INDIAN ACCOUNTING STANDARD 41: AGRICULTURE

LEARNING OUTCOMES

After studying this chapter, you will be able to:

- Understand the objective and scope of this standard
- Describe the terms agricultural activity, agricultural produce, bearer plant, biological asset and biological transformation.
- Explain the principles of recognition and measurement.
- Compute the gain and loss on initial and subsequent measurement.
- Understand the treatment of grant relating to a biological asset.
- Describe the various disclosures prescribed in this standard.
1. INTRODUCTION AND OBJECTIVE

Ind AS 41, Agriculture is the first standard that specifically covers the accounting and reporting requirements for the primary sector. Prior to this standard, there were no established guidance on agriculture and allied industry. This Standard introduces a fair value model to agriculture accounting which is a major shift away from the traditional cost model widely applied in primary industry.

Ind AS 41 Agriculture sets out the accounting for agricultural activity, the management of the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity’s biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.

Ind AS 41 addresses following key critical issues:

(a) When should a biological asset or agricultural produce be recognised on the Balance Sheet?
(b) At what value should a recognised biological asset or agricultural produce be measured?
(c) How should the differences in value of a recognised biological asset or agricultural produce be accounted for between two different reporting dates?
(d) What should be the key disclosures?
2. SCOPE

1. This Standard shall be applied to account for the following when they relate to agricultural activity:
   (a) biological assets;
   (b) agricultural produce at the point of harvest; and
   (c) government grants

2. Ind AS 41 does not apply to:
   (a) land related to agricultural activity: for example, the land on which the biological assets grow, regenerate and/or degenerate (Ind AS 16 Property, Plant and Equipment and Ind AS 40 Investment Property);
   (b) bearer plants related to agricultural activity. Such bearer plants covered within the scope of Ind AS 16, Property, plant and Equipment as accounted as per the provisions of that standard. However, this Standard applies to the produce on those bearer plants.
   (c) government grants related to bearer plants (Ind AS 20 Accounting for Government Grants and Disclosure of Government Assistance).
   (d) intangible assets associated with the agricultural activity, for example licenses and rights are covered under Ind AS 38 Intangible Assets and provisions of this standard will be applicable.
   (e) right-of-use assets arising from a lease of land related to agricultural activity (Ind AS 116, Leases).

This Standard is applied to agricultural produce, which is the harvested product of the entity’s biological assets, only at the point of harvest. Thereafter, Ind AS 2 or another applicable Standard is applied.

Example:
Processing of grapes into wine by a vintner who has grown the grapes. While such processing may be a logical and natural extension of agricultural activity, and the events taking place may bear some similarity to biological transformation, such processing is not included within the definition of agricultural activity in this Standard.

Example:
Agriculture produce after the point of harvest, for example Wool, meat, fruit, rubber, logs that are processed subsequently are not covered within purview of this standard and Ind AS 2 Inventories will apply.
The table below provides examples of biological assets, agricultural produce, and products that are the result of processing after harvest:

<table>
<thead>
<tr>
<th>Biological assets</th>
<th>Agricultural produce</th>
<th>Products that are the result of processing after harvest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sheep</td>
<td>Wool</td>
<td>Yarn, carpet</td>
</tr>
<tr>
<td>Trees in a timber plantation</td>
<td>Felled Trees</td>
<td>Logs, lumber</td>
</tr>
<tr>
<td>Dairy Cattle</td>
<td>Milk</td>
<td>Cheese</td>
</tr>
<tr>
<td>Pigs</td>
<td>Carcass</td>
<td>Sausages, cured hams</td>
</tr>
<tr>
<td>Cotton plants</td>
<td>Harvested cotton</td>
<td>Thread, clothing</td>
</tr>
<tr>
<td>Sugarcane</td>
<td>Harvested cane</td>
<td>Sugar</td>
</tr>
<tr>
<td>Tobacco plants</td>
<td>Picked leaves</td>
<td>Cured tobacco</td>
</tr>
<tr>
<td>Tea bushes</td>
<td>Picked leaves</td>
<td>Tea</td>
</tr>
<tr>
<td>Grape vines</td>
<td>Picked grapes</td>
<td>Wine</td>
</tr>
<tr>
<td>Fruit trees</td>
<td>Picked fruit</td>
<td>Processed fruit</td>
</tr>
<tr>
<td>Rubber trees</td>
<td>Harvested latex</td>
<td>Rubber products</td>
</tr>
</tbody>
</table>

Some plants, for example, tea bushes, grape vines, oil palms and rubber trees, usually meet the definition of a bearer plant and are within the scope of Ind AS 16, Property, plant and Equipment. However, the produce growing on bearer plants, for example, tea leaves, grapes, oil palm fruit and latex, is within the scope of Ind AS 41.

### 3. RELEVANT DEFINITIONS

The following are the key Agriculture-related definitions:

(a) **Agricultural activity** refers to the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets.

(b) **Biological Asset** is defined as a living animal or plant.

(c) **Biological transformation** comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in biological asset.
(d) **Agricultural produce** is the harvested product of the entity’s biological assets.

(e) **Harvest** is the detachment of produce from a biological asset or the cessation of a biological asset’s life processes.

(f) **Fair Value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (The definition of Fair value is as given in Ind AS 113, Fair Value Measurement)

(g) **Costs to sell** are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.

(h) **Bearer plant** may be defined as a living plant that:

i. is used in the production or supply of agricultural produce;

ii. is expected to bear produce for more than one period; and

iii. has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

For example, tea bushes, grape vines, oil palms and rubber trees, usually meet the definition of a bearer plant and are outside the scope of Ind AS 41 and covered under Ind AS 16.

However, produce growing on bearer plant is a biological asset.

**Illustration 1**

*ABC Ltd grows vines, harvests the grapes and produces wine. Which of these activities are in the scope of Ind AS 41?*

**Solution**

The grape vines are bearer plants that continually generate crops of grapes which are covered by Ind AS 16, Property, Plant and Equipment.
When the entity harvests the grapes, their biological transformation ceases and they become agricultural produce covered by Ind AS 41, Agriculture.

Wine involves a lengthy maturation period. This process is similar to the conversion of raw materials to a finished product rather than biological transformation hence treated as inventory in accordance with Ind AS 2, Inventories.

4. RECOGNITION OF ASSETS

Entities are required to recognise a biological asset or agricultural produce when, and only when, all of the following conditions are met:

a) the entity controls the asset as a result of past events;

Control over biological assets or agricultural produce may be evidenced by legal ownership or rights to control, for example legal ownership of cattle and the branding or otherwise marking of the cattle on acquisition, birth, or weaning.

b) it is probable that future economic benefits associated with the asset will flow to the entity; and

Future economic benefits are expected to flow to the enterprise from its ownership or control of the asset. The future benefits are normally assessed by measuring the significant physical attributes.

c) the fair value or cost of the asset can be measured reliably.

5. MEASUREMENT

Biological Asset should be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except for the case where the fair value cannot be measured reliably.

There is a presumption that fair value can be measured reliably for a biological asset. In the following cases biological asset should be measured at its cost less any accumulated depreciation and any accumulated impairment losses in accordance with Ind AS 2, Ind AS 16 and Ind AS 36:

- quoted market prices are not available for the biological assets and;
- alternative fair value measurements are determined to be clearly unreliable.

Once the fair value of such a biological asset becomes reliably measurable, an entity shall measure it at its Fair value less costs to sell.
The presumption can be rebutted only on initial recognition. An entity that has previously measured a biological asset at its fair value less costs to sell continues to measure the biological asset at its fair value less costs to sell until disposal.

In all cases, an entity measures agricultural produce at the point of harvest at its fair value less costs to sell. This Standard reflects the view that the fair value of agricultural produce at the point of harvest can always be measured reliably.

**Agricultural produce** harvested from an entity’s biological assets should be measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying Ind AS 2 or another applicable Standard.

The fair value measurement of a biological asset or agricultural produce may be facilitated by grouping biological assets or agricultural produce according to significant attributes; for example, by age or quality. An entity selects the attributes corresponding to the attributes used in the market as a basis for pricing.

The fair value less cost to sell of a biological asset can change due to both physical changes and price changes in the market.

Entities often enter into contacts to sell their biological assets or agricultural produce at a future date. Contract prices are not necessarily relevant in measuring fair value, because fair value reflects the current market conditions in which market participant buyers and sellers would enter into a transaction. As a result, the fair value of a biological asset or agricultural produce is not adjusted because of the existence of a contract.

Cost may sometimes approximate fair value, particularly when:

a) little biological transformation has taken place since initial cost incurrence (for example, for fruit tree seedlings planted immediately prior to the end of a reporting period or newly acquired livestock); or

b) the impact of the biological transformation on price is not expected to be material (for example, for the initial growth in a 30-year pine plantation production cycle)

Biological assets are often physically attached to land (for example, trees in a plantation forest). There may be no separate market for biological assets that are attached to the land but an active market may exist for the combined assets, that is, the biological assets, raw land, and land improvements, as a package. An entity may use information regarding the combined assets to measure the fair value of the biological assets. For example, the fair value of raw land and land improvements may be deducted from the fair value of the combined assets to arrive at the fair value of biological assets.

**Illustration 2**

A farmer owned a dairy herd, of three years old cattle as at 1st April, 20X1 with a fair value of ₹13,750 and the number of cattle in the herd was 250.
The fair value of three year cattle as at 31st March, 20X2 was ₹ 60 per cattle. The fair value of four year cattle as at 31st March, 20X2 is ₹ 75 per cattle.

Calculate the measurement of group of cattle as at 31st March, 20X2 stating price and physical change separately.

Solution

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value as at 1st April, 20X1</td>
<td>13,750</td>
</tr>
<tr>
<td>Increase due to Price change [250 x {60 - (13,750/250)}]</td>
<td>1,250</td>
</tr>
<tr>
<td>Increase due to Physical change [250 x (75-60)]</td>
<td>3,750</td>
</tr>
<tr>
<td>Fair value as at 31st March, 20X2</td>
<td>18,750</td>
</tr>
</tbody>
</table>

Illustration 3

XYZ Ltd., on 1st December, 20X3, purchased 100 sheep from a market for ₹ 5,00,000. The transaction cost of 2% on the market price of the sheep was incurred which was paid by the seller. Sheep’s fair value increased from ₹ 500,000 to ₹ 600,000 on 31st March, 20X4. Transaction cost of 2% would have to be incurred by the seller to get the sheep to the relevant market.

Determine the fair value on the date of purchase and the reporting date and pass necessary journal entries thereon.

Solution

The fair value less cost to sell of sheep’s on the date of purchase would be ₹ 4,90,000 (5,00,000-10,000). Expense of ₹ 10,000 would be recognised in profit and loss.

On date of Purchase

<table>
<thead>
<tr>
<th>Biological Asset</th>
<th>Dr.</th>
<th>4,90,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss on initial recognition</td>
<td>Dr.</td>
<td>10,000</td>
</tr>
</tbody>
</table>

To Bank 5,00,000

(Being biological asset purchased)

On 31st March, 20X4 sheep would be measured at ₹ 5,88,000 as Biological Asset (6,00,000-12,000) and gain of ₹ 98,000 (5,88,000 - 4,90,000) would be recognised in profit or loss.

At the end of reporting period

<table>
<thead>
<tr>
<th>Biological Asset</th>
<th>Dr.</th>
<th>98,000</th>
</tr>
</thead>
</table>

To Gain – Change in fair value 98,000

(Being change in fair value recognised at the end of reporting period) ****
6. GAINS AND LOSSES

1) Biological Asset:

A gain or loss arising on initial recognition of a Biological Asset at Fair value less costs to sell and from a change in Fair value less costs to sell of a biological asset shall be included in Profit or Loss for the period in which it arises.

A loss may arise on initial recognition of a biological asset, because cost to sell are deducted in determining fair value less cost to sell of a biological asset. A gain may arise on initial recognition of a biological asset, such as when a calf is born.

Example:
During the reporting period 20X1-20X2, an entity is having a cow which has given birth to a calf. The fair value less estimated cost to sell for a calf is ₹ 5,000. The amount of ₹ 5,000 is, therefore, immediately recognised in Statement of Profit or Loss.

2) Agriculture Produce:

A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell shall be included in profit or loss for the period in which it arises.

A gain or loss may arise on initial recognition of agricultural produce as a result of harvesting.
7. GOVERNMENT GRANTS

1) Biological Asset measured at fair value less cost to sell:-
   a) Unconditional Grant:

   An unconditional government grant related to a biological asset measured at its fair value less costs to sell shall be recognised in profit or loss when, and only when, the government grant becomes receivable.

   b) Conditional Grant:

   If a government grant related to a biological asset measured at its fair value less costs to sell is conditional, including when a government grant requires an entity not to engage in specified agricultural activity, an entity shall recognise the government grant in profit or loss when, and only when, the conditions attaching to the government grant are met.

   Terms and conditions of government grants vary. For example, a grant may require an entity to farm in a particular location for five years and require the entity to return the entire grant if it farms for a period shorter than five years. In this case, the grant is not recognised in profit or loss until the five years have passed. However, if the terms of the grant allow part of it to be retained according to the time elapsed, the entity recognises that part in profit or loss as time passes.

   Example:

   Sun Ltd cultivated a huge plot of land. The government offers a grant of ₹ 10 crore under the condition that the land is being cultivated for 5 years. If the land will be cultivated for a shorter period, the entity is required to return the entire grant.

   Therefore, the government grant will be recognised as income only after 5 years of cultivation. The situation would be different if the returning obligation referred to the years of not cultivating the land is with respect to retention of grant for the period till which the entity has cultivated the land. In this case, the amount of ₹ 10 crore would be recognised as income, proportionately with the time period, meaning ₹ 2 crore per annum.

2) Biological Asset measured at its cost:

   If a government grant relates to a Biological Asset measured at its cost less any accumulated depreciation and any accumulated impairment losses i.e. (i.e. inability to measure fair value reliably), Ind AS 20 is applied.
8. DISCLOSURE

1) Description of biological assets and activities.

The entity is required to a description of each group of biological assets. This disclosure may take the form of a narrative or quantified description. An entity is encouraged to provide a quantified description of each group of biological assets, distinguishing between consumable and bearer biological assets or between mature and immature biological assets, as appropriate.

2) Gains and losses recognised during the period.

An entity shall disclose the aggregate gain or loss arising during the current period on initial recognition of biological assets and agricultural produce and from the change in fair value less costs to sell of biological assets.
3) **Reconciliation of changes in biological assets.**

A detailed reconciliation is required of changes in the carrying amount of biological assets between the beginning and the end of the current period, which includes:

a) gain or loss arising from changes in fair value less costs to sell;
b) increases arising from purchases;
c) decreases attributable to sales and biological assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with Ind AS 105;
d) decreases due to harvest;
e) increases resulting from business combinations;
f) net exchange differences arising on the translation of financial statements into a different presentation currency, and on the translation of a foreign operation into the presentation currency of the reporting entity; and
g) other changes.

4) **Restricted assets, commitments and risk management strategies.**

The entity should disclose:

a) the existence and carrying amounts of biological assets whose title is restricted, and the carrying amounts of biological assets pledged as security for liabilities;
b) the amount of commitments for the development or acquisition of biological assets; and
c) financial risk management strategies related to agricultural activity.

5) **Additional disclosures when fair value cannot be measured reliably.**

If biological assets within the scope of Ind AS 41 are measured at cost less any accumulated depreciation and any accumulated impairment losses at the end of the period, the following disclosures are required:

a) a description of the biological assets;
b) an explanation of why fair value cannot be measured reliably;
c) the range of estimates within which fair value is highly likely to lie;
d) the depreciation method used;
e) the useful lives or the depreciation rates used; and
f) the gross carrying amount and the accumulated depreciation and impairment losses at the beginning and end of the period.
6) **Government grants**

The following disclosures are required for government grants relating to agricultural activity:

a) the nature and extent of government grants recognised;

b) unfulfilled conditions and other contingencies attaching to government grants; and

c) significant decreases expected in the level of government grants.

**Illustration 4**

Moon Ltd prepares financial statements to 31st March, each year. On 1st April 20X1 the company carried out the following transactions:

- Purchased a land for ₹50 Lakhs.
- Purchased 200 dairy cows (average age at 1st April, 20X1 two years) for ₹10 Lakhs.
- Received a grant of ₹1 million towards the acquisition of the cows. This grant was non-refundable.

For the year ending 31st March, 20X2, the company has incurred following costs:

- ₹6 Lakh to maintain the condition of the animals (food and protection).
- ₹4 Lakh as breeding fee to a local farmer.

On 1st October, 20X1, 100 calves were born. There were no other changes in the number of animals during the year ended 31st March, 20X2. As of 31st March, 20X2, Moon Ltd had 3,000 litres of unsold milk in inventory. The milk was sold shortly after the year end at market prices.

**Information regarding fair values is as follows:**

<table>
<thead>
<tr>
<th>Item</th>
<th>1st April, 20X1</th>
<th>1st October, 20X1</th>
<th>31st March, 20X2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>₹50 Lakhs</td>
<td>₹60 Lakhs</td>
<td>₹70 Lakhs</td>
</tr>
<tr>
<td>New born calves (per calf)</td>
<td>₹1,000</td>
<td>₹1,100</td>
<td>₹1,200</td>
</tr>
<tr>
<td>Six month old calves (per calf)</td>
<td>₹1,100</td>
<td>₹1,200</td>
<td>₹1,300</td>
</tr>
<tr>
<td>Two year old cows (per cow)</td>
<td>₹5,000</td>
<td>₹5,100</td>
<td>₹5,200</td>
</tr>
<tr>
<td>Three year old cows (per cow)</td>
<td>₹5,200</td>
<td>₹5,300</td>
<td>₹5,500</td>
</tr>
<tr>
<td>Milk (per litre)</td>
<td>₹20</td>
<td>₹22</td>
<td>₹24</td>
</tr>
</tbody>
</table>

Prepare extracts from the Balance Sheet and Statement of Profit & Loss that would be reflected in the financial statements of the entity for the year ended 31st March, 20X2.
Solution

Extract from the Statement of Profit & Loss

<table>
<thead>
<tr>
<th>Part</th>
<th>WN</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in fair value of purchased dairy cow</td>
<td>WN 2</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Government Grant</td>
<td>WN 3</td>
<td>10,00,000</td>
</tr>
<tr>
<td>Change in the fair value of newly born calves</td>
<td>WN 4</td>
<td>1,30,000</td>
</tr>
<tr>
<td>Fair Value of Milk</td>
<td>WN 5</td>
<td>72,000</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td></td>
<td>13,02,000</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance Costs</td>
<td>WN 2</td>
<td>6,00,000</td>
</tr>
<tr>
<td>Breeding Fees</td>
<td>WN 2</td>
<td>4,00,000</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td></td>
<td>(10,00,000)</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td></td>
<td>3,02,000</td>
</tr>
</tbody>
</table>

Extracts from Balance Sheet

<table>
<thead>
<tr>
<th>Part</th>
<th>WN</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Property, Plant and Equipment:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>WN 1</td>
<td>50,00,000</td>
</tr>
<tr>
<td>Biological assets other than bearer plants:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dairy Cow</td>
<td>WN 2</td>
<td>11,00,000</td>
</tr>
<tr>
<td>Calves</td>
<td>WN 4</td>
<td>1,30,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>62,30,000</td>
</tr>
<tr>
<td><strong>Inventory:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Milk</td>
<td>WN 5</td>
<td>72,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>72,000</td>
</tr>
</tbody>
</table>

Working Notes:

1. **Land**: The purchase of the land is not covered by Ind AS 41. The relevant standard which would apply to this transaction is Ind AS 16. Under this standard the land would initially be recorded at cost and depreciated over its useful economic life. This would usually be considered to be infinite in the case of land and so no depreciation would be appropriate. Under Cost Model no recognition would be made for post-acquisition changes in the value of land. The allowed alternative treatment under Revaluation Model would permit the land to be revalued to market value with the revaluation surplus taken to the other comprehensive
income. We have followed the Cost Model.

2. **Dairy Cows:** Under the ‘fair value model’ laid down in Ind AS 41 the mature cows would be recognised in the Balance Sheet at 31\(^{st}\) March, 20X2 at the fair value of \(200 \times \text{₹} 5,500 = \text{₹} 11,00,000\).

   Increase in price change \(200 \times (5,200-5,000) = 40,000\)

   Increase in physical change \(200 \times (5,500-5,200) = 60,000\)

   The total difference between the fair value of matured herd and its initial cost (\(\text{₹} 11,00,000 – \text{₹} 10,00,000 = \text{a gain of ₹} 1,00,000\)) would be recognised in the profit and loss along with the maintenance costs and breeding fee of \(\text{₹} 6,00,000\) and \(\text{₹} 4,00,000\) respectively.

3. **Grant:** Grant relating to agricultural activity is not subject to the normal requirement of Ind AS 20. Under Ind AS 41 such grants are credited to income as soon as they are unconditionally receivable rather than being recognised over the useful economic life of the herd. Therefore, \(\text{₹} 10,00,000\) would be credited to income of the company.

4. **Calves:** They are a biological asset and the fair value model is applied. The breeding fees are charged to income and an asset of \(100 \times \text{₹} 1,300 = \text{₹} 1,30,000\) recognised in the Balance sheet and credited to Profit and loss.

5. **Milk:** This is agricultural produce and initially recognised on the same basis as biological assets. Thus the milk would be valued at \(3,000 \times \text{₹} 24 = \text{₹} 72,000\). This is regarded as ‘cost’ for the future application of Ind AS 2 to the unsold milk.

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**Question**

As at 31\(^{st}\) March, 20X1, a plantation consists of 100 Pinus Radiata trees that were planted 10 years earlier. The tree takes 30 years to mature, and will ultimately be processed into building material for houses or furniture. The enterprise’s weighted average cost of capital is 6% p.a.

Only mature trees have established fair values by reference to a quoted price in an active market. The fair value (inclusive of current transport costs to get 100 logs to market) for a mature tree of the same grade as in the plantation is:

- As at 31\(^{st}\) March, 20X1: 171
- As at 31\(^{st}\) March, 20X2: 165

Assume that there would be immaterial cash flow between now and point of harvest.

The present value factor of ₹ 1 @ 6% for

- 19\(^{th}\) year = 0.331
- 20\(^{th}\) year = 0.312

State the value of such plantation as on 31\(^{st}\) March, 20X1 and 20X2 and the gain or loss to be recognised as per Ind AS.

**Answer**

As at 31\(^{st}\) March, 20X1, the mature plantation would have been valued at 17,100 (171 x 100).

As at 31\(^{st}\) March, 20X2, the mature plantation would have been valued at 16,500 (165 x 100).

Assuming immaterial cash flow between now and the point of harvest, the fair value (and therefore the amount reported as an asset on the statement of financial position) of the plantation is estimated as follows:

- As at 31\(^{st}\) March, 20X1: 17,100 x 0.312 = 5,335.20.
- As at 31\(^{st}\) March, 20X2: 16,500 x 0.331 = 5,461.50.

**Gain or loss**

The difference in fair value of the plantation between the two year end dates is 126.30 (5,461.50 – 5,335.20), which will be reported as a gain in the statement or profit or loss (regardless of the fact that it has not yet been realised).