SPECIFIC ITEMS
SECTION 3041
agriculture

Basis for Conclusions
Agriculture, Section 3041
Amendments to Section 3041, Agriculture

TABLE OF CONTENTS **Paragraph**

PURPOSE AND SCOPE

.01 This Section establishes standards for the recognition, measurement, presentation and disclosure of an agricultural producer's agricultural inventories and productive biological assets.

.02 This Section applies to a transaction or event related to agricultural production, including the purchase of the harvested product of biological assets for use in agricultural production.

.03 For the purposes of this Section, agricultural production covers a diverse range of activities, such as:

(a) annual or perennial cropping;

(b) raising livestock or aquatic organisms; and

(c) cultivating orchards and plantations.

.04 For the purposes of this Section, the following activities are not agricultural production:

(a) forestry;

(b) harvesting from sources that are not owned or controlled by an agricultural producer (for example, ocean fishing, hunting and trapping); and

(c) raising or purchasing animals for competitive sport.

.05 Activities may be undertaken after harvest to bring an item of agricultural inventory to the location and condition in which it could be sold. Such activities complete the agricultural production process.

.06 This Section does not apply to a transaction or event related to secondary production that transforms agricultural inventories into different assets. Assets that result from secondary production are accounted for in accordance with other Sections, such as INVENTORIES, Section 3031.

.07 The table below provides examples of biological assets used or consumed in the production of agricultural inventories, and assets that result from secondary production of agricultural inventories: Biological assets could be either agricultural inventories or productive biological assets based on the definitions in paragraphs 3041.09(b) or 3041.09(h), taking into account the presumption in paragraph 3041.12.

Biological assets	**Agricultural inventories**	**Assets that result from secondary production**
Sheep	Wool	Yarn, carpet
Wheat	Harvested wheat	Flour
Dairy cattle	Milk	Cheese
Sow	Weaner	Sausages, cured hams
Sturgeon	Roe	Caviar
Grape vines	Picked grapes	Wine
Fruit trees	Picked fruit	Jam
Beef cattle	Beef	Ground beef

.08 This Section does not deal with:

(a) agricultural inventories held by enterprises that are not agricultural producers (see INVENTORIES, Section 3031);

(b) land (see PROPERTY, PLANT AND EQUIPMENT, Section 3061);

(c) intangible assets such as production quotas and fishing licenses (see GOODWILL AND INTANGIBLE ASSETS, Section 3064);

(d) government grants (see GOVERNMENT ASSISTANCE, Section 3800); or

(e) contracts to buy or sell non-financial items such as forward contracts and exchange-traded future contracts (see FINANCIAL INSTRUMENTS, Section 3856).

DEFINITIONS

.09 The following terms are used in this Section with the meanings specified:

(a) **Agricultural production** is the development and harvest of biological assets for sale or for use in a productive capacity.

(b) **Agricultural inventories** are biological assets, or the harvested products of biological assets, that meet one of the following criteria:

(i) held for sale in the ordinary course of business;

(ii) in the process of agricultural production to be held for sale or for use in a productive capacity;

(iii) in the form of raw materials or supplies to be consumed in the enterprise's agricultural production process; or

(iv) held for use in a productive capacity with short productive lives.

(c) **Agricultural producers** are enterprises that undertake agricultural production, such as those that engage in agriculture, apiculture, aquaculture, floriculture or horticulture.

(d) **Biological assets** are living animals or plants.

(e) **Fair value** is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

(f) **Harvest** is the detachment of product from a biological asset (including the birth of progeny) or the cessation of a biological asset's life processes.

(g) **Net realizable value** is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) **Productive biological assets** are biological assets that meet all of the following criteria:

(i) held for use in the production or supply of agricultural inventories or other productive biological assets;

(ii) acquired or developed for use on a continuing basis with other than short productive lives; and

(iii) not intended for sale in the ordinary course of business.

(i) **Residual value** is the estimated net realizable value of productive biological assets at the end of their useful life to an enterprise.

(j) **Salvage value** is the estimated net realizable value of productive biological assets at the end of their life.

(k) **Useful life** is the period over which a productive biological asset, singly or in combination with other productive biological assets, is expected to contribute directly or indirectly to the future cash flows of an enterprise.

RECOGNITION

.10 *To qualify for recognition, agricultural inventories and productive biological assets must meet the definition of assets and the recognition criteria in FINANCIAL STATEMENT CONCEPTS, Section 1000.*

.11 There could be costs incurred prior to the agricultural production process related to the development and harvest of biological assets. For example, costs relating to veterinary services or soil preparation may be incurred prior to breeding animals or planting crops. Agricultural producers would apply judgment to determine when a productive biological asset or item of agricultural inventory can be recognized because it meets the definition of an asset and the recognition criteria in FINANCIAL STATEMENT CONCEPTS, Section 1000.

.12 *On initial recognition in accordance with paragraph 3041.10, there is a presumption that biological assets not used in a productive capacity are agricultural inventories. That presumption can be rebutted only on initial recognition when the intention is to develop the biological asset into a productive biological asset. In such a case, that biological asset shall be deemed to be a productive biological asset.*

.13 *A gain arising on initial recognition of an item of agricultural inventory that is measured using the net realizable value model in accordance with paragraph 3041.17(b) shall be included in net income in the period in which it arises.*

CHANGE IN USE

.14 *When an agricultural producer commences using an item of agricultural inventory in a productive capacity, it shall reclassify the item from agricultural inventories to productive biological assets. The carrying amount of the item of agricultural inventory shall be the deemed cost of the productive biological asset on reclassification.*

.15 *An agricultural producer shall reclassify an item of agricultural inventory to an asset within the scope of another Section when it commences a secondary production process to transform the item into a different asset. The carrying amount of the item of agricultural inventory on the date of reclassification is the deemed cost when applying another applicable Section, such as INVENTORIES, Section 3031.*

.16 *An agricultural producer shall not reclassify productive biological assets to agricultural inventories.*

MEASUREMENT OF AGRICULTURAL INVENTORIES

Accounting policy

.17 *An agricultural producer shall make an accounting policy choice to measure agricultural inventories using either:*

(a) the cost model (see paragraphs 3041.22-.48); *or*

(b) the net realizable value model (see paragraphs 3041.49-.57), *when all of the following conditions are met:*

(i) the product has a reliable, readily determinable and realizable market price;

(ii) the product has reliably measurable and predictable costs of disposal; and

(iii) the product is available for immediate delivery.

This accounting policy choice shall be applied consistently to all agricultural inventories having a similar nature and use.

.18 A product has a reliable, readily determinable and realizable market price when:

(a) the price is quoted in an active market such as a commodity exchange or auction, or by a local dealer or in trade publications (see paragraph 3041.50); or

(b) the price is based on a firm sales contract (see paragraph 3041.51).

.19 A product's costs of disposal are reliably measurable when:

(a) the variability in the range of reasonable estimates of costs of disposal is not significant (i.e., a number of estimates are available, but all are similar); or

(b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating costs of disposal (i.e., a number of dissimilar estimates are available, but the probability of each being the best estimate can be reasonable assessed, in which case the probabilities may be used to determine the expected costs of disposal).

.20 A product is available for immediate delivery when:

(a) it could be sold to a buyer in its present condition (for example, an active market exists in which the product could be sold, regardless of whether the product will be sold in its present condition); or

(b) only relatively insignificant activities remain to bring the product to a location and condition in which it could be sold.

.21 When an agricultural producer has chosen, under paragraph 3041.17(b), to measure its agricultural inventories using the net realizable value model but the conditions are not met, the agricultural producer applies the cost model to measure the agricultural inventories (see paragraph 3041.22). When the conditions are met, the agricultural producer applies the net realizable value model to measure the agricultural inventories (see paragraph 3041.49).

Cost model

Determination of cost

.22 *An agricultural producer that applies the cost model shall measure its agricultural inventories at the lower of cost and net realizable value, and shall make an accounting policy choice to determine the cost of agricultural inventories using either:*

(a) full cost (see paragraphs 3041.24-.32)*; or*

(b) only input costs (see paragraphs 3041.25-.26).

This accounting policy choice shall be applied consistently to all agricultural inventories measured using the cost model that have a similar nature and use.

.23 *An agricultural producer that has previously chosen to determine the cost of agricultural inventories using only input costs is permitted to change its accounting policy to determine the cost of agricultural inventories using full cost, and it may apply this change in accounting policy prospectively as defined in ACCOUNTING CHANGES, paragraph 1506.05(g).*

.24 *The full cost of agricultural inventories shall comprise all input costs and other costs of agricultural production incurred in bringing the agricultural inventories to their present location and condition.*

Input costs

.25 Input costs of agricultural inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of materials and services used in the development and harvest of biological assets. Trade discounts, rebates and other similar items are deducted in determining input costs. Examples of input costs for plants would include the cost of seeds or seedlings, fertilizer and pesticides, and for animals, the cost of feed, vaccinations and other veterinary costs.

.26 Input costs of agricultural inventories also comprise direct labour, to the extent the cost of labour is readily determinable and is directly related to the items of agricultural inventories produced. For example, when an agricultural producer hires a labourer to carry out an activity related to the development and harvest of its biological assets, the cost of the labour hired is readily determinable and is directly related to the items of agricultural inventories produced. As a result, the cost of the labour hired is included in input costs of agricultural inventories. In the case of an owner-managed

business, if the owner and/or the family members carry out the harvesting activity for several field crops, the cost of their labour may not be readily determinable and directly related to the items of agricultural inventories produced. For example, if salary is not drawn from the business or the time spent on field is not tracked specifically to each crop, the cost of labour is excluded from input costs of agricultural inventories.

Other costs of agricultural production

.27 Other costs of agricultural production include:

(a) a systematic allocation of fixed and variable agricultural production overheads that are incurred in the development and harvest of biological assets; and

(b) all other costs only to the extent they are incurred in the development and harvest of biological assets, such as direct labour costs not included in input costs.

.28 Fixed production overheads are those indirect costs of agricultural production that remain relatively constant regardless of the volume of production, such as amortization and maintenance of productive biological assets, agricultural production facilities and equipment, and the cost of farm management and administration. Variable production overheads are those indirect costs of agricultural production that vary directly, or nearly directly, with the volume of production, such as indirect materials and indirect labour.

.29 The allocation of fixed production overheads to the full cost of agricultural inventories is based on the normal capacity of the agricultural production facilities. Normal capacity is the agricultural production expected to be achieved on average over a number of periods or seasons under normal circumstances. The actual level of agricultural production may be used if it approximates normal capacity. The amount of fixed overhead allocated to each unit of production is not increased as a consequence of low production, for example, as a result of extreme weather. Unallocated overheads are recognized as an expense in the period in which they are incurred. In periods of abnormally high production, the amount of fixed overhead allocated to each unit of production is decreased so that agricultural inventories are not measured above full cost. Variable production overheads are allocated to each unit of production on the basis of the actual use of the agricultural production facilities.

.30 The full cost of agricultural inventories that require a substantial period of time to get them ready for their intended use or sale includes interest costs when the enterprise's accounting policy is to capitalize interest costs. The full cost of agricultural inventories that are ready for their intended use or sale when acquired does not include interest costs.

.31 An agricultural producer may purchase agricultural inventories on deferred settlement terms. When the arrangement effectively contains a financing element, that element, for example a difference between the purchase price for normal credit terms and the amount paid, is recognized as interest expense over the period of the financing.

.32 An agricultural production process may result in more than one product being produced simultaneously. For example, this is the case when joint products are produced or when there is a main product and a by-product. When the costs of producing each product are not separately identifiable, they are allocated between the products on a rational and consistent basis. For example, the allocation may be based on the relative sales value of each product either at the stage in the agricultural production process when the products become separately identifiable, or at the completion of production. 1

Techniques for the measurement of cost

.33 Techniques for the measurement of the cost of agricultural inventories, such as the standard cost method or the retail method, may be used for convenience if the results approximate cost. Standard costs take into account normal levels of materials and supplies, labour, efficiency and capacity utilization. They are regularly reviewed and, if necessary, revised in the light of current conditions.

.34 Under the retail method, the cost of agricultural inventories is determined by reducing the sales value of the inventories by the appropriate percentage gross margin. The percentage used takes into consideration agricultural inventories that have been marked down to below their original selling price. The retail method would typically not be an appropriate approximation of cost for agricultural inventories with significant price or gross margin volatility.

Cost formulas

.35 *When items of agricultural inventories are not ordinarily interchangeable, and goods are produced and segregated for specific projects, the cost of the items shall be assigned by using specific identification of their individual costs.*

.36 Specific identification of cost means that specific costs are attributed to identified items of agricultural inventory. This is the appropriate treatment for items that are segregated for a specific project, regardless of whether they have been bought or produced. However, specific identification of costs is inappropriate when there are large numbers of items of agricultural inventory that are ordinarily interchangeable. In such circumstances, the method of selecting those items that remain in agricultural inventories could be used to obtain predetermined effects on net income.

.37 *The cost of agricultural inventories, other than those dealt with in paragraph 3041.35, shall be assigned by using the first-in, first-out (FIFO) or weighted average cost formula. An agricultural producer shall use the same cost formula for all inventories having a similar nature and use to the enterprise. For agricultural inventories with a different nature or use, different cost formulas may be justified.*

.38 Agricultural inventories used in one business segment may have a use to the enterprise that is different from the same type of agricultural inventories used in another business segment. However, a difference in geographical location of inventories (or in the respective tax rules), by itself, is not sufficient to justify the use of different cost formulas.

.39 The FIFO formula assumes that the items of agricultural inventory that were purchased or developed first are sold first and, consequently, the items remaining in agricultural inventory at the end of the period are those most recently purchased or developed. Under the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or developed during the period. The average may be calculated on a periodic basis depending upon the circumstances of the enterprise.

Write-down

.40 *When the cost of agricultural inventories exceeds their net realizable value, the agricultural inventories shall be written down to their net realizable value.*

.41 The cost of agricultural inventories may not be recoverable if those inventories are damaged or quality has deteriorated over time, if they have perished due to climate conditions, disease or natural disasters, or if their selling prices have declined. The cost of agricultural inventories may also not be recoverable if the estimated costs to be incurred to make the sale have increased.

.42 Estimates of net realizable value are based on the most reliable evidence available, at the time the estimates are made, of the amount the agricultural inventories are expected to realize. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

.43 Estimates of net realizable value also take into consideration the purpose for which the agricultural inventory is held, including the market in which the agricultural producer expects to transact. For example, the net realizable value of the quantity of agricultural inventory held to satisfy firm sales contracts is based on the contract price. If no firm sales contracts are in place, or if the sales contracts are for less than the agricultural inventory quantities held, the net realizable value of the excess is based on realizable market prices from the market in which the agricultural producer expects to transact. Provisions may arise from firm sales contracts in excess of agricultural inventory quantities held or from firm purchase contracts.

.44 A new assessment is made of net realizable value in each subsequent period. When the circumstances that previously caused agricultural inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal is limited to the amount of the original write-down so that the new carrying amount does not exceed the cost of the agricultural inventories prior to the write-down.

Recognition as an expense

.45 *The carrying amount of agricultural inventories shall be recognized as an expense in the period in which they are sold.*

.46 *The amount of any write-down of agricultural inventories from cost to net realizable value and all losses of agricultural inventories shall be recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of agricultural inventories, arising from an increase in net realizable value, shall be recognized as a reduction in the amount of agricultural inventories recognized as an expense in the period in which the reversal occurs.*

.47 *Costs excluded from the cost of agricultural inventories shall be recognized as expenses in the period in which they are incurred.*

.48 Examples of costs excluded from the cost of agricultural inventories are:

(a) abnormal amounts of wasted materials, labour or other agricultural production costs;

(b) storage costs, unless those costs are necessary in the agricultural production process before a further stage of agricultural production;

(c) administrative overheads that do not contribute to bringing agricultural inventories to their present location and condition;

(d) selling costs; and

(e) all other costs of agricultural production when an agricultural producer determines the cost of agricultural inventories using only input costs in accordance with paragraph 3041.22(b).

Net realizable value model

.49 *An agricultural producer that applies the net realizable value model when the conditions in paragraph 3041.17(b) are met shall measure its agricultural inventories at net realizable value.*

.50 Reliable sources for determining net realizable value are third party, verifiable and publicly available sources of prices that are regularly updated and published close to the end of the period.

.51 Net realizable value also takes into consideration the purpose for which the agricultural inventory is held, including the market in which the agricultural producer expects to transact. For example, the net realizable value of the quantity of agricultural inventory held to satisfy firm sales contracts is based on the contract price. If no firm sales contract is in place or if sales contracts are for less than the agricultural inventory quantities held, the net realizable value of the

excess is based on realizable market prices from the market in which the agricultural producer expects to transact. Provisions may arise from firm sales contracts in excess of agricultural inventory quantities held or from firm purchase contracts.

.52 *Changes in the carrying amount of agricultural inventories resulting from changes in net realizable value shall be recognized in net income in the period in which they arise.*

Changes to the conditions

.53 *Changes to the conditions in paragraph 3041.17(b) that result in a change to the measurement basis of agricultural inventories are not changes in accounting policies in accordance with ACCOUNTING CHANGES, paragraph 1506.08(a).*

.54 Whenever events or changes in circumstances indicate that the conditions in paragraph 3041.17(b) for using the net realizable value model are no longer met, the carrying amount of the item of agricultural inventory becomes its deemed cost. The item of agricultural inventory is measured using the cost model until the conditions are met again.

.55 Whenever events or changes in circumstances indicate that the conditions in paragraph 3041.17(b) for using the net realizable value model are met again, the item of agricultural inventory is measured using the net realizable value model. The change in the carrying amount of the item of agricultural inventory consists of any reversals of previous write-downs, limited to the amount of the original write-down, and any additional change resulting from measurement at net realizable value.

Recognition as an expense

.56 *The carrying amount of agricultural inventories shall be recognized as an expense in the period in which they are sold.*

.57 *All losses of agricultural inventories shall be recognized as an expense in the period the loss occurs.*

MEASUREMENT OF PRODUCTIVE BIOLOGICAL ASSETS

Cost

.58 *Productive biological assets shall be measured at cost.*

.59 The cost of productive biological assets is the amount of consideration given up to acquire, develop or better the assets. The cost of productive biological assets includes costs directly attributable to the acquisition, development or betterment of the assets, including delivering and establishing them at the location and in the condition necessary for their intended use. Cost includes any asset retirement cost accounted for in accordance with ASSET RETIREMENT OBLIGATIONS, Section 3110.

Acquisition costs

.60 Examples of acquisition costs include commissions, legal fees, freight charges, transportation insurance costs and duties. In addition, if the cost of productive biological assets acquired other than through a business combination is different from their tax basis on acquisition, cost would be adjusted to reflect the related future income tax consequences if the future income taxes method is chosen (see INCOME TAXES, Section 3465).

Development costs

.61 Development costs are the costs incurred during the period that a biological asset is maturing to become productive. Development costs include direct costs (such as feed, fertilizer and direct labour) as well as overhead costs directly attributable to the development of the asset. The cost of productive biological assets that are developed over time includes carrying costs directly attributable to the development activity, such as interest costs when the enterprise's accounting policy is to capitalize interest costs.

.62 An agricultural producer ceases the capitalization of development costs when the biological asset becomes productive. Determining when a biological asset has become productive requires the use of judgment and the consideration of factors such as productive capacity, maturity or the passage of time.

.63 Net revenue or expense derived from a biological asset prior to the asset becoming productive is included in the cost.

Betterment

.64 The cost incurred to enhance the service potential of productive biological assets is a betterment. Service potential may be enhanced when there is an increase in the previously assessed productive capacity or service capacity, associated operating costs are lowered, the life or useful life is extended, or the quality of output is improved. The cost incurred in maintaining the service potential of productive biological assets is a maintenance expenditure, not a betterment. An example of a maintenance expenditure would include feeding a productive biological asset to maintain its service potential. If a cost has the attributes of both maintenance and a betterment, only the portion considered to be a betterment is included in the cost of the productive biological asset.

Amortization

.65 *Amortization shall be recognized in a rational and systematic manner appropriate to the nature of a productive biological asset with a limited life and its use by the agricultural producer. The amount of amortization that shall be charged to income is the greater of:*

(a) the cost less salvage value over the life of the asset; and

(b) the cost less residual value over the useful life of the asset.

.66 Some productive biological assets are managed on a collective basis to maintain their collective productive capacity indefinitely. Productive biological assets of this type are considered to have an indefinite useful life and are not subject to amortization. Examples include animals in a herd or fruit trees in an orchard that are managed collectively to maintain an expected level or range of production units indefinitely. The cost incurred in the maintenance of the service potential of such productive biological assets is a maintenance expenditure, not a betterment. [Former paragraph 3041.66 retained in Archive Pronouncements.]

.67 *When productive biological assets are determined to have an indefinite life, they shall not be amortized until their life is determined to be no longer indefinite.*

.67A When productive biological assets that are not being amortized are subsequently determined to no longer have an indefinite useful life, the assets are tested for impairment in accordance with paragraphs 3041.74-.78. An impairment loss recognized in accordance with paragraphs 3041.74-.78 is included in earnings for the current period. A productive biological asset that is no longer managed on a collective basis in accordance with paragraph 3041.66 is then amortized over its estimated remaining useful life and accounted for in the same manner as other productive biological assets that are subject to amortization. Applying paragraph 3041.67A is not a change in accounting policy.

.68 Productive biological assets are acquired or developed to earn income or supply a service over their useful life. Productive biological assets normally have a limited life, except if paragraph 3041.66 applies. The useful life of a productive biological asset is normally the shortest of its physical, commercial and legal life. Amortization is the charge to income that recognizes that a productive biological asset's life is finite and that the cost less salvage value or residual value of a productive biological asset is allocated to the periods of service provided by the asset. Amortization may also be termed depreciation or depletion.

.68A When a productive biological asset that is being amortized is subsequently determined to have an indefinite useful life by applying paragraph 3041.66, the asset is tested for impairment in accordance with paragraphs 3041.74-.78, ceases being amortized and is accounted for in the same manner as other productive biological assets not subject to amortization. An impairment loss recognized in accordance with paragraphs 3041.74-.78 is included in earnings for the current period. Applying paragraph 3041.68A is not a change in accounting policy.

.69 Different methods of amortizing a productive biological asset result in different patterns of charges to income. The objective is to provide a rational and systematic basis for allocating the amortizable amount of a productive biological asset over its estimated life and useful life. A straight-line method reflects a constant charge for the service as a function of time. A variable charge method reflects service as a function of usage. Other methods may be appropriate in certain situations.

.70 Factors to be considered in estimating the life and useful life of a productive biological asset include expected future usage, expected biological deterioration from use or the passage of time, the maintenance program, results of studies made regarding the industry, studies of similar items retired, and the condition of existing comparable items.

Review of amortization

.71 *The amortization method and estimates of the life and useful life of productive biological assets shall be reviewed on a regular basis.*

.72 Significant events that may indicate a need to revise the amortization method or estimates of the life and useful life of a productive biological asset include:

(a) a change in the extent the asset is used;

(b) a change in the manner in which the asset is used;

(c) removal of the asset from production for an extended period of time;

(d) disease or physical injury; or

(e) a change in the law, environment, or consumer preferences and tastes affecting the period of time over which the asset can be used.

Impairment

Productive biological assets subject to amortization

.73 *Productive biological assets subject to amortization shall be tested for impairment in accordance with the provisions of IMPAIRMENT OF LONG-LIVED ASSETS, Section* 3063.

Productive biological assets not subject to amortization

.74 *Productive biological assets that are not subject to amortization shall be tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.* (Examples of such events or changes in circumstances are listed in IMPAIRMENT OF LONG-LIVED ASSETS, paragraph 3063.10. There may be other indications that productive biological assets not subject to amortization are impaired.)

.75 The carrying amount of a productive biological asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. This assessment is based on the carrying amount of a productive biological asset at the date it is tested for recoverability.

.76 *Productive biological assets that are managed on a collective basis are grouped for purposes of impairment testing.*

.77 *An impairment loss shall be recognized when the carrying amount of a productive biological asset, or a group of productive biological assets, is not recoverable and exceeds its fair value.*

.78 *An impairment loss shall be measured as the amount by which the carrying amount of a productive biological asset exceeds its fair value. If an impairment loss is recognized, the adjusted carrying amount becomes the new cost basis. An impairment loss shall not be reversed if the fair value subsequently increases.*

Asset retirement obligations

.79 Obligations associated with the retirement of productive biological assets are accounted for in accordance with ASSET RETIREMENT OBLIGATIONS, Section 3110.

Held for sale or disposal

.80 *When an agricultural producer ceases to use a productive biological asset in a productive capacity, the asset shall be measured at the lower of its carrying amount and fair value less costs to sell until it is sold or disposed of other than by sale. A biological asset no longer used in a productive capacity shall not be amortized.*

.81 *When a productive biological asset is to be disposed of by sale or other than by sale, a loss shall be recognized for any initial or subsequent write-down to fair value less costs to sell. A gain shall be recognized for any subsequent increase in fair value less costs to sell, but not in excess of the cumulative loss previously recognized for a write-down to fair value less costs to sell.*

.82 *A gain or loss not previously recognized, that results from the sale of a productive biological asset or a group of productive biological assets, shall be recognized at the date of sale.*

PRESENTATION

.83 *The amounts of agricultural inventories and productive biological assets shall be presented as separate line items in an agricultural producer's balance sheet.*

DISCLOSURE

Agricultural inventories

.84 *The financial statements shall disclose the following information:*

(a) a qualitative description of each major category of agricultural inventories;

(b) the quantities held of each major category of agricultural inventories, when readily determinable; and

(c) the accounting policies adopted in measuring agricultural inventories of similar nature and use.

.85 The quantitative description of the agricultural producer's major categories of agricultural inventories should include information regarding the number of units comprising each category. For example, this quantitative description could include the weight of a harvested crop, or the number of acres of an unharvested crop.

Cost model

.86 *In addition to the disclosures required by paragraph 3041.84, the financial statements shall disclose the following information for agricultural inventories measured using the cost model:*

(a) the accounting policy adopted in determining the cost of inventories, including the techniques used for measuring cost;

(b) the cost formulas used; and

(c) the total carrying amount for each major category.

(d) (deleted)

[Former paragraph 3041.86 retained in Archive Pronouncements.]

.87 *When an agricultural producer determines the cost of agricultural inventories using only input costs in accordance with paragraph 3041.22(b), it shall disclose a description of the input costs included in the measurement of agricultural inventories.*

Net realizable value model

.88 *In addition to the disclosures required by paragraph 3041.84, the financial statements shall disclose the following information for agricultural inventories measured using the net realizable value model:*

(a) a description of the methodology used to determine net realizable value; and

(b) the total carrying amount for each major category.

(c) (deleted)

*(d) (*deleted)

[Former paragraph 3041.88 retained in Archive Pronouncements.]

Productive biological assets

.89 *The financial statements shall disclose the following information:*

(a) a qualitative description of each major category of productive biological assets;

(b) the quantities held of each major category of productive biological assets, when readily determinable;

(c) for each major category being amortized;

(i) the cost;

(ii) the accumulated amortization, including the amount of any impairment loss;

(iii) the amortization method used, including the amortization period or rate; and

(iv) the amount of amortization charged to income for the period;

(d) for each major category not being amortized in accordance with paragraph 3041.66, the carrying amount;

(e) for any impairment loss recognized, a description of the facts and circumstances leading to the impairment;

(f) the amount of any impairment loss recognized and, if not separately presented, the caption in the income statement that includes that loss; and

(g) the aggregate of gains and losses recognized on sale or disposal and, if not separately presented, the caption in the income statement that includes that gain or loss.

.90 The quantitative description of the agricultural producer's major categories of productive biological assets should include information regarding the number of units comprising each category. For example, this quantitative description could include the number of animals in a herd.

EFFECTIVE DATE AND TRANSITION

.91 Except as specified in paragraphs 3041.95-.96, this Section applies to annual financial statements relating to fiscal years beginning on or after January 1, 2022. An agricultural producer applies this Section retrospectively, in accordance with ACCOUNTING CHANGES, Section 1506, except as specified in paragraphs 3041.92-.93. Earlier application is permitted.

.92 An agricultural producer may choose on an asset-by-asset basis to measure agricultural inventories or productive biological assets at their net realizable value at the beginning of the fiscal year in which this Section is applied for the first time. The agricultural producer uses that net realizable value as the asset's deemed cost at that date. Any difference between the asset's deemed cost at that date, and the prior year's closing balance sheet is recorded as an adjustment to opening retained earnings at the date at which this Section is first applied.

.93 An agricultural producer is not required to make retrospective adjustments in respect of agricultural inventories or productive biological assets that were derecognized during:

(a) the fiscal year in which this Section is first applied; or

(b) the fiscal year immediately preceding the date at which this Section is first applied.

.94 If an agricultural producer applies the transitional provision in paragraph 3041.92 to measure agricultural inventories or productive biological assets at net realizable value as deemed cost, the enterprise discloses in its financial statements for the fiscal year in which this Section is first applied:

(a) a description of the assets for which the deemed cost option has been applied;

(b) the net realizable value of the assets at the date the option is applied; and

(c) the caption(s) in the balance sheet that includes the assets.

.95 Amendments to paragraphs 3041.66, 3041.86 and 3041.88, issued in November 2025, apply to annual financial statements relating to fiscal years beginning on or after January 1, 2027. An agricultural producer applies these amendments retrospectively, as defined in ACCOUNTING CHANGES, paragraph 1506.05(d), unless paragraph 3041.68A applies. Earlier application is permitted.

.96 New paragraphs 3041.67A and 3041.68A, issued in November 2025, apply to annual financial statements relating to fiscal years beginning on or after January 1, 2027. An agricultural producer applies these new paragraphs prospectively, as defined in ACCOUNTING CHANGES, paragraph 1506.05(g).

DECISION TREES

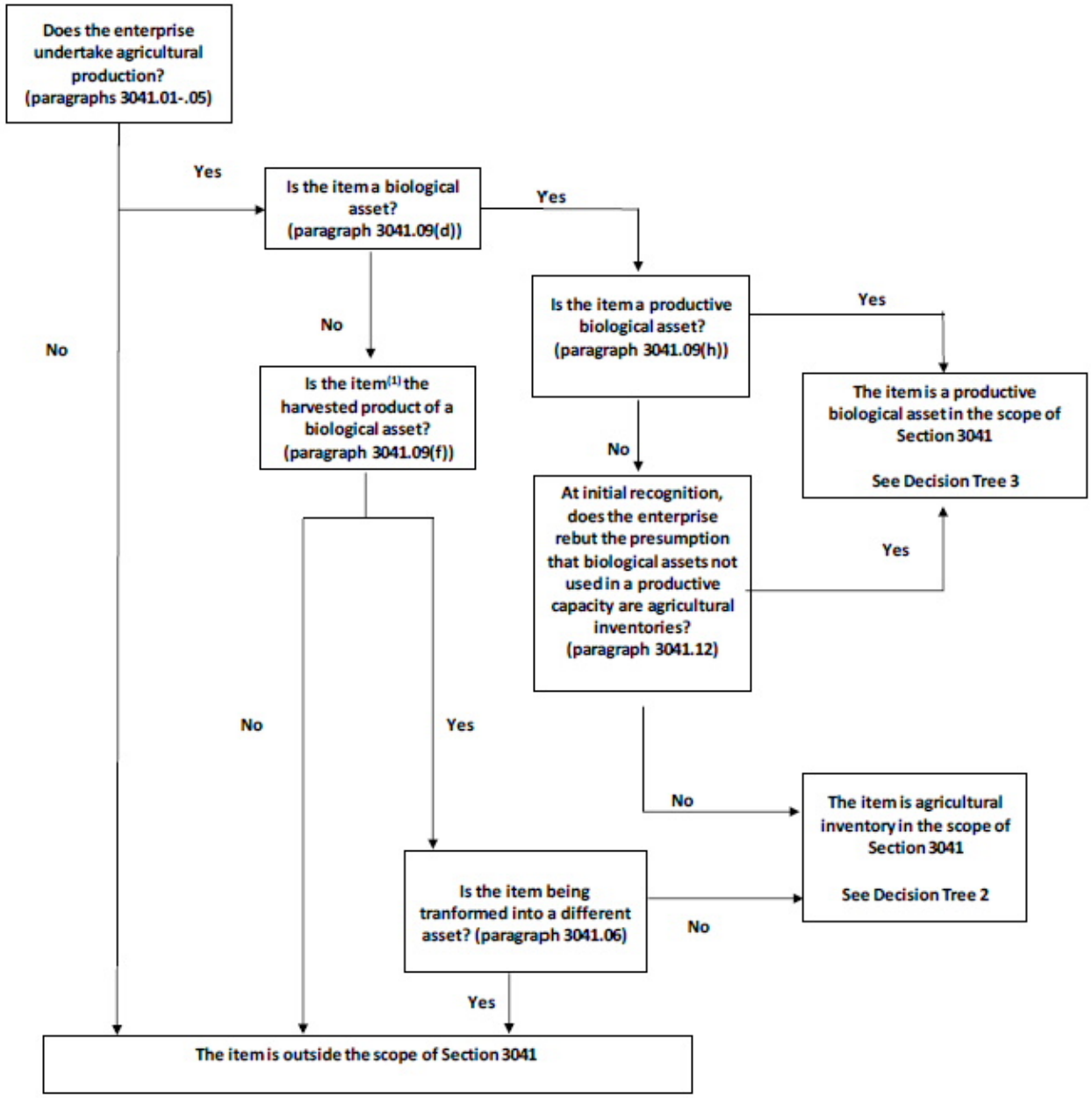
These Decision Trees are illustrative only.

Decision Tree 1 – Scope of Section 3041

Decision Tree 2 – Recognition and measurement of agricultural inventories

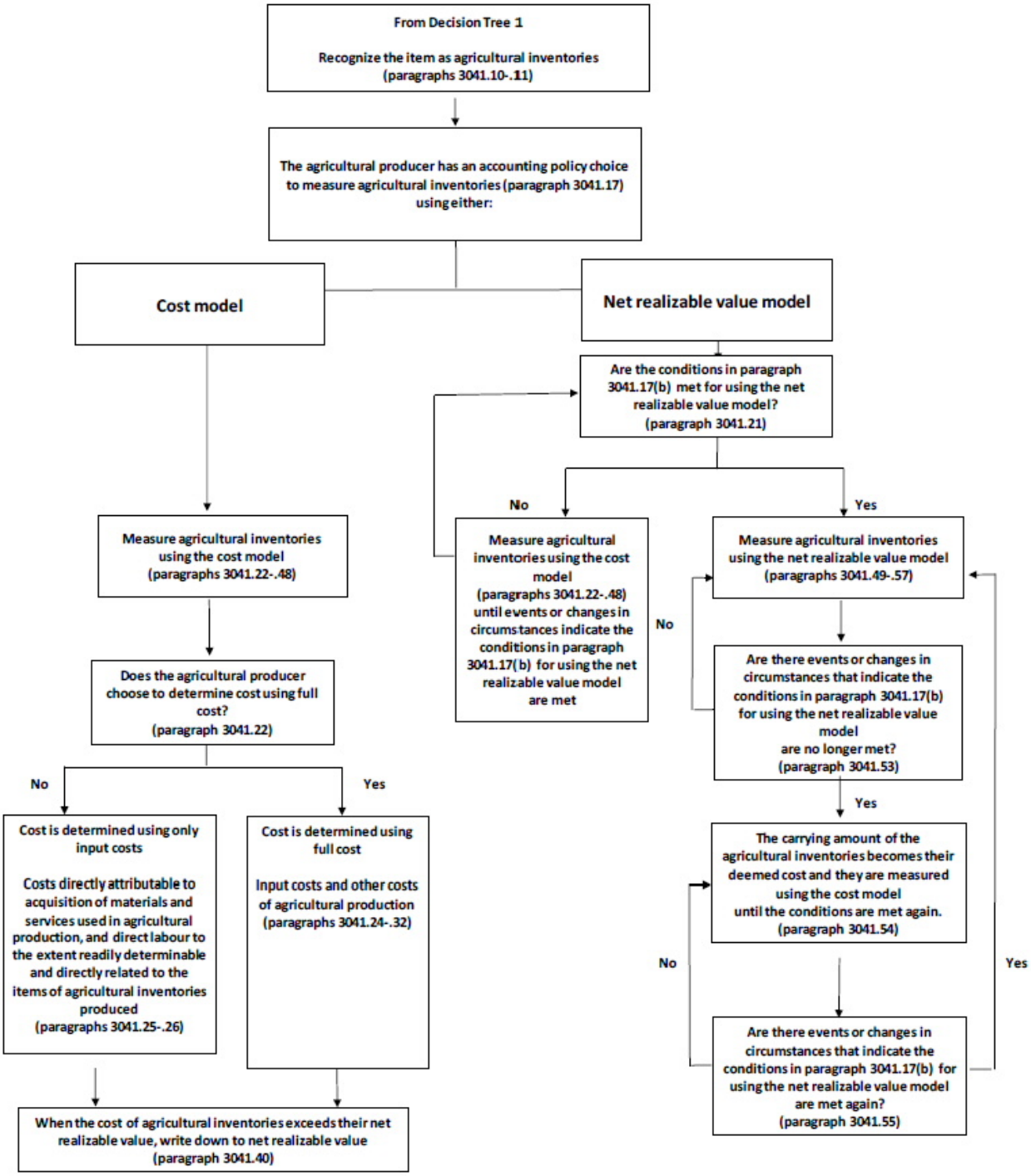
Decision Tree 3 – Recognition and measurement of productive biological assets

Decision Tree 1 – Scope of Section 3041

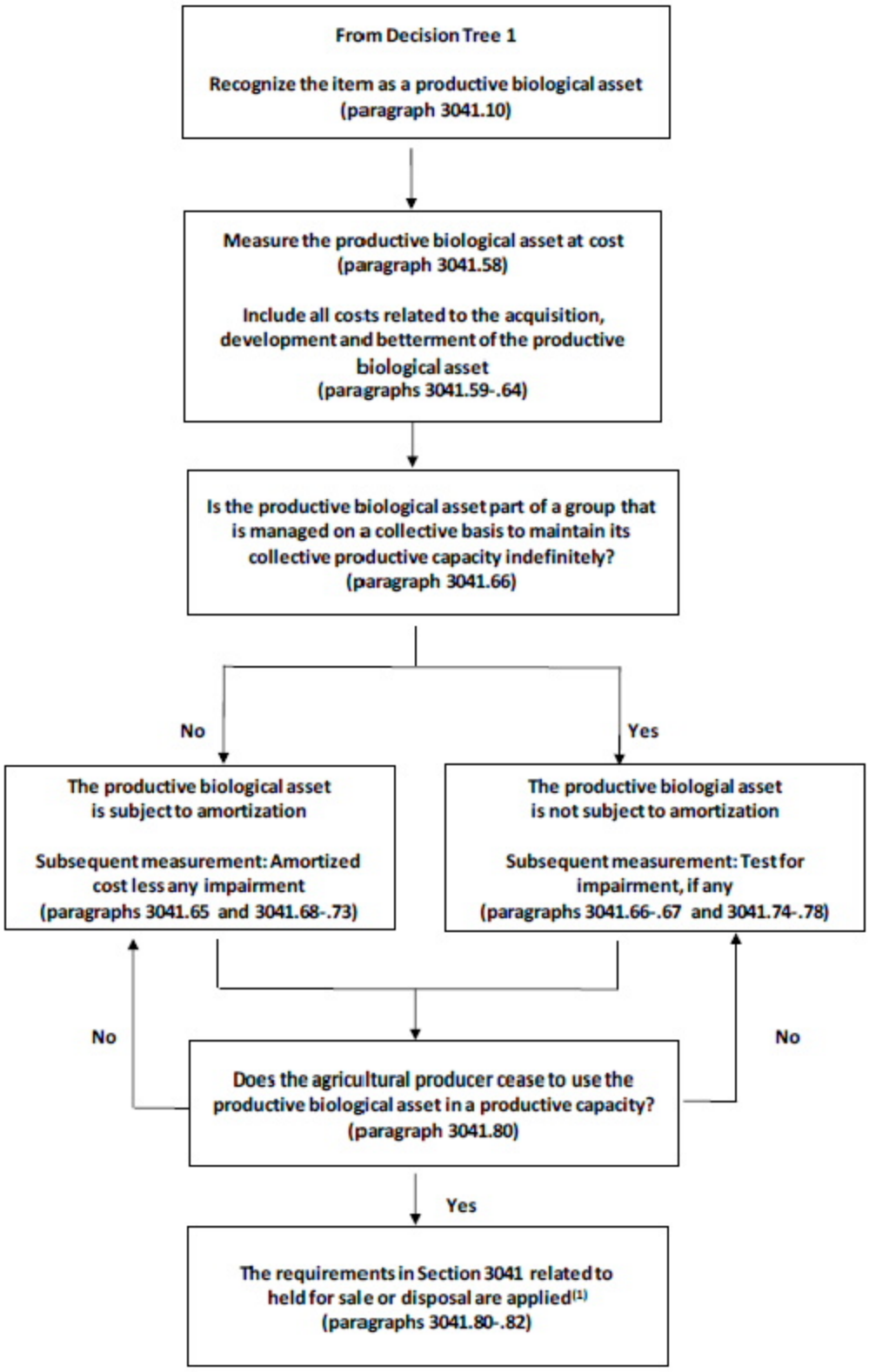


(1) Including purchased harvested product for use in agricultural production (paragraph 3041.02)

Decision Tree 2 – Recognition and measurement of agricultural inventories



Decision Tree 3 – Recognition and measurement of productive biological assets



(1) An agricultural producer shall not reclassify productive biological assets to agricultural inventories (paragraph 3041.16).

Footnotes

1. This paragraph applies to agricultural producers that determine the cost of inventories using either full cost or only input costs.
