

29 June 2009

Ms Stephanie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
227 Wellington Street West
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Via email: edcomments@ifac.org

Dear Ms Fox

Exposure Draft ED 36 Agriculture

CPA Australia, the Institute of Chartered Accountants in Australia (the Institute), and the National Institute of Accountants (the Joint Accounting Bodies) are pleased to respond to Exposure Draft ED 36 *Agriculture*.

The Joint Accounting Bodies represent over 180,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

The Joint Accounting Bodies welcome the International Public Sector Accounting Standards Board's (IPSASB) policy to converge accrual basis International Public Sector Accounting (IPSASs) with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) where appropriate for public sector entities. We agree with the IPSASB policy position that departures from the equivalent IFRS should only occur when there is a public sector specific reason for a departure.

The Joint Accounting Bodies note that IAS 41 *Agriculture* is the IFRS equivalent. Our examination of the ED has identified two substantive departures. We are not convinced that there is a sufficient public sector reason for departure. Our support for the [proposed] Standard is dependent on rectification of the departures.

Substantive Departures

1. Scope Exclusion

The scope exclusion in ED 36 paragraph 3(c) states that the [proposed] Standard not apply to biological assets held for the supply of services (e.g., horses and dogs used for policing purposes and plants and trees in parks and gardens operated for recreational purposes). The Joint Accounting Bodies consider the scope of IAS 41 is clear - if the activity is not an agricultural activity it cannot be within the scope of IAS 41. IAS 41 defines "Agricultural activity" as the management by an entity of the biological transformation and harvest of biological assets for sale, for conversion into agricultural produce, or into additional biological assets. Based on the IAS 41 definition, biological assets held for the supply of services are not within the scope of IAS 41. Accordingly, we do not think ED 36 paragraph 3(c) is necessary – nor we do think there is a public sector specific reason for its inclusion. We acknowledge that its inclusion probably does not matter. However, we think it could affect the way that some people read IAS 41 (given their knowledge of the IPSASB [proposed] Standard).

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2. Definition of agricultural activity

ED 36 modifies the IAS 41 definition of agricultural activity to include the word "including exchange or non-exchange transactions". The IPSASB holds the view that IAS 41 deals with commercial agricultural activity. We understand the IPSASB wants non-exchange transactions to be within the definition of agricultural activity (and therefore, the scope of the [proposed] Standard). The Joint Accounting Bodies do not think that non-exchange transactions are outside the scope of IAS 41, as we think a "sale" can be a non-exchange transaction. Accordingly, we do not think the modification of the definition is necessary – nor we do think there is a public sector specific reason for its inclusion. We acknowledge that its inclusion probably does not matter. However, we think it could affect the way that some people read IAS 41 (given their knowledge of the IPSASB [proposed] Standard).

Other Matters

The Joint Accounting Bodies agree with the IPSASB proposal that the [proposed] Standard not include requirements and guidance for government grants as IPSAS 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers)* contains this material. We understand that the basis for the IPSASB's decision in December 2006 to issue IPSAS 23 was that, unlike the for-profit sector, governments and many other public sector entities derive the majority of their revenue from non-exchange transactions. IPSAS 23 has no IFRS equivalent; it is not founded on IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* and/or IAS 41, and its review does not appear to be within the scope of the convergence project. We accept that there is a public sector specific reason for the retention of IPSAS 23 in its current form. We think it would be helpful if the Basis for Conclusions to the [proposed] Standard included a paragraph that stated, "It is the Board's view that there is a public sector specific reason for retaining IPSAS 23 and for this reason the [proposed] Standard cross references to IPSAS 23. Therefore, the [proposed] standard does not contain the same requirements as in IAS 41 for unconditional and conditional government grants related to a biological asset."

If you require further information on any of our views, please contact Mark Shying, CPA Australia via email at mark.shying@cpaaustralia.com.au, Kerry Hicks, the Institute via email at kerry.hicks@charteredaccountants.com.au or Tom Ravlic, the National Institute of Accountants via email at tom.ravlic@nia.org.au.



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