

Department of Treasury and Finance

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Ms Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street
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Dear Ms Fox

IPSAS ED 36 AGRICULTURE

The Australian Heads of Treasuries Accounting and Reporting Advisory Committee is responding to the International Public Sector Accounting Standards Board's invitation to comment on ED 36 *Agriculture*.

HoTARAC members support the introduction of a Standard that is consistent with IAS 41 *Agriculture*.

Attachment 1 sets out recommendations from HoTARAC for attention when finalising the new Standard.

If you have any queries regarding HoTARAC's comments please contact Ms Sue Highland at Queensland Treasury on +61 7 3405 6064 or email sue.highland@treasury.qld.gov.au.

Yours sincerely

D W Challen
CHAIR
HEADS OF TREASURIES ACCOUNTING AND REPORTING ADVISORY COMMITTEE

29 June 2009

Encl

Contact: Amy Huxley
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Our Ref: D/14418 AH/DT

Heads of Treasuries Accounting and Reporting Advisory Committee response to IPSASB on ED 36 Agriculture

Scope of proposed Standard

It is acknowledged that the content of ED 36 is consistent with that of IAS 41 *Agriculture*. However, although the title of the proposed Standard would suggest otherwise, HoTARAC believes the eventual Standard should clarify whether or not the definition of “biological asset” applies to physical items associated with the biological transformation of products of living animals or human beings (eg. stem cells, stud semen etc). Given the scope of IPSAS 12 *Inventories* does not apply to “biological assets related to agricultural activity”, if the biological transformation of products of living animals or human beings is also not included, there will be no Accounting Standard to facilitate consistency in accounting for such activities. This is particularly a concern where such activities are undertaken for commercial purposes and significant values are involved.

HoTARAC considers such a situation to be undesirable, as these activities are likely to be of more interest to public sector entities than traditional agricultural activities. It is acknowledged that there may be ethical or moral concerns about explicitly referring to such activities in an Accounting Standard, but clarity about the scope of the eventual Standard would be useful.

If the definition of “biological asset” is clarified to cover physical items associated with the biological transformation of products of living animals or human beings, HoTARAC recommends that the Standard’s title be changed to better reflect the scope of its application.

Amendments to Other IPSASs

IPSAS 26 Impairment of Cash-Generating Assets.

Given there is no IPSASB Standard on non-current assets held for sale, it is recommended that the last three sentences of paragraph 7 of IPSAS 26 be amended as follows:

“This Standard does not apply to biological assets related to agricultural activity that are measured at fair value less costs to sell, as the measurement requirements for such assets are dealt with in IPSAS XX (ED 36). In addition, this Standard does not apply to non-current assets (or disposal groups) classified as held for sale that are measured at the lower of carrying amount and fair value less costs to sell. The relevant international or national accounting standards dealing with such assets contain measurement requirements.”

Illustrative Examples*Example 1 – Statement of Cash Flows*

Given the deletion of the line “Income taxes paid” (that appeared in the IAS 41 example), the figures for the following line items need to be corrected as set out below:

Net cash from operating activities	\$111 294
Net increase in cash	\$ 43 194
Cash at end of the year	\$ 53 194