

# Cost accounting for bearer plants

## A simpler approach

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**IN THE HEADLINES**

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“Many companies and investors in Asia will welcome the amendments, because they believe there is little value in the more complex fair value model currently applied.”

– Reinhard Klemmer  
KPMG in Singapore

## Is fair value information for bearer plants relevant?

Constituents have told the IASB that the fair value model is not appropriate for measuring bearer plants that are no longer undergoing biological transformation – e.g. grapevines or palm trees bearing fruit. This is because these assets are matured, and are a means for production of agricultural produce over several reporting periods until they are scrapped at the end of their useful lives.

In response to these concerns, the IASB issued *Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)* on 30 June 2014.

## Simplified measurement of bearer plants

Bearer plants are now in the scope of IAS 16 *Property, Plant and Equipment* for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 *Agriculture*. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce.

Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

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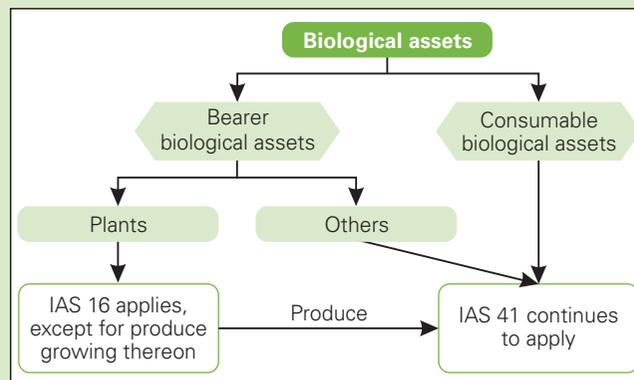
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## How it works



## Example

- Company P owns vineyards.
- The vine plants and grapes on the vines together have a fair value of 2,000.
- The historical cost of the vine plants is 700.
- The fair value of the grapes on the vine plants is 100.

Under existing guidance, P measures the vine plants and the grapes growing on them at their combined fair value of 2,000.

Under the amendments, P accounts for the vine plants and the grapes growing on them separately. In this example, P elects to measure the vine plants at their cost of 700, and the grapes are measured at their fair value of 100.

## Cash flow information still important

Although the amendments withdraw mandatory fair value measurement, a company will still need information about future cash flows to determine the recoverable amount of a bearer plant when an indicator of impairment exists.

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“The fair value measurement of produce on bearer plants will continue to present a challenge for some preparers.”

– Wolfgang Laubach  
KPMG’s global IFRS valuations and impairment leader

## Transition

The amendments are effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

On transition, a company can elect to use the fair value of bearer plants as at the beginning of the earliest comparative reporting period as deemed cost at that date. This option is intended to make adopting the amendments easier – especially for companies with long-cycle bearer plants – by avoiding the need to recalculate the asset’s cost.

## Next steps

For more information on the amendments, please go to the [IASB press release](#) or speak to your usual KPMG contact.

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