

SSAP 36
STATEMENT OF STANDARD ACCOUNTING PRACTICE 36
AGRICULTURE

(Issued November 2002)

*The standards, which have been set in **bold italic type**, should be read in the context of the background material and implementation guidance in this Statement, and in the context of the Foreword to Statements of Standard Accounting Practice, Interpretations and Accounting Guidelines. Statements of Standard Accounting Practice are not intended to apply to immaterial items (see paragraph 8 of the Foreword).*

Objective

The objective of this Statement is to prescribe the accounting treatment, financial statement presentation, and disclosures related to agricultural activity.

Scope

1. ***This Statement should be applied to account for the following when they relate to agricultural activity:***
 - (a) ***biological assets;***
 - (b) ***agricultural produce at the point of harvest; and***
 - (c) ***government grants covered by paragraphs 34-35.***
2. This Statement does not apply to:
 - (a) land related to agricultural activity (see SSAP 17, Property, Plant and Equipment, and SSAP 13, Accounting for Investment Properties); and
 - (b) intangible assets related to agricultural activity (see SSAP 29, Intangible Assets).
3. This Statement is applied to agricultural produce, which is the harvested product of the enterprise's biological assets, only at the point of harvest. Thereafter, SSAP 22, Inventories, or another applicable Statement of Standard Accounting Practice is applied. Accordingly, this Statement does not deal with the processing of agricultural produce after harvest; for example, the processing of grapes into wine by a vintner who has grown the grapes. While such processing may be a logical and natural extension of agricultural activity, and the events taking place may bear some similarity to biological transformation, such processing is not included within the definition of agricultural activity in this Statement.

4. The table below provides examples of biological assets, agricultural produce, and products that are the result of processing after harvest:

Biological assets	Agricultural produce	Products that are the result of processing after harvest
Sheep	Wool	Yarn, carpet
Trees in a plantation forest	Logs	Lumber
Plants	Cotton	Thread, clothing
	Harvested cane	Sugar
Dairy cattle	Milk	Cheese
Pigs	Carcass	Sausages, cured hams
Bushes	Leaf	Tea, cured tobacco
Vines	Grapes	Wine
Fruit trees	Picked fruit	Processed fruit

Definitions

Agriculture-Related Definitions

5. *The following terms are used in this Statement with the meanings specified:*

Agricultural activity is the management by an enterprise of the biological transformation of biological assets for sale, into agricultural produce, or into additional biological assets.

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

A biological asset is a living animal or plant.

Biological transformation comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset.

A group of biological assets is an aggregation of similar living animals or plants.

Harvest is the detachment of produce from a biological asset or the cessation of a biological asset's life processes.

6. Agricultural activity covers a diverse range of activities; for example, raising livestock, forestry, annual or perennial cropping, cultivating orchards and plantations, floriculture, and aquaculture (including fish farming). Certain common features exist within this diversity:
- Capability to change.* Living animals and plants are capable of biological transformation;
 - Management of change.* Management facilitates biological transformation by enhancing, or at least stabilising, conditions necessary for the process to take place (for example, nutrient levels, moisture, temperature, fertility, and light). Such management distinguishes agricultural activity from other activities. For example, harvesting from unmanaged sources (such as ocean fishing and deforestation) is not agricultural activity; and
 - Measurement of change.* The change in quality (for example, genetic merit, density, ripeness, fat cover, protein content, and fibre strength) or quantity (for example, progeny, weight, cubic metres, fibre length or diameter, and number of buds) brought about by biological transformation is measured and monitored as a routine management function.

7. Biological transformation results in the following types of outcomes:
- (a) asset changes through (i) growth (an increase in quantity or improvement in quality of an animal or plant); (ii) degeneration (a decrease in the quantity or deterioration in quality of an animal or plant); or (iii) procreation (creation of additional living animals or plants); or
 - (b) production of agricultural produce such as latex, tea leaf, wool, and milk.

General Definitions

8. *The following terms are used in this Statement with the meanings specified:*

An active market is a market where all the following conditions exist:

- (a) *the items traded within the market are homogeneous;*
- (b) *willing buyers and sellers can normally be found at any time; and*
- (c) *prices are available to the public.*

Carrying amount is the amount at which an asset is recognised in the balance sheet.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Government grants are as defined in SSAP 35, Accounting for Government Grants and Disclosure of Government Assistance.

9. The fair value of an asset is based on its present location and condition. As a result, for example, the fair value of cattle at a farm is the price for the cattle in the relevant market less the transport and other costs of getting the cattle to that market.

Recognition and Measurement

10. *An enterprise should recognise a biological asset or agricultural produce when, and only when:*
- (a) *the enterprise controls the asset as a result of past events;*
 - (b) *it is probable that future economic benefits associated with the asset will flow to the enterprise; and*
 - (c) *the fair value or cost of the asset can be measured reliably.*
11. In agricultural activity, control may be evidenced by, for example, legal ownership of cattle and the branding or otherwise marking of the cattle on acquisition, birth, or weaning. The future benefits are normally assessed by measuring the significant physical attributes.
12. *A biological asset should be measured on initial recognition and at each balance sheet date at its fair value less estimated point-of-sale costs, except for the case described in paragraph 30 where the fair value cannot be measured reliably.*
13. *Agricultural produce harvested from an enterprise's biological assets should be measured at its fair value less estimated point-of-sale costs at the point of harvest. Such measurement is the cost at that date when applying SSAP 22, Inventories, or another applicable Statement of Standard Accounting Practice.*

14. Point-of-sale costs include commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, and transfer taxes and duties. Point-of-sale costs exclude transport and other costs necessary to get assets to a market.
15. The determination of fair value for a biological asset or agricultural produce may be facilitated by grouping biological assets or agricultural produce according to significant attributes; for example, by age or quality. An enterprise selects the attributes corresponding to the attributes used in the market as a basis for pricing.
16. Enterprises often enter into contracts to sell their biological assets or agricultural produce at a future date. Contract prices are not necessarily relevant in determining fair value, because fair value reflects the current market in which a willing buyer and seller would enter into a transaction. As a result, the fair value of a biological asset or agricultural produce is not adjusted because of the existence of a contract. In some cases, a contract for the sale of a biological asset or agricultural produce may be an onerous contract, as defined in SSAP 28, Provisions, Contingent Liabilities and Contingent Assets. SSAP 28 applies to onerous contracts.
17. If an active market exists for a biological asset or agricultural produce the quoted price in that market is the appropriate basis for determining the fair value of that asset. If an enterprise has access to different active markets, the enterprise uses the most relevant one. For example, if an enterprise has access to two active markets, it would use the price existing in the market expected to be used.
18. If an active market does not exist, an enterprise uses one or more of the following, when available, in determining fair value:
 - (a) the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the balance sheet date;
 - (b) market prices for similar assets with adjustment to reflect differences; and
 - (c) sector benchmarks such as the value of an orchard expressed per export tray, bushel, or hectare, and the value of cattle expressed per kilogram of meat.
19. In some cases, the information sources listed in paragraph 18 may suggest different conclusions as to the fair value of a biological asset or agricultural produce. An enterprise considers the reasons for those differences, in order to arrive at the most reliable estimate of fair value within a relatively narrow range of reasonable estimates.
20. In some circumstances, market-determined prices or values may not be available for a biological asset in its present condition. In these circumstances, an enterprise uses the present value of expected net cash flows from the asset discounted at a current market-determined pre-tax rate in determining fair value.
21. The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition. An enterprise considers this in determining an appropriate discount rate to be used and in estimating expected net cash flows. The present condition of a biological asset excludes any increases in value from additional biological transformation and future activities of the enterprise, such as those related to enhancing the future biological transformation, harvesting, and selling.
22. An enterprise does not include any cash flows for financing the assets, taxation, or re-establishing biological assets after harvest (for example, the cost of replanting trees in a plantation forest after harvest).
23. In agreeing an arm's length transaction price, knowledgeable, willing buyers and sellers consider the possibility of variations in cash flows. It follows that fair value reflects the possibility of such variations. Accordingly, an enterprise incorporates expectations about possible variations in cash flows into either the expected cash flows, or the discount rate, or some combination of the two. In determining a discount rate, an enterprise uses assumptions consistent with those used in estimating the expected cash flows, to avoid the effect of some assumptions being double-counted or ignored.

24. Cost may sometimes approximate fair value, particularly when
 - (a) little biological transformation has taken place since initial cost incurrence (for example, for fruit tree seedlings planted immediately prior to a balance sheet date); or
 - (b) the impact of the biological transformation on price is not expected to be material (for example, for the initial growth in a 30-year pine plantation production cycle).
25. Biological assets are often physically attached to land (for example, trees in a plantation forest). There may be no separate market for biological assets that are attached to the land but an active market may exist for the combined assets, that is, for the biological assets, raw land, and land improvements, as a package. An enterprise may use information regarding the combined assets to determine fair value for the biological assets. For example, the fair value of raw land and land improvements may be deducted from the fair value of the combined assets to arrive at the fair value of biological assets.

Gains and Losses

26. *A gain or loss arising on initial recognition of a biological asset at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological asset should be included in net profit or loss for the period in which it arises.*
27. A loss may arise on initial recognition of a biological asset, because estimated point-of-sale costs are deducted in determining fair value less estimated point-of-sale costs of a biological asset. A gain may arise on initial recognition of a biological asset, such as when a calf is born.
28. *A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs should be included in net profit or loss for the period in which it arises.*
29. A gain or loss may arise on initial recognition of agricultural produce as a result of harvesting.

Inability to Measure Fair Value Reliably

30. *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 should be measured at its cost less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such a biological asset becomes reliably measurable, an enterprise should measure it at its fair value less estimated point-of-sale costs.*
31. The presumption in paragraph 30 can be rebutted only on initial recognition. An enterprise that has previously measured a biological asset at its fair value less estimated point-of-sale costs continues to measure the biological asset at its fair value less estimated point-of-sale costs until disposal.
32. In all cases, an enterprise measures agricultural produce at the point of harvest at its fair value less estimated point-of-sale costs. This Statement reflects the view that the fair value of agricultural produce at the point of harvest can always be measured reliably.
33. In determining cost, accumulated depreciation and accumulated impairment losses, an enterprise considers SSAP 22, Inventories, SSAP 17, Property, Plant and Equipment, and SSAP 31, Impairment of Assets.

Government Grants

34. *An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs should be recognised as income when, and only when, the government grant becomes receivable.*
35. *If a government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is conditional, including where a government grant requires an enterprise not to engage in specified agricultural activity, an enterprise should recognise the government grant as income when, and only when, the conditions attaching to the government grant are met.*
36. Terms and conditions of government grants vary. For example, a government grant may require an enterprise to farm in a particular location for five years and require the enterprise to return all of the government grant if it farms for less than five years. In this case, the government grant is not recognised as income until the five years have passed. However, if the government grant allows part of the government grant to be retained based on the passage of time, the enterprise recognises the government grant as income on a time proportion basis.
37. If a government grant relates to a biological asset measured at its cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30), SSAP 35, Accounting for Government Grants and Disclosure of Government Assistance, is applied.
38. This Statement requires a different treatment from SSAP 35, if a government grant relates to a biological asset measured at its fair value less estimated point-of-sale costs or a government grant requires an enterprise not to engage in specified agricultural activity. SSAP 35 is applied only to a government grant related to a biological asset measured at its cost less any accumulated depreciation and any accumulated impairment losses.

Presentation and Disclosure

Presentation

39. *An enterprise should present the carrying amount of its biological assets separately on the face of its balance sheet.*

Disclosure

General

40. *An enterprise should 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 estimated point-of-sale costs of biological assets.*
41. *An enterprise should provide a description of each group of biological assets.*
42. The disclosure required by paragraph 41 may take the form of a narrative or quantified description.

43. An enterprise is encouraged to provide a quantified description of each group of biological assets, distinguishing between consumable and bearer biological assets or between mature and immature biological assets, as appropriate. For example, an enterprise may disclose the carrying amounts of consumable biological assets and bearer biological assets by group. An enterprise may further divide those carrying amounts between mature and immature assets. These distinctions provide information that may be helpful in assessing the timing of future cash flows. An enterprise discloses the basis for making any such distinctions.
44. Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets. Examples of consumable biological assets are livestock intended for the production of meat, livestock held for sale, fish in farms, crops such as maize and wheat, and trees being grown for lumber. Bearer biological assets are those other than consumable biological assets; for example, livestock from which milk is produced, grape vines, fruit trees, and trees from which firewood is harvested while the tree remains. Bearer biological assets are not agricultural produce but, rather, are self-regenerating.
45. Biological assets may be classified either as mature biological assets or immature biological assets. Mature biological assets are those that have attained harvestable specifications (for consumable biological assets) or are able to sustain regular harvests (for bearer biological assets).
46. *If not disclosed elsewhere in information published with the financial statements, an enterprise should describe:*
- (a) *the nature of its activities involving each group of biological assets; and*
 - (b) *non-financial measures or estimates of the physical quantities of:*
 - (i) *each group of the enterprise's biological assets at the end of the period; and*
 - (ii) *output of agricultural produce during the period.*
47. *An enterprise should disclose the methods and significant assumptions applied in determining the fair value of each group of agricultural produce at the point of harvest and each group of biological assets.*
48. *An enterprise should disclose the fair value less estimated point-of-sale costs of agricultural produce harvested during the period, determined at the point of harvest.*
49. *An enterprise should disclose:*
- (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;*
 - (b) *the amount of commitments for the development or acquisition of biological assets; and*
 - (c) *financial risk management strategies related to agricultural activity.*
50. *An enterprise should present a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period. Comparative information is not required. The reconciliation should include:*
- (a) *the gain or loss arising from changes in fair value less estimated point-of-sale costs;*
 - (b) *increases due to purchases;*
 - (c) *decreases due to sales;*
 - (d) *decreases due to harvest;*
 - (e) *increases resulting from business combinations;*
 - (f) *net exchange differences arising on the translation of financial statements of a foreign entity; and*
 - (g) *other changes.*

51. The fair value less estimated point-of-sale costs of a biological asset can change due to both physical changes and price changes in the market. Separate disclosure of physical and price changes is useful in appraising current period performance and future prospects, particularly when there is a production cycle of more than one year. In such cases, an enterprise is encouraged to disclose, by group or otherwise, the amount of change in fair value less estimated point-of-sale costs included in net profit or loss due to physical changes and due to price changes. This information is generally less useful when the production cycle is less than one year (for example, when raising chickens or growing cereal crops).
52. Biological transformation results in a number of types of physical change - growth, degeneration, production, and procreation, each of which is observable and measurable. Each of those physical changes has a direct relationship to future economic benefits. A change in fair value of a biological asset due to harvesting is also a physical change.
53. Agricultural activity is often exposed to climatic, disease, and other natural risks. If an event occurs that because of its size, nature, or incidence is relevant to understanding the enterprise's performance for the period, the nature and amount of related items of income and expense are disclosed under SSAP 2, Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies. Examples include an outbreak of a virulent disease, a flood, severe droughts or frosts, and a plague of insects.

Additional Disclosures for Biological Assets Where Fair Value Cannot Be Measured Reliably

54. *If an enterprise measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30) at the end of the period, the enterprise should disclose for such biological assets:*
 - (a) *a description of the biological assets;*
 - (b) *an explanation of why fair value cannot be measured reliably;*
 - (c) *if possible, the range of estimates within which fair value is highly likely to lie;*
 - (d) *the depreciation method used;*
 - (e) *the useful lives or the depreciation rates used; and*
 - (f) *the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.*
55. *If, during the current period, an enterprise measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30), an enterprise should disclose any gain or loss recognised on disposal of such biological assets and the reconciliation required by paragraph 50 should disclose amounts related to such biological assets separately. In addition, the reconciliation should include the following amounts included in net profit or loss related to those biological assets:*
 - (a) *impairment losses;*
 - (b) *reversals of impairment losses; and*
 - (c) *depreciation.*

56. *If the fair value of biological assets previously measured at their cost less any accumulated depreciation and any accumulated impairment losses becomes reliably measurable during the current period, an enterprise should disclose for those biological assets:*
- (a) *a description of the biological assets;*
 - (b) *an explanation of why fair value has become reliably measurable; and*
 - (c) *the effect of the change.*

Government Grants

57. *An enterprise should disclose the following related to agricultural activity covered by this Statement:*
- (a) *the nature and extent of government grants recognised in the financial statements;*
 - (b) *unfulfilled conditions and other contingencies attaching to government grants; and*
 - (c) *significant decreases expected in the level of government grants.*

Effective Date and Transition

58. *This Statement of Standard Accounting Practice becomes operative for annual financial statements covering periods beginning on or after 1 January 2004. Earlier application is encouraged. If an enterprise applies this Statement for periods beginning before 1 January 2004, it should disclose that fact.*
59. This Statement does not establish any specific transitional provisions. The adoption of this Statement is accounted for in accordance with SSAP 2, Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies.

Appendix A

Illustrative Examples

This appendix is illustrative only and does not form part of the standards. The purpose of the appendix is to illustrate the application of the standards.

- A1. Example 1 illustrates how the presentation and disclosure requirements of this Statement might be put into practice for a dairy farming enterprise. This Statement encourages the separation of the change in fair value less estimated point-of-sale costs of an enterprise's biological assets into physical change and price change. That separation is reflected in Example 1. Example 2 illustrates how to separate physical change and price change.
- A2. The financial statements in Example 1 do not conform to all of the disclosure and presentation requirements of other Statements of Standard Accounting Practice. Other approaches to presentation and disclosure may also be appropriate.

Example 1: XYZ Dairy Ltd.**Balance Sheet**

XYZ Dairy Ltd. Balance Sheet	Notes	31 December 20X1	31 December 20X0
ASSETS			
Non-current assets			
Dairy livestock - immature ¹		52,060	47,730
Dairy livestock - mature ¹		372,990	411,840
Subtotal - biological assets	3	425,050	459,570
Property, plant and equipment		1,462,650	1,409,800
Total non-current assets		1,887,700	1,869,370
Current assets			
Inventories		82,950	70,650
Trade and other receivables		88,000	65,000
Cash		10,000	10,000
Total current assets		180,950	145,650
Total assets		2,068,650	2,015,020
EQUITY AND LIABILITIES			
Equity			
Issued capital		1,000,000	1,000,000
Accumulated profits		902,828	865,000
Total equity		1,902,828	1,865,000
Current liabilities			
Trade and other payables		165,822	150,020
Total current liabilities		165,822	150,020
Total equity and liabilities		2,068,650	2,015,020

¹ An enterprise is encouraged, but not required, to provide a quantified description of each group of biological assets, distinguishing between consumable and bearer biological assets or between mature and immature biological assets, as appropriate. An enterprise discloses the basis for making any such distinctions.

Income Statement²

XYZ Dairy Ltd. Income Statement	Notes	Year Ended 31 December 20X1
Fair value of milk produced		518,240
Gains arising from changes in fair value less estimated point-of-sale costs of dairy livestock	3	39,930
		<u>558,170</u>
Inventories used		(137,523)
Staff costs		(127,283)
Depreciation expense		(15,250)
Other operating expenses		(197,092)
		<u>(477,148)</u>
Profit from operations		81,022
Income tax expense		(43,194)
		<u>37,828</u>
Net profit for the period		37,828

Statement of Changes in Equity³

XYZ Dairy Ltd. Statement of Changes in Equity	Year Ended 31 December 20X1		
	Share Capital	Accumulated Profits	Total
Balance at 1 January 20X1	1,000,000	865,000	1,865,000
Net profit for the period		37,828	37,828
		<u>37,828</u>	<u>37,828</u>
Balance at 31 December 20X1	1,000,000	902,828	1,902,828
	<u>1,000,000</u>	<u>902,828</u>	<u>1,902,828</u>

² This income statement presents an analysis of expenses using a classification based on the nature of expenses. SSAP 1, Presentation of Financial Statements, requires that an enterprise present, either on the face of the income statement or in the notes to the income statement, an analysis of expenses using a classification based on either the nature of expenses or their function within the enterprise. SSAP 1 encourages presentation of an analysis of expenses on the face of the income statement.

³ This is one of several formats for the statement of changes in equity permitted by SSAP 1.

Cash Flow Statement⁴

XYZ Dairy Ltd. Cash Flow Statement	Notes	Year Ended 31 December 20X1
Cash flows from operating activities		
Cash receipts from sales of milk		498,027
Cash receipts from sales of livestock		97,913
Cash paid for supplies and to employees		(460,831)
Cash paid for purchases of livestock		(23,815)
		<hr/>
		111,294
Income taxes paid		(43,194)
		<hr/>
Net cash from operating activities		68,100
		<hr/>
Cash flows from investing activities		
Purchase of property, plant and equipment		(68,100)
		<hr/>
Net cash used in investing activities		(68,100)
		<hr/>
Net increase in cash		0
Cash at beginning of period		10,000
		<hr/>
Cash at end of period		10,000
		<hr/> <hr/> <hr/>

Notes to the Financial Statements**1. Operations and Principal Activities**

XYZ Dairy Ltd. ("the Company") is engaged in milk production for supply to various customers. At 31 December 20X1, the Company held 419 cows able to produce milk (mature assets) and 137 heifers being raised to produce milk in the future (immature assets). The Company produced 157,584kg of milk with a fair value less estimated point-of-sale costs of 518,240 (that is determined at the time of milking) in the year ended 31 December 20X1.

⁴ This cash flow statement reports cash flows from operating activities using the direct method. SSAP 15, Cash Flow Statements, requires that an enterprise report cash flows from operating activities using either the direct method or the indirect method. SSAP 15 encourages use of the direct method.

2. Accounting Policies

Livestock and milk

Livestock are measured at their fair value less estimated point-of-sale costs. The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit. Milk is initially measured at its fair value less estimated point-of-sale costs at the time of milking. The fair value of milk is determined based on market prices in the local area.

3. Biological Assets

Reconciliation of Carrying Amounts of Dairy Livestock	20X1
Carrying amount at 1 January 20X1	459,570
Increases due to purchases	26,250
Gain arising from changes in fair value less estimated point-of-sale costs attributable to physical changes ⁵	15,350
Gain arising from changes in fair value less estimated point-of-sale costs attributable to price changes ⁵	24,580
Decreases due to sales	(100,700)
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Carrying amount at 31 December 20X1	425,050
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4. Financial Risk Management Strategies

The Company is exposed to financial risks arising from changes in milk prices. The Company does not anticipate that milk prices will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in milk prices. The Company reviews its outlook for milk prices regularly in considering the need for active financial risk management.

⁵ Separating the increase in fair value less estimated point-of-sale costs between the portion attributable to physical changes and the portion attributable to price changes is encouraged but not required by this Standard.

Example 2: Physical Change and Price Change

The following example illustrates how to separate physical change and price change. Separating the change in fair value less estimated point-of-sale costs between the portion attributable to physical changes and the portion attributable to price changes is encouraged but not required by this Statement.

A herd of 10 2 year old animals was held at 1 January 20X1. One animal aged 2.5 years was purchased on 1 July 20X1 for 108, and one animal was born on 1 July 20X1. No animals were sold or disposed of during the period. Per-unit fair values less estimated point-of-sale costs were as follows:

2 year old animal at 1 January 20X1	100	
Newborn animal at 1 July 20X1	70	
2.5 year old animal at 1 July 20X1	108	
Newborn animal at 31 December 20X1	72	
0.5 year old animal at 31 December 20X1	80	
2 year old animal at 31 December 20X1	105	
2.5 year old animal at 31 December 20X1	111	
3 year old animal at 31 December 20X1	120	
Fair value less estimated point-of-sale costs of herd at 1 January 20X1 (10 x 100)		1,000
Purchase on 1 July 20X1 (1 x 108)		108
Increase in fair value less estimated point-of-sale costs due to price change:		
10 x (105 - 100)	50	
1 x (111 - 108)	3	
1 x (72 - 70)	2	55
		<hr/>
Increase in fair value less estimated point-of-sale costs due to physical change:		
10 x (120 - 105)	150	
1 x (120 - 111)	9	
1 x (80 - 72)	8	
1 x 70	70	237
		<hr/>
Fair value less estimated point-of-sale costs of herd at 31 December 20X1		
11 x 120	1,320	
1 x 80	80	1,400
		<hr/>

Appendix B

Comparison with International Accounting Standards

This comparison appendix, which was prepared as at 10 September 2002 and deals only with significant differences in the standards, is produced for information only and does not form part of the standards in SSAP 36.

The International Accounting Standard comparable with SSAP 36 is:

- IAS 41 (2001): *Agriculture*

There are no significant differences between SSAP 36 and IAS 41.

Amendments to Existing SSAP

This Statement amends existing Statements of Standard Accounting Practice as set out below. For the purpose of this publication, the new text is shaded and the deleted text is shaded and struck through.

Amendments to SSAP 22, Inventories

This Statement amends paragraph 1 of SSAP 22 to read as follows:

1. *This Statement should be applied in financial statements prepared in the context of the historical cost system in accounting for inventories other than:*
 - (a) *work in progress arising under construction contracts, including directly related service contracts (see SSAP 23, Construction Contracts);*
 - (b) *financial instruments;~~and~~*
 - (c) *producers' inventories of ~~livestock~~, agricultural and forest products, ~~and mineral ores~~, and agricultural produce to the extent that they are measured at net realisable value in accordance with well established practices in certain industries; and*
 - (d) *biological assets related to agricultural activity (see SSAP 36, Agriculture).*

This Statement adds the following subheading and new paragraph 14A between paragraphs 14 and 15 of SSAP 22:

Cost of Agricultural Produce Harvested from Biological Assets

- 14A. Under SSAP 36, Agriculture, inventories comprising agricultural produce that an enterprise has harvested from its biological assets are measured on initial recognition at their fair value less estimated point-of-sale costs at the point of harvest. This is the cost of the inventories at that date for application of this Statement.

Amendments to SSAP 17, Property, Plant and Equipment

This Statement amends paragraph 4 of SSAP 17 to read as follows:

4. This Statement does not apply to:
 - (a) biological assets related to agricultural activity (see SSAP 36, Agriculture) ~~forests and similar regenerative natural resources~~; and
 - (b) mineral rights, the exploration for and extraction of minerals, oil, natural gas and similar non-regenerative resources.

However, this Statement does apply to property, plant and equipment used to develop or maintain the activities or assets covered in (a) or (b) but separable from those activities or assets.

Amendments to SSAP 14, Leases

This Statement amends paragraph 1 of SSAP 14 to read as follows:

1. *This Statement should be applied in accounting for all leases other than:*
 - (a) *lease agreements to explore for or use minerals, oil, natural gas and similar non-regenerative resources ~~natural resources, such as oil, gas, timber, metals and other mineral rights~~; and*
 - (b) *licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.*

However, this Statement should not be applied to the measurement by:

- (a) *lessees of investment property (see SSAP 13, Accounting for Investment Properties);*
- (b) *lessors of investment property leased out under operating leases (see SSAP 13, Accounting for Investment Properties);*
- (c) *lessees of biological assets held under finance leases (see SSAP 36, Agriculture); or*
- (d) *lessors of biological assets leased out under operating leases (see SSAP 36, Agriculture).*

This Statement amends paragraph 24 of SSAP 14 to read as follows:

24. In addition, the requirements on disclosure under SSAP 17, Property, Plant and Equipment, SSAP 31, Impairment of Assets, SSAP 29, Intangible Assets, SSAP 13, Accounting for Investment Properties, and SSAP 36, Agriculture, apply to the amounts of leased assets under finance leases that are accounted for by the lessee as acquisitions of assets.

This Statement inserts new paragraph 53A of SSAP 14 to read as follows:

- 53A. In addition, the requirements on disclosure under SSAP 17, Property, Plant and Equipment, SSAP 31, Impairment of Assets, SSAP 29, Intangible Assets, SSAP 13, Investment Property, and SSAP 36, Agriculture, apply to assets leased out under operating leases.

Amendments to SSAP 18, Revenue

This Statement amends paragraph 5 of SSAP 18 to read as follows:

5. This Statement does not deal with revenue arising from:
 - (a) lease agreements (see SSAP 14, Leases);
 - (b) dividends arising from investments which are accounted for under the equity method (see SSAP 10, Accounting for Investments in Associates);
 - (c) insurance contracts of insurance enterprises;
 - (d) changes in the fair value of financial assets and financial liabilities or their disposal;
 - (e) changes in the value of other current assets;
 - (f) initial recognition and from changes in the fair value of biological assets related to agricultural activity (see SSAP 36, Agriculture)~~natural increases in herds, and agricultural and forest products; and~~
 - (g) initial recognition of agricultural produce (see SSAP 36, Agriculture); and
 - ~~(h)~~ the extraction of mineral ores.

Amendments to SSAP 35, Accounting for Government Grants and Disclosure of Government Assistance

This Statement adds the following exclusion from the scope of SSAP 35:

2. This Statement does not deal with:

...

 - (d) government grants covered by SSAP 36, Agriculture.

Amendments to SSAP 31, Impairment of Assets

This Statement adds the following exclusion from the scope of SSAP 31:

1. *This Statement should be applied in accounting for the impairment of all assets, other than:*

...

 - (d) assets arising from employee benefits (see SSAP 34, Employee Benefits);
 - ~~(d)~~e. financial assets being any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise, other than interests in subsidiaries, associates and joint ventures;
 - ~~(e)~~f. investment properties (see SSAP 13 "Accounting for investment properties"); ; and
 - (g) biological assets related to agricultural activity that are measured at fair value less estimated point-of-sale costs (see SSAP 36, Agriculture).