



IAS 41 AGRICULTURE

DIFFERENCES BETWEEN IAS 41 AND VAS

Assurance updates – 11/2019

Overview about IAS 41



Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets.

Definitions - IAS 41

1. A biological asset is a living animal or plant
2. Agricultural produce is the harvested produce of the entity's biological assets
3. Biological transformation comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset
4. Harvest is the detachment of produce from a biological asset or the cessation of a biological asset's life processes
5. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date
6. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes, transport expenses and other expenses

IAS 41 shall be applied to

- Biological assets, except for bearer plants
- Agricultural produce at the point of harvest
- Government grants

IAS 41 does not apply to

- Land related to agricultural activity (see IAS 16 Property, Plant and Equipment and IAS 40 Investment Property)
- Intangible assets related to agricultural activity (see IAS 38 Intangible Assets)
- This Standard does not deal with the processing of agricultural produce after harvest

IAS 41 – Differences from the VAS



IAS 41

VAS

Classify

1. Biological asset
2. Agricultural produce

1. The cultivation industry is classified into 3 categories:
 - Short-term crops (rice, potatoes, cassava, ...)
 - Crops harvested many times (pineapple, banana, ...)
 - Perennial plants (tea, coffee, rubber, pepper, fruit trees, ...)
2. Livestock industry:
 - Breeding cattle
 - Raising cattle for milk
 - Raising animals for meat
 - Poultry farming

Recognition - Biological asset

When:

- The entity controls the asset as a result of past events
- It is probable that future economic benefits associated with the asset will flow to the entity
- The fair value or cost of the asset can be measured reliably

Recognition is based on actual costs incurred in accordance with VAS 02 and VAS 03.

Measurement - Biological asset

A biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except for the case the fair value cannot be measured reliably.

Biological assets are measured at historical cost.

A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in profit or loss for the period in which it arises.

No gain or loss is recorded until the sale of biological assets or agricultural produce.

IAS 41 – Differences from the VAS



IAS 41

VAS

Recognition - Agricultural produce

Agricultural produce shall be recognized at the point of harvest. When the produce is put into a trading or manufacturing process, IAS 2 Inventories is applied.

Recognition is based on actual costs incurred in accordance with VAS 02.

Measurement - Agricultural produce

Agricultural produce shall be measured at its fair value less costs to sell at the point of harvest. Changes in book value will be recorded into gain or loss during the period.

Agricultural produce are measured at historical cost.

Agricultural products harvested for commercial or production purposes are measured at their fair value at the time of harvest and this value will be considered the historical cost of Inventories according to IAS 2.

Recognition and measurement of Government grants

- *An unconditional government grant:* related to a biological asset measured at its fair value less costs to sell shall be recognized in profit or loss when, and only when, the government grant becomes receivable.
- *A conditional government grant:* an entity shall recognize the government grant in profit or loss when, and only when, the conditions attaching to the government grant are met.

Recognize as a revenue from Government grants when the enterprise carries out the duties of providing products, goods and services at the request of the Government.

IAS 41 – Differences from the VAS



IAS 41

Disclosure

The following content is required to be disclosed:

- A description of the biological assets and related activities
- Gains or losses are recognized during the period
- Important methods and assumptions apply in determining fair value

VAS

Biological assets are recognized separately as fixed assets and inventories:

- Perennial crops, animals for the product are recorded as fixed assets
- Perennial crops and animals for which products have not yet started, are recorded in capital construction investment items
- Unharvested products are recorded as work in progress, harvested products are recorded as finished products



Conclusion

Agriculture is an important economic sector in Vietnam, though, so far, Vietnam has not had an Accounting Standard that defines basic accounting concepts in specific agriculture, such as cultivation, guidelines related to agriculture accounting are few and not specific.

Vietnam is in the process of preparing for the application of International Financial Reporting Standards (IFRS), in which the development of Vietnam Accounting Standard for Agriculture is very necessary. VAS on agriculture should be based on the concepts and guidance of International Accounting Standards (IAS) to improve the transparency and comparability of accounting information, thereby raising highly competitive of the economy.

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