

IASB APPROVES AMENDMENTS TO ACCOUNTING FOR BEARER PLANTS



THE INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB) HAS APPROVED AMENDMENTS FOR THE ACCOUNTING FOR BEARER PLANTS.

For annual reporting periods beginning on or after 1 January 2016, bearer plants will be accounted for as property, plant and equipment under IAS 16 *Property, Plant and Equipment* rather than as biological assets under IAS 41 *Agriculture*.

This means that bearer plants, which are used to produce or supply agricultural produce over more than one period, will not be measured after initial recognition at fair value less costs to sell, but rather using either the cost or revaluation model in IAS 16.

If the revaluation model is used:

- Fair value movements will not be recognised in profit or loss unless impairment losses have been incurred which exceed revaluation increments for that asset, and
- Revaluations will not be required every year as long as the carrying amount is not materially different to fair value.

These changes should save time and costs for entities applying the cost model, and also for entities applying the revaluation model because fair value calculations are not required on an annual basis.

Entities with tea bushes, grape vines, oil palms and rubber trees will be able to account for these bearer plants under IAS 16, however the produce growing on these bearer plants, e.g. tea leaves, grapes, oil palm fruit and latex will remain within the scope of IAS 41.