

Organismo Italiano di Contabilità – OIC
(The Italian Standard Setter)
Italy, 00187 Roma, Via Poli 29
Tel. 0039/06/6976681 fax 0039/06/69766830
e-mail: presidenza@fondazioneoic.it

IASB
30 Cannon Street
London EC4M 6XH
United Kingdom

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Re: ED/2013/8 Agriculture: Bearer Plants (Proposed amendments to IAS 16 and IAS 41)

Dear Hans,

We are pleased to have the opportunity to provide our comments in order to contribute to the Exposure Draft (ED) on IAS 41 – Bearer Plants issued in June 2013.

We agree with the ED's proposal on accounting for Bearer plants under the IAS 16 model rather than the IAS 41 model. However, we have some concerns about the scope of the amendments. We do not completely understand the supposed complexity of including in the scope the other bearer biological assets (such as livestock). Therefore, we would suggest the Board allow the IAS 16 model also for bearer biological assets other than bearer plants.

Furthermore, we do not think that additional disclosure to that provided in the IAS 16 is needed because, as reported in the ED, users and analysts have said they already adjust the financial information to satisfy their needs.

The appendix to this letter reports the replies to the specific questions raised in the ED.

Should you need any further information, please do not hesitate to contact us.

Yours sincerely,

Angelo Casò
(Chairman)

APPENDIX

The OIC's response to the specific questions raised in the ED.

Question 1—Scope of the amendments

The IASB proposes to restrict the scope of the proposed amendments to bearer plants. The proposals define a bearer plant as a plant that is used in the production or supply of agricultural produce, that is expected to bear produce for more than one period and that is not intended to be sold as a living plant or harvested as agricultural produce, except for incidental scrap sales.

Under the proposals, if an entity grows plants both to bear produce and for sale as living plants or agricultural produce, apart from incidental scrap sales, it must continue to account for those plants within the scope of IAS 41 at fair value less costs to sell in their entirety (for example, trees that are cultivated for their lumber as well as their fruit).

Do you agree with the scope of the amendments? If not, why and how would you define the scope?

According to what users have told the IASB, we agree with the intent to provide a cost model rather than the fair value of bearer plants if the cost model would better reflect the economic substance for which such assets are held.

However, we do not fully understand which possible difficulties could arise from applying the cost model to the other biological assets (such as livestock), that are considered as the reason to exclude the other biological assets from the scope of the amendments. We believe that these reasons should be further detailed and that the option of the cost model for such activities should be allowed, in order to allow preparers to apply the accounting method that, according to a professional judgement, represents the most fair and true view the company's performance. We suggest, therefore, extending the scope to include also the other bearer biological assets predominantly used in the production or supply of agricultural products.

Question 2—Accounting for bearer plants before maturity

The IASB proposes that before bearer plants are placed into production (ie before they reach maturity and bear fruit) they should be measured at accumulated cost. This would mean that bearer plants are accounted for in the same way as self-constructed items of machinery.

Do you agree with this accounting treatment for bearer plants before they reach maturity? If not, why and what alternative approach do you recommend?

We agree with the IASB proposal.

Question 3—Accounting for bearer plants before maturity

Some crops, such as sugar cane, are perennial plants because their roots remain in the ground to sprout for the next period's crop. Under the proposals, if an entity retains the roots to bear produce for more than one period, the roots would meet the definition of a bearer plant.

The IASB believes that in most cases the effect of accounting for the roots separately under IAS 16 would not be material and the IASB does not therefore believe that specific guidance is required.

Do you think any additional guidance is required to apply the proposals to such perennial crops? If so, what additional guidance should be provided and why?

We think it is not appropriate to provide guidance for separate accounting of the roots from plants, given the principle-based IAS/IFRS accounting system.

Question 4—Accounting for bearer plants after maturity

The IASB proposes to include bearer plants within the scope of IAS 16. Consequently, entities would be permitted to choose either the cost model or the revaluation model for mature bearer plants subject to the requirements in IAS 16. All other biological assets related to agricultural activity will remain under the fair value model in IAS 41.

Do you agree that bearer plants should be accounted for in accordance with IAS 16? Why or why not? If not, what alternative approach do you recommend?

We agree with the IASB proposal.

Question 5—Additional guidance

The IASB proposes that the recognition and measurement requirements of IAS 16 can be applied to bearer plants without modification.

Are there any requirements in IAS 16 that require additional guidance in order to be applied to bearer plants? If so, in what way is the current guidance in IAS 16 insufficient and why?

We agree with the IASB proposal.

Question 6—Fair value disclosures for bearer plants

Do you think either of the following types of disclosures about bearer plants should be required if they are accounted for under the cost model in IAS 16—why or why not:

- (a) disclosure of the total fair value of the bearer plants, including information about the valuation techniques and the key inputs/assumptions used; or
- (b) disclosure of the significant inputs that would be required to determine the fair value of bearer plants, but without the need to measure or disclose the fair value of them?

We think it is not appropriate to prescribe disclosure about bearer plants' fair value in the notes to the financial statements because this could render meaningless the ED and could increase the cost of preparing financial statements as firms should both manage a cost model and determine the fair value of bearer plants to provide disclosure.

Question 7—Additional disclosures

Many investors and analysts consulted during the user outreach said that instead of using the fair value information about bearer plants they use other information, for example, disclosures about productivity, including age profiles, estimates of the physical quantities of bearer plants and output of agricultural produce. They currently acquire this information via presentations made to analysts, from additional information provided by management in annual reports (for example, in the Management Commentary) or directly from companies.

Do you think any disclosures for bearer plants, apart from those covered in Question 6, should be required in addition to those in IAS 16? If so, what and why?

We think it is not appropriate to require disclosure of non-financial information (e.g. age of the plants, the estimated number of plants, the output produced, etc.) as it is believed that this additional disclosure would not increase the quality of financial reporting and would not be significantly useful to its users, due to the potential complexity and subjectivity resulting from obtaining such information and due to the already high disclosure provided in the financial statements. Additionally, we consider that users have claimed that they obtain already the needed information through adjustments made on the financial reporting data.

Question 8—Transition provisions

The IASB proposes to permit an entity to use the fair value of an item of bearer plants as its deemed cost at the start of the earliest comparative period presented in the first financial statements in which the entity applies the amendments to IAS 16. The election would be available on an item-by-item basis. The IASB also plans to permit early application of the amendments to IAS 16 and IAS 41.

Do you agree with the proposed transition provisions? If not, why and what alternative do you propose?

We agree with the IASB proposal.

Question 9—First-time adopters

The IASB proposes that the deemed cost exemption provided for an item of property, plant and equipment in IFRS 1 *First-time Adoption of International Financial Reporting Standards* should also be available for an item of bearer plants.

Do you agree with the proposed transition provisions for first-time adopters? If not, why and what alternative do you propose?

We agree with the IASB proposal.

Question 10—Other comments

Do you have any other comments on the proposals?

We do not have any other comments.