

4.10 Agriculture

4.10.1 Introduction

- 4.10.1.1 Authorities shall account for biological assets and agricultural produce at the point of harvest - when these items relate to agricultural activity - in accordance with *IAS 41 Agriculture*.

Interpretation for the Public Sector Context

- 4.10.1.2 *IAS 41* sets out the accounting requirements for agricultural activity. Biological assets that are not held for agricultural activity (e.g. trees in public parks) are not subject to the requirements of *IAS 41*. Where material, these assets shall be accounted for in accordance with *IAS 16 Property, Plant and Equipment*.

4.10.2 Accounting Requirements

- 4.10.2.1 Assets held for agricultural activity shall be held at fair value, and changes to the fair value of an asset shall be recognised in the Income and Expenditure Account as they arise. Such assets are not expected to be common in local authorities and therefore the Code does not provide any further details of the accounting requirements. Where authorities have such assets, they shall account for them in accordance with *IAS 41*.

4.10.3 Statutory Accounting Requirements

- 4.10.3.1 There are no statutory accounting requirements in relation to agriculture.

4.10.4 Disclosure Requirements

- 4.10.4.1 Authorities shall disclose the information required by *IAS 41*.

4.10.5 Statutory Disclosure Requirements

- 4.10.5.1 There are no statutory disclosures required in relation to agriculture.

4.10.6 Changes since SORP 2009

- 4.10.6.1 The SORP 2009 does not include any specific provisions for agriculture. The provisions of the Code will therefore result in a change of accounting policies for authorities that have assets that are within the scope of *IAS 41*.

Transition Arrangements - Agriculture (Biological Assets)

IAS 41 requires biological assets held for agricultural purposes to be carried at fair value, with any changes in fair value debited or credited to the Income and Expenditure Account. The SORP did not include any such provisions.

Step 1 - Restate Opening IFRS Balance Sheet as at 1 April 2009

Where biological assets held for agricultural purposes (and held as at 31 March 2009) were previously recognised as stock (inventory), an authority shall reclassify the biological asset as a biological asset on the balance sheet. The asset shall be adjusted to its fair value as at 1 April 2009, with any difference between its fair value and its previous carrying amount being debited or credited to the General Fund Balance.

Where biological assets held for agricultural purposes (and held as at 31 March 2009) were previously recognised as a fixed asset, an authority shall reclassify the biological asset as a biological asset on the balance sheet. The asset shall be adjusted to its fair value as at 1 April 2009, with any difference between its fair value and its previous carrying amount being debited or credited to the General Fund Balance. Any balance on the Revaluation Reserve in relation to the asset shall be transferred to the General Fund Balance.

Step 2 - Restate Comparative Figures for 2009/10 (biological assets held prior to 1 April 2009)

Where the biological asset is still held at 31 March 2010, the carrying amount of the biological asset shall be adjusted to its fair value as at that date, with any difference between its fair value and its fair value as at 1 April 2009 being debited or credited to the Income and Expenditure Account. Any previous adjustment of the value of the biological asset (either as stock or as a fixed asset) and any previous depreciation or impairment of the biological asset shall be reversed.

Where the biological asset was derecognised during 2009/10, the fair value of the asset shall be charged to the Income and Expenditure Account, and any income receivable recognised in the Income and Expenditure Account. Transactions in relation to the previous accounting treatment shall be reversed.

Step 3 - Restate Comparative Figures for 2009/10 (biological assets recognised in 2009/10)

Where a biological asset held for agricultural purposes was recognised during 2009/10, the asset shall be carried at its fair value as at 31 March 2010. Any difference between its fair value and any amount payable in respect of the asset shall be debited or credited to the Income and Expenditure Account. Any previous accounting treatment in respect of the recognition, revaluation, impairment or depreciation of the biological asset shall be reversed.

Where the biological asset was also derecognised during 2009/10, the fair value of the asset shall be charged to the Income and Expenditure Account, and any income receivable recognised in the Income and Expenditure Account. Transactions in relation to the previous accounting treatment shall be reversed.