

CPA Canada handbook – accounting, part II

highlight summary no. II.20

November 2019 (revised February 2021)

(Note: Any changes to previously issued standards are identified in the effective date guidance in each affected standard.)

Section 3041, Agriculture

This new Section sets out the principles for the recognition, measurement and disclosure of agricultural inventories and productive biological assets. It applies to transactions and events related to agricultural production, including the purchase of the harvested product of biological assets for use in agricultural production.

The main features of Section 3041 are as follows:

- An agricultural producer recognizes agricultural inventories and productive biological assets in accordance with the definitions provided.
- There is a rebuttable presumption that biological assets not being used in a productive capacity are agricultural inventories.
- An agricultural producer chooses to measure agricultural inventories using:
 - the cost model; or
 - the net realizable value model when the following conditions are met:
 - o the product has a reliable, readily determinable and realizable market price;
 - o the product has reliably measurable and predictable costs of disposal; and
 - o the product is available for immediate delivery.
- An agricultural producer that measures agricultural inventories using the cost model chooses whether to determine cost using full cost or only input costs.
- An agricultural producer that chooses to measure agricultural inventories using the net realizable value model when the conditions are met uses cost when the conditions are not met.
- Productive biological assets are measured at cost and amortized over their useful lives. Some productive biological assets are managed on a collective basis to maintain their collective productive capacity indefinitely. Such productive biological assets have an indefinite useful life and are not subject to amortization.
- A productive biological asset is not reclassified to agricultural inventory.
- An agricultural producer discloses qualitative and quantitative information about the amounts recognized in its financial statements from agricultural inventories and productive biological assets.

Significant consequential amendments include changes to:

- FIRST-TIME ADOPTION, Section 1500, to permit a first-time adopter to apply the transitional provisions in Section 3041;
- INCOME STATEMENT, Section 1520, and BALANCE SHEET, Section 1521, to clarify the presentation requirements for agricultural inventories and productive biological assets; and
- INVENTORIES, Section 3031, to remove the current exemption that allows living animals and plants and the harvested product of biological assets held by agricultural producers to be measured at net realizable value in accordance with well-established industry practices.

Section 3041 is effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.

Archived Pronouncements

To give Handbook readers continued access to superseded Sections and paragraphs in other Sections, the Archived Pronouncements set out the wording of those Sections and paragraphs. The archived material will be withdrawn from the Handbook when it is no longer effective.

Withdrawn:

- Supplements relating to clarifications to SUBSIDIARIES, Section 1591.
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