

PBE IPSAS 27 Agriculture – Differences to NZ IFRS (PBE)

	NZ IAS 41 (PBE)	PBE IPSAS 27	Change
1	<p>NZ IAS 41 (PBE) defines agricultural activity as: The management by an entity of the biological transformation and harvest of biological assets for:</p> <ul style="list-style-type: none"> (a) sale; or (b) for conversion into agricultural produce or into additional biological assets. 	<p>PBE IPSAS 27 has expanded the definition of agricultural activity as follows: The management by an entity of the biological transformation and harvest of biological assets for:</p> <ul style="list-style-type: none"> (a) sale; (b) distribution at no charge or for a nominal charge; or (c) conversion into agricultural produce or into additional biological assets for sale or for distribution at no charge or for a nominal charge. <p>PBE IPSAS 27.9</p>	<p>The definition of agricultural activity has been expanded to include assets that are distributed at no charge or for a nominal charge.</p> <p>Entities with biological assets may need to review the impact of this new definition, but we expect the application of this (if any) will be very limited.</p>

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2	<p>While NZ IAS 41 (PBE) states that 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, it does not contain guidance on a biological asset acquired through a non-exchange transaction.</p> <p>NZ IAS 41.12</p>	<p>PBE IPSAS 27 requires that where an entity acquires a biological asset through a non-exchange transaction, the biological asset is measured at fair value less costs to sell on initial recognition and at each reporting date.</p> <p>PBE IPSAS 27.17</p>	<p>This extension of guidance to deal with acquiring non-exchange biological assets is largely consistent with Crown accounting policy, which states that:</p> <p><i>Where an asset is acquired for nil or nominal consideration, the fair value of the asset received must be recognised as income in the Statement of Financial Performance.</i></p> <p>However, the Crown accounting policy is generic to a number of assets and does not specify fair value less cost to sell for assets acquired at nil or nominal consideration. Both PBE IPSAS 27 and NZ IAS 41 (PBE) are consistent in that biological assets are fair value less costs to sell (albeit NZ IAS 41 (PBE) doesn't contemplate donated biological assets).</p> <p>Therefore, it's possible that under current practice donated biological assets were initially measured at fair value and not fair value less cost to sell.</p> <p>Although this might create a difference on transition, adjusting for selling costs is unlikely to be material for the Financial Statements of the Government.</p>
3	<p>NZ IAS 41 (PBE) does not specifically exclude biological assets held for the provision or supply of services that are not agricultural activities.</p>	<p>PBE IPSAS 27 specifically excludes biological assets held for the provision or supply of services such as for research, education, transportation, entertainment, recreation, customs control (e.g. drug sniffing dogs at airports) or any other activity that are not agricultural activities as defined by PBE IPSAS 27. Such asset will have to be accounted for under other standards e.g. PBE IPSAS 12 <i>Inventories</i> or PBE IPSAS 17 <i>Property, plant and equipment</i>.</p> <p>PBE IPSAS 27.3</p>	<p>We would not expect this scope exclusion in PBE IPSAS 27 to have any impact on transition to the new PBE standards because the current Crown accounting policy under NZ IFRS is as follows:</p> <p><i>Biological assets not managed for harvesting into agricultural produce, or being transformed into additional biological assets must be reported as property, plant and equipment in accordance with the policies for property, plant and equipment.</i></p>

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4		<p>PBE IPSAS 27 requires the following disclosures not required by NZ IAS 41 (PBE):</p> <ul style="list-style-type: none"> (a) a description of biological assets that distinguishes between consumable and bearer biological assets and between biological assets held for sale and those held for distribution at no charge or for a nominal charge; (b) the gain or loss arising from changes in fair value less costs to sell, disclosed separately for bearer biological assets and consumable biological assets; (c) increases due to assets acquired through a non-exchange transaction; and (d) decreases due to distributions at no charge or for a nominal charge; <p>PBE IPSAS 27.39 and 27.48</p>	<p>A number of additional disclosures are required by the new standard.</p>
5	<p>NZ IAS 41 (PBE) contains guidance on the recognition of government grants, and associated disclosures.</p> <p>NZ IAS 41 (PBE) also states that if a government grant relates to a biological asset measured at its cost less any accumulated depreciation and any accumulated impairment losses, NZ IAS 20 (PBE) is applied.</p> <p>NZ IAS 34-38</p>	<p>PBE IPSAS 27 is silent on government grants as these are dealt with under PBE IPSAS 9 <i>Revenue from Exchange Transactions</i> or PBE IPSAS 23 <i>Revenue from Non-Exchange Transactions</i>.</p>	<p>Government grants relating to agricultural assets must now be dealt with under PBE IPSAS 9 or PBE IPSAS 23 depending on whether they are considered exchange or non-exchange transactions.</p> <p>Under NZ IFRS, PBEs were not permitted to recognise or measure government grants in accordance with NZ IAS 20 (PBE). Therefore, whether there is any impact on transition to the new PBE standards will depend on an entity's current accounting policy under NZ IFRS.</p>