



AUTORITE DES NORMES COMPTABLES
5, PLACE DES VINS DE FRANCE
75573 PARIS CÉDEX 12
Téléphone 01 53 44 28 53
Internet <http://www.autoritecomptable.fr/>
Mel jerome.haas@anc.gouv.fr
Chairman
JH
n° 107

Paris, le **08 NOV. 2013**

Mr Hans HOOGERVORST
Chairman

IASB
30 Cannon Street
LONDON EC4M 6XH
UNITED KINGDOM

Re: Exposure Draft Agriculture: Bearer Plants ED/2013/8 - Proposed amendments to IAS 16 and IAS 41

Dear Mr Hoogervorst,

I am writing on behalf of the Autorité des Normes Comptables (ANC) to express our views on the above-mentioned draft. These views result from the ANC's due process, involving all interested stakeholders. More precisely, the due process includes outreach to relevant parties, a full fledged discussion of its assessment by a complete Commission for all International standards and then a global and strategic discussion in the Collège (Board) before this letter was signed.

The ANC welcomes and strongly supports the IASB's decision to account for bearer plants under IAS 16 Property, Plant and Equipment, as it addresses the main concerns expressed by entities using biological assets in the production or supply of agricultural produce, and as it will better reflect their business model.

As the nature of biological assets differs from those of assets accounted for under IAS 16, we think that the IASB should provide guidance for the determination of the maturity date of bearer plants.

In addition, we think that all other IAS 16 requirements are sufficient to deal with the accounting of bearer plants, and that no additional disclosures should be required.

However, our main concern relates to the restriction of the scope of the proposed amendments to bearer plants.

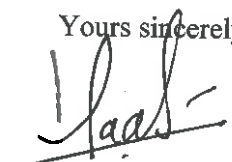
We consider that the nature and the use of bearer livestock are similar to those of the bearer plants.

For these reasons, we think that the IASB should enlarge the scope of the proposed requirements to all bearer biological assets, in order to better reflect the business models of the entities.

Our detailed responses to the questions in the ED are set out in the Appendix.

If you have any questions concerning our comments, we would be pleased to discuss them.

Yours sincerely,



Jérôme HAAS

Appendix – Invitation to comment

Question 1 – Scope of the amendments

The IASB proposes to restrict the scope of the proposed amendments to bearer plants.

The proposals define a bearer plant as a plant that is used in the production or supply of agricultural produce, that is expected to bear produce for more than one period and that is not intended to be sold as a living plant or harvested as agricultural produce, except for incidental scrap sales.

Under the proposals, if an entity grows plants both to bear produce and for sale as living plants or agricultural produce, apart from incidental scrap sales, it must continue to account for those plants within the scope of IAS 41 at fair value less costs to sell in their entirety (for example, trees that are cultivated for their lumber as well as their fruit).

Do you agree with the scope of the amendments? If not, why and how would you define the scope?

The ANC supports the IASB's decision to propose the application of IAS 16 requirements to bearer biological assets for the following reasons:

- The IAS 41 fair value model is based on the principle that biological transformation is best reflected by fair value measurement. Nevertheless, once mature, bearer biological assets no longer undergo significant biological transformation.
- The operation of mature bearer biological assets and therefore the related business model can be seen as similar to that of manufacturing.

In addition, the ANC notes that:

- As there is frequently no market for such assets, most companies have concerns about the cost and the complexity of fair value valuations of these assets.
- Consequently, many entities are unable to measure reliably the fair value of bearer biological assets and frequently initially recognise these assets at their cost, as authorised by IAS 41 §30.

Therefore, current requirements under IAS 16 for property, plant and equipment are more appropriate for bearer biological assets as defined in the Basis for Conclusions than the requirements in IAS 41.

When defining the scope, it is relevant to apply IAS 16 requirements:

- to biological assets which are only used in the production of agricultural produce and expected to be used for more than one period - the biological assets used to be commonly sold being still measured under IAS 41 requirements- (no-alternative use model);
- to bearer assets and not to their agricultural produce, which are designed to be sold and for which active markets exist.

The ANC considers that among the four options discussed by the IASB when deciding of the scope of the amendments to IAS 41 regarding bearer biological assets, the option 1 (no-alternative-use model, not limited to plants) would have been the most appropriate choice.

Therefore, we think that the IASB should reconsider its decision to exclude livestock, and especially livestock held for breeding, from the scope of the amendments, for the following reasons:

- Like plants, livestock, once mature, no longer undergoes significant biological transformation.
- The use of livestock is generally specialised, some kinds of livestock being only used in the production or supply of their produce, and their disposal (if any) after their use providing only ancillary revenues. Therefore, business models involving all bearer biological assets are economically similar.
- Consequently, the concerns about the reliability of fair value measurement do apply to livestock and not only to bearer plants.

Therefore, the ANC considers that it would be relevant to include bearer livestock in the scope of the amendments, which would result in better comparability of financial information.

Question 2 – Accounting for bearer plants before maturity

The IASB proposes that before bearer plants are placed into production (ie before they reach maturity and bear fruit) they should be measured at accumulated cost. This would mean that bearer plants are accounted for in the same way as self-constructed items of machinery.

Do you agree with this accounting treatment for bearer plants before they reach maturity? If not, why and what alternative approach do you recommend?

The ANC agrees that fair value measurement would not be reliable or useful and that it is more relevant to measure bearer biological assets (ie including livestock) before they reach maturity in the same way as self-constructed items or machinery.

Nevertheless, we believe that specific guidance would be useful to apply IAS 16 § 20 requirements to bearer assets. *“Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management.”*

The point of time when bearer assets are able to provide economic benefits to the entity is the beginning of the maturity phase.

As the nature of bearer assets is slightly different from those of assets accounted for under IAS 16 requirements, we think that the IASB should provide guidance for the determination of the maturity date.

Question 3 – Accounting for bearer plants before maturity

Some crops, such as sugar cane, are perennial plants because their roots remain in the ground to sprout for the next period’s crop. Under the proposals, if an entity retains the roots to bear produce for more than one period, the roots would meet the definition of a bearer plant.

The IASB believes that in most cases the effect of accounting for the roots separately under IAS 16 would not be material and the IASB does not therefore believe that specific guidance is required.

Do you think any additional guidance is required to apply the proposals to such perennial crops? If so, what additional guidance should be provided and why?

The ANC agrees that in most cases the effect of accounting for the roots separately under IAS 16 should not be material and that no additional guidance should be required.

Question 4 – Accounting for bearer plants after maturity

The IASB proposes to include bearer plants within the scope of IAS 16. Consequently, entities would be permitted to choose either the cost model or the revaluation model for mature bearer plants subject to the requirements in IAS 16. All other biological assets related to agricultural activity will remain under the fair value model in IAS 41.

Do you agree that bearer plants should be accounted for in accordance with IAS 16?

Why or why not? If not, what alternative approach do you recommend?

As mentioned in our answer to question 1, the ANC agrees with the proposal to include bearer plants within the scope of IAS 16.

However, we believe that the IASB should enlarge the scope of this amendment to bearer livestock.

Question 5 – Additional guidance

The IASB proposes that the recognition and measurement requirements of IAS 16 can be applied to bearer plants without modification.

Are there any requirements in IAS 16 that require additional guidance in order to be applied to bearer plants? If so, in what way is the current guidance in IAS 16 insufficient and why?

As mentioned in our answer to question 2, we think that IASB guidance for the determination of the maturity date could be useful to define when to cease the recognition of costs in the carrying amount of bearer assets, according to IAS 16 § 20 requirements.

Question 6 – Fair value disclosures for bearer plants

Do you think either of the following types of disclosures about bearer plants should be required if they are accounted for under the cost model in IAS 16—why or why not:

(a) disclosure of the total fair value of the bearer plants, including information about the valuation techniques and the key inputs/assumptions used; or

(b) disclosure of the significant inputs that would be required to determine the fair value of bearer plants, but without the need to measure or disclose the fair value of them?

The proposed amendments aim at removing bearer biological assets from the scope of IAS 41, in response to concerns expressed about the cost, complexity and reliability of fair value valuations of these assets.

We support the proposed amendments, as we believe that the valuation model under IAS 16 is more appropriate to bearer biological assets.

Consequently, we think that additional fair value disclosures for bearer assets would be consistent neither with the proposed amendments, nor with the disclosure requirements that apply to other assets accounted for under IAS 16.

Question 7 – Additional disclosure

Many investors and analysts consulted during the user outreach said that instead of using the fair value information about bearer plants they use other information, for example, disclosures about productivity, including age profiles, estimates of the physical quantities of bearer plants and output of agricultural produce. They currently acquire this information via presentations made to analysts, from additional information provided by management in annual reports (for example, in the Management Commentary) or directly from companies.

Do you think any disclosures for bearer plants, apart from those covered in Question 6, should be required in addition to those in IAS 16? If so, what and why?

For the reasons explained in our response to question 6, we think that no additional disclosures should be required.

Such information should be provided only on a voluntary basis, and not mandatorily, as generally applicable within IFRSs.

Question 8 – Transition provisions

The IASB proposes to permit an entity to use the fair value of an item of bearer plants as its deemed cost at the start of the earliest comparative period presented in the first financial statements in which the entity applies the amendments to IAS 16. The election would be available on an item-by-item basis. The IASB also plans to permit early application of the amendments to IAS 16 and IAS 41.

Do you agree with the proposed transition provisions? If not, why and what alternative do you propose?

The ANC supports the proposed retrospective approach as it improves comparability between entities.

As it may be in some cases impracticable to apply the guidance retrospectively, we agree with the deemed cost approach proposed by the IASB.

Question 9 – First-time adopters

The IASB proposes that the deemed cost exemption provided for an item of property, plant and equipment in IFRS 1 First-time Adoption of International Financial Reporting Standards should also be available for an item of bearer plants.

Do you agree with the proposed transition provisions for first-time adopters? If not, why and what alternative do you propose?

The ANC agrees with the proposed requirements for first-time adopters.

Question 10 – Other comments

Do you have any other comments on the proposals?

No other comment.