"> <li>• In the public sector agricultural activity includes (a list setting out the “universe”).</li> <li>• A - Types of agricultural activity that occur in both the public and private sectors include..... These are addressed for the private sector in IAS 41 and in this standard (ED 36) for the public sector.</li> <li>• B - Types of agricultural activity that are unique to the public sector include.....</li> <li>• This standard addresses all agricultural activity in categories A and B except for (a list of exclusions – probably from category B) .....</li> <li>• These types of agricultural activity (the list above) are excluded because they require further consideration in a public sector context that is beyond the intended scope of this convergence with/adaptation of IAS 41.</li> <li>• For further clarity, items in the list of exclusions that are not self-explanatory should be elaborated on. For example, the items in paragraph 3 (a), (b) and (c), are</li> </ul>	<p>Staff believes item b is clear (see next comment below) and that item c will be clarified if the proposal re: “biological assets held for the supply of services” in AP 2.1 is accepted.</p> <p>No change is proposed.</p>

#	RESPONDENT NAME	OTHER COMMENTS	PROPOSED IPSASB RESPONSE
		<p>excluded because (reasons for each) ... Examples of these excluded agricultural activities (for each) include....</p> <p>It might also be useful to list somewhere in the document (maybe in the Basis for Conclusions), whether the IPSASB will add these exclusions to its list of potential projects for its long term technical agenda.</p>	
1	Public Sector Accounting Board (Canada )	<p>Reference to possibly inconsistent national and international standards on intangible assets in the public sector (if such standards even exist) is insufficient to explain the nature of the exclusion. Examples of what might be excluded by paragraph 3 (b) might assist in understanding the public sector specific exclusions – for example sales of timber rights or fishing rights, etc..</p> <p>We do not believe that there has been to date any significant research on the accounting for intangibles that are unique to the public sector. Thus any standard that makes mention of intangibles in the public sector should be careful not to make assumptions or use wording that implies conclusions.</p> <p>For example, the use of the term “assets” in relation to these intangibles presupposes a conclusion that they meet the definition of an asset. And, since there is no specific IPSAS on intangibles, IPSAS 3 would allow an entity to look at other “asset” related standards in determining how to account for these items.</p> <p>Use of the term “assets” in relation to public sector intangibles may also imply that they can be measured reliably and recognized. We believe that there is uncertainty as to whether some government intangibles can be reliably measured.</p> <p><u>Suggestion:</u> Use of the term “intangibles” rather than the phrase “intangible assets” and the inclusion of some public sector, agriculture related examples would clarify this scope exclusion.</p>	<p>This scope exclusion in ED 36 is unchanged from IAS 41, which does not specify particular intangible assets related to agriculture.</p> <p>The government’s power to grant the types of rights the respondent refers to have specifically been scoped out of ED 40, which is also expected to be approved as an IPSAS in 2009. The IPSASB will consider such items as part of its Conceptual Framework project. Staff does not believe it would be appropriate to raise such examples in this Standard.</p> <p>The term “intangible assets” is consistent with ED 40/IAS 38, which require recognition criteria to be met before an “intangible item” is recognized as an “intangible asset.” Staff does not agree with the proposed wording change.</p>

#	RESPONDENT NAME	OTHER COMMENTS	PROPOSED IPSASB RESPONSE
1	Public Sector Accounting Board (Canada )	<p><u>Definitions – Paragraph 8</u></p> <ul style="list-style-type: none"> <li>Why are the definitions of “bearer biological assets” and “consumable biological assets and “mature biological assets” and “immature biological assets” not included in the definition paragraph instead of being buried at the back of the document in paragraphs 40 and 41?</li> </ul>	<p>This issue is also raised by Respondent #5 (see below). That response provides the context for requiring these terms to be defined in the Definitions section.</p> <p>ED 36 treatment of these terms is unchanged from IAS 41. IAS 41 informally explains these terms in grey letter text in paragraph 40, and does not formally define them in the Definitions section.</p> <p>If the IPSASB agrees with the proposal for mandatory disclosure of “bearer” and “consumable” biological assets (see AP 2.1) this change is necessary. Definitions of key terms should all be in the “Definition” section.</p>
1	Public Sector Accounting Board (Canada )	<p>Sub-paragraph 9(b): The last sentence can be read as a modification of the definition of agricultural activity. The definition of agricultural activity should not be modified by later guidance. If this sentence is not intended as a modification of the definition of agricultural activity, but merely an elaboration of what is intended by the definition, then the definition itself may not be clear enough. If this sentence does modify the definition of agricultural activity, then it also serves as a scope limitation. In such circumstances, it would be appropriate to address this scope limitation in the scope section as well as reinforcing it in the definition section.</p>	<p>Staff disagrees that this is a modification. It is an example of an excluded activity.</p>
1	Public Sector Accounting Board (Canada )	<p><u>Paragraphs 43 and 44 – a clarification?</u></p> <p>Paragraph 43 deals with disclosure of the methods and assumptions used in determining the fair value of agricultural produce and biological assets <u>at the point of harvest</u>.</p> <p>Paragraph 44 requires the disclosure of fair value less costs to sell of agricultural produce <u>harvested</u> during the period <u>determined at the point of harvest</u>.</p> <p>Are these two disclosure requirements related to the same fair value calculation/number? Consistency in use of terminology when addressing the same issue helps in</p>	<p>Staff does not believe a change is necessary – the requirements in these paragraphs are unchanged from IAS 41.</p> <p>Paragraph 43 deals with the assumptions underlying the fair value calculations required in the standard for both biological assets and agricultural produce, and paragraph 44 deals with the actual fair values calculated using those assumptions.</p>

#	RESPONDENT NAME	OTHER COMMENTS	PROPOSED IPSASB RESPONSE
		understanding. When different terminology is used, the reader assumes that there is some nuance or circumstances that is different and that is why different terminology has been used.	
5	Accounting Standards Board (South Africa)	If the IPSASB includes a compulsory disclosure for “bearer” and “consumable” biological assets, we recommend further that the definitions for bearer and consumable assets, currently included in paragraph 40, be included in the definitions section as it will provide the IPSASB with a basis for departure from the IASs.	This issue is also raised by Respondent #1 (see above). ED 36 treatment of these terms is unchanged from IAS 41. IAS 41 informally explains these terms in grey letter text in paragraph 40, and does not formally define them in the Definitions section. If the IPSASB agrees with the proposal for mandatory disclosure of “bearer” and “consumable” biological assets (see AP 2.1) this change is necessary. Definitions of key terms should all be in the “Definition” section.
7	HoTARAC (Australia)	IPSAS 26 <i>Impairment of Cash-Generating Assets</i> . Given there is no IPSASB Standard on non-current assets held for sale, it is recommended that the last three sentences of paragraph 7 of IPSAS 26 be amended as follows: “This Standard does not apply to biological assets related to agricultural activity that are measured at fair value less costs to sell, as the measurement requirements for such assets are dealt with in IPSAS XX (ED 36). In addition, this Standard does not apply to non-current assets (or disposal groups) classified as held for sale that are measured at the lower of carrying amount and fair value less costs to sell. The relevant international or national accounting standards dealing with such assets contain measurement requirements.”	Staff agrees that the changes suggested should be made. Proposed wording would be as follows (shown in markup from existing IPSAS 26.7 wording): This Standard does not apply to inventories and cash-generating assets arising from construction contracts, because existing Standards applicable to these assets contain requirements for recognizing and measuring such assets. This Standard does not apply to deferred tax assets, assets related to employee benefits, or deferred acquisition costs and intangible assets arising from an insurer’s contractual rights under insurance contracts. The impairment of such assets is addressed in the relevant international or national accounting standards. In addition, this Standard does not apply to biological assets related to agricultural activity that are measured at fair value less certain point-of-sale costs <u>as the measurement requirements for such assets are dealt with in IPSAS XX (ED 36).</u> <u>This Standard does not apply to and</u> non-current

#	RESPONDENT NAME	OTHER COMMENTS	PROPOSED IPSASB RESPONSE
			assets (or disposal groups) classified as held for sale that are measured at the lower of carrying amount and fair value less costs to sell. The relevant international or national accounting standards dealing with such assets contain measurement requirements.
12	Australian Joint Accounting Bodies	The Joint Accounting Bodies agree with the IPSASB proposal that the [proposed] Standard not include requirements and guidance for government grants as IPSAS 23 <i>Revenue from Non-Exchange Transactions (Taxes and Transfers)</i> contains this material. We understand that the basis for the IPSASB’s decision in December 2006 to issue IPSAS 23 was that, unlike the for-profit sector, governments and many other public sector entities derive the majority of their revenue from non-exchange transactions. IPSAS 23 has no IFRS equivalent; it is not founded on IAS 20 <i>Accounting for Government Grants and Disclosure of Government Assistance</i> and/or IAS 41, and its review does not appear to be within the scope of the convergence project. We accept that there is a public sector specific reason for the retention of IPSAS 23 in its current form. We think it would be helpful if the Basis for Conclusions to the [proposed] Standard included a paragraph that stated, “It is the Board’s view that there is a public sector specific reason for retaining IPSAS 23 and for this reason the [proposed] Standard cross references to IPSAS 23. Therefore, the [proposed] standard does not contain the same requirements as in IAS 41 for unconditional and conditional government grants related to a biological asset.”	Staff does not believe it is necessary to justify existence of IPSAS 23 in this IPSAS.

#	RESPONDENT NAME	EDITORIAL SUGGESTIONS	PROPOSED IPSASB RESPONSE
1	Public Sector Accounting Board (Canada )	<p><u>Paragraph IN1</u></p> <p>The phrase “or for conversion” is missing in front of “into agricultural produce or into additional biological assets”, at the end of the paragraph. Presumably this paragraph should read the same as the definition of agricultural activity in paragraph 8.</p>	<p>Staff agrees with this comment. The change will be made when redrafting the IN section to reflect the other changes the IPSASB agrees to be made to the ED.</p>
1	Public Sector Accounting Board (Canada )	<p>Costs to sell: The definition seems fine but where does this definition come from? It is not in the current IPSAS glossary of terms and yet it is different from the “point of sale” costs definition in IAS 41. Is there a public sector specific reason for this different term and definition in ED 36? Is it just a more general term/definition because different costs might arise in selling in the public sector?</p>	<p>The definition used in the ED includes May 2008 IASB amendments. The definition referred to by the respondent is superseded.</p> <p>Note that Respondent #5 also raises concerns about the definition of this term in relation to the issue of fair value measurement when the biological asset is to be distributed/transferred in a non-exchange transaction (see AP 2.2, page 7/20). This definition is dependent on the IPSASB’s decisions on this issue (see AP 2.1).</p>
5	Accounting Standards Board (South Africa)	<ol style="list-style-type: none"> <li>1. In IN5, the sentence relating to IPSAS 16 should be moved to the end of the paragraph as it replaces the equivalent reference and text to IAS 40.</li> <li>2. Provided that the references to IPSAS 23 remains, the insertion in IN6 that refers to IPSAS 23 should be amended to read that IPSAS 23,....provides requirements and guidance for the accounting of non-exchange revenue, including government grants. Delete “related to agricultural activity” in that sentence. Also delete the last sentence of that paragraph that states “IPSAS 23 deals with other aspects of accounting for biological assets”.</li> <li>3. The bold paragraph in paragraph 12 dealing with “Terms defined in other International Public Sector Accounting Standards...” should be included as part of paragraph 11.</li> <li>4. The font of the heading “Disclosure” should be enlarged.</li> <li>5. In paragraph .49, delete IAS before the insertion of</li> </ol>	<p>Staff agrees with these changes.</p> <p>However, item 2 will need to be considered in light of IPSASB’s decisions made on the issues in AP 2.1.</p> <p>Item 9 is not a unique public sector concern, and staff recommends no change be made.</p>

#	RESPONDENT NAME	EDITORIAL SUGGESTIONS	PROPOSED IPSASB RESPONSE
		<p>IPSAS 1</p> <ol style="list-style-type: none"> <li>6. In the amendments to IPSAS 12: Paragraph 12 should be bold.</li> <li>7. In the basis for conclusions, the heading for scope should read: “Biological Assets Used for the Supply of Services”, consistent with the wording used in the paragraph or amend the paragraph accordingly.</li> <li>8. In Example 1, the references to “Trade and other receivables” and “Accounts payable” should be replaced with “Receivables in exchange transactions” and “Payables under exchange transactions” consistent with the wording in IPSAS 1 paragraph 88 that outlines the minimum disclosure requirements.</li> <li>9. In Example 1, the disclosure for dairy livestock – immature and dairy livestock – mature includes a footnote stating this disclosure is encouraged. We suggest that wording is added to clarify that this can be disclosed on the face or in the notes for clarification as some respondents felt that entities may interpret the example to be the only accepted why of disclosing the relevant information.</li> <li>10. In Example 1, on page 28, note 4 dealing with “Financial Risk Management Strategies”, replace “Company” with “Entity”, consistent with other changes in the example.</li> <li>11. In Example 2, in the first sentence in the block, change “10” to “ten” for ease of reading, consistent with the use of “one animal” later in that sentence.</li> <li>12. In the Comparison with IAS 41, bullet 3, amend the reference to IPSAS 23 to include in brackets “Taxes and Transfers”.</li> </ol>	

#	RESPONDENT NAME	EDITORIAL SUGGESTIONS	PROPOSED IPSASB RESPONSE
6	Australian Accounting Standards Board	(c) in the Appendix ('Amendments to Other IPSASs'), in relation to IPSAS 9 <i>Revenue from Exchange Transactions</i> , the proposed amended wording for paragraph 10(e) should be revised to include "... and from changes in fair value less costs to sell of ..", for consistency with the measurement basis specified in the body of ED 36.	Staff will consider the appropriateness of this comment in light of the changes the IPSASB agrees to make regarding the issue of non-exchange transactions, in AP 2.1.
7	HoTARAC	<p><b>Illustrative Examples</b></p> <p>Example I — Statement of Cash Flows</p> <p>Given the deletion of the line "Income taxes paid" (that appeared in the IAS 41 example), the figures for the following line items need to be corrected as set out below:</p> <p>Net cash from operating activities \$1 11 294</p> <p>Net increase in cash \$43,194</p> <p>Cash at end of the year \$53,194</p>	Staff agrees that there is an error in the example as identified by the respondent. Appropriate changes will be made to the Illustrative Examples (including some additional formatting changes noted by staff).
		<p>Note: an informal email comment was sent by Joanne Scott on behalf of Clive Brodie to indicate that:</p> <p>"Biological assets are not specifically excluded in IPSAS 21 (because there was no IPSAS on them when it was issued.) ED 36 is proposing to amend IPSAS 26 to refer to the IPSAS based on ED 36, but there is no proposal to amend IPSAS 21."</p>	<p>IPSAS 26 contained a scope exclusion, which was amended in ED 36. IPSAS 21 contained no such exclusion in paragraph 2. Staff suggests the following text be inserted between existing IPSAS 21.2(e) and (f):</p> <p><b>Biological assets related to agricultural activity that are measured at the lesser of cost and replacement value or at fair value less estimated costs to sell, as required (see IPSAS XX (ED 36), "Agriculture");</b></p>

### **BREAKDOWN OF RESPONDENTS**

#### **Purpose of this Paper:**

The following is staff's analysis of the 15 responses received to ED 35, "Agriculture." It is not intended as a replacement for an analysis of the substance of the responses.

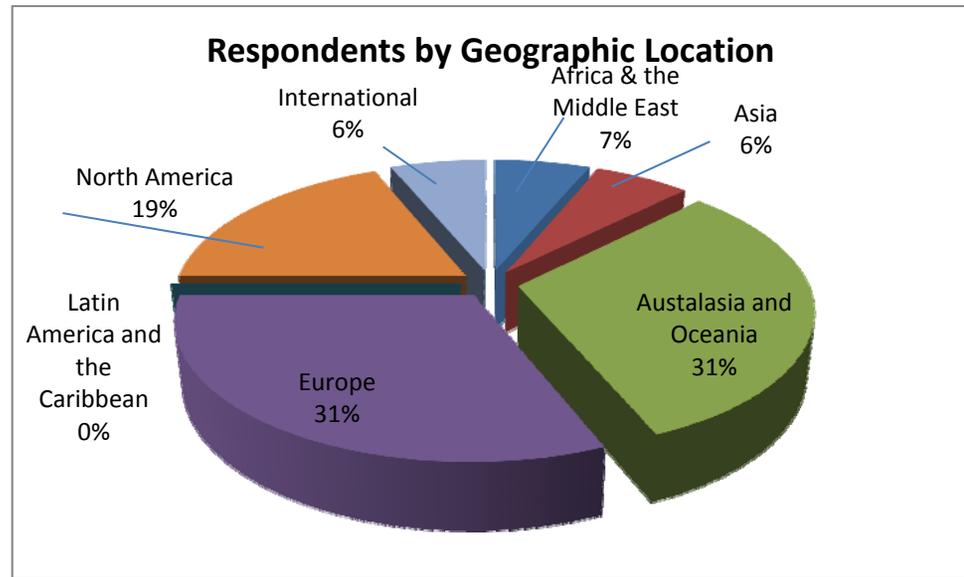
Copies of the responses are provided as Agenda paper 2.4.

#### **List of Respondents:**

<b>Response #</b>	<b>Respondent Name</b>	<b>Response #</b>	<b>Respondent Name</b>
1	Public Sector Accounting Board (Canada)	10	Comité des Normes des Comptabilité Publique (France)
2	Landcorp Farming Ltd. (New Zealand)	11	Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants
3	Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)	12	Australian Joint Accounting Bodies
4	Japanese Institute of Certified Public Accountants	13	Controller General, Province of British Columbia (Canada)
5	Accounting Standards Board (South Africa)	14	Fédération des Experts Comptables Européens (FEE)/Federation of European Accountants
6	Australian Accounting Standards Board	15	United Nations Task Force
7	HoTARAC (Australia Heads of Treasuries Accounting and Reporting Advisory Committee)		
8	CIPFA (UK)		
9	Accounting Standards Board (UK)		

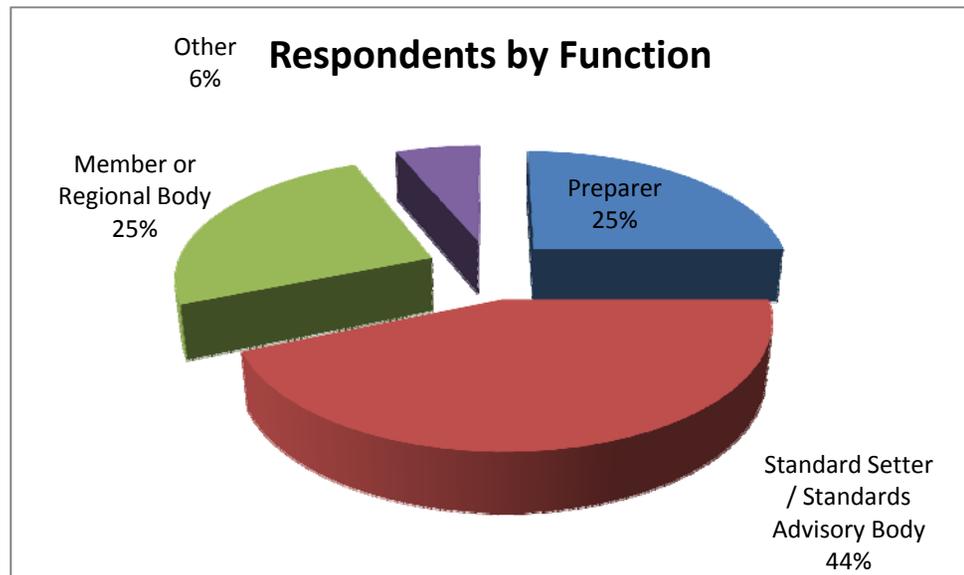
**Geographic Breakdown:<sup>1</sup>**

Location	Response #s	Total
Africa and the Middle East	5	1
Asia	4	1
Australasia and Oceania	2, 6, 7, 11, 12	5
Europe	3, 8, 9, 10, 14	5
Latin America and the Caribbean		0
North America	1, 13	2
International	15	1
<b>Total</b>		<b>15</b>



**Functional Breakdown:**

Function	Response #s	Total
Preparer	2, 7, 13, 15	4
Audit Office		0
Standard Setter/Standards Advisory Body	1, 3, 5, 6, 9, 10, 11,	7
Member or Regional Body	4, 8, 12, 14	4
Accountancy Firm		0
Academic		0
<b>Total</b>		<b>15</b>



<sup>1</sup> The geographic breakdown used is the same as that used in IPSASB’s Agenda Paper 1.4, “Report on IPSASB Communications and Liaison Activities” and in the IFAC document, “Call for Nominations for IFAC Boards and Committees in 2010,” at [http://web.ifac.org/download/2\\_Call\\_for\\_Nominations\\_2010.pdf](http://web.ifac.org/download/2_Call_for_Nominations_2010.pdf)

**Linguistic Breakdown:**

Language	Response #s	Total
English-Speaking	1, 2, 5, 6, 7, 8, 9, 11, 12, 13	10
Non-English Speaking	3, 4, 10	3
Combination	14, 15	2
<b>Total</b>		<b>15</b>

