



NZ ACCOUNTING
STANDARDS
BOARD

New Zealand Equivalent to International Accounting Standard 41 Agriculture (NZ IAS 41)

Issued November 2004 and incorporates amendments up to and including 30 November 2012

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ACCOUNTING STANDARD 41
AGRICULTURE (NZ IAS 41)**

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New Zealand Equivalent to International Accounting Standard 41 *Agriculture* (NZ IAS 41) is set out in paragraphs NZ 0.1–NZ 61.1. NZ IAS 41 is based on International Accounting Standard 41 *Agriculture* (IAS 41) (2000) issued by the International Accounting Standards Committee (IASC) and subsequently revised by the International Accounting Standards Board (IASB). All the paragraphs have equal authority but retain the IASC format of the Standard when it was adopted by the IASB. NZ IAS 41 should be read in the context of its objective and the IASB and IASC’s Basis for Conclusions on IAS 41 and the New Zealand Equivalent to the IASB *Conceptual Framework for Financial Reporting* (NZ Framework). NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Any New Zealand additional material is shown with either “NZ” or “RDR” preceding the paragraph number.

Introduction

The Standard prescribes the accounting treatment, financial statement presentation, and disclosures related to agricultural activity.

In adopting IAS 41 for application as NZ IAS 41 no changes have been made to the requirements of IAS 41 for Tier 1 for-profit entities. Where identified, disclosure concessions have been made available for Tier 2 for-profit entities.

Tier 1 for-profit entities that comply with NZ IAS 41 will simultaneously be in compliance with IAS 41.

Reduced Disclosure Regime

NZ IAS 41 includes RDR disclosure concessions and associated RDR paragraphs for entities that qualify for and elect to apply Tier 2 for-profit accounting standards in accordance with XRB A1 *Accounting Standards Framework*. Entities that elect to report in accordance with Tier 2 accounting standards are not required to comply with paragraphs denoted with an asterisk (*) in this Standard. However, an entity is required to comply with any RDR paragraph associated with a disclosure concession that is adopted.

New Zealand Equivalent to International Accounting Standard 41

Agriculture (NZ IAS 41)

Objective

The objective of this Standard is to prescribe the accounting treatment and disclosures related to agricultural activity.

Scope

NZ 0.1 This Standard applies only to Tier 1 and Tier 2 for-profit entities.

NZ 0.2 A Tier 2 entity is not required to comply with the disclosure requirements in this Standard denoted with an asterisk (*). Where an entity elects to apply a disclosure concession it shall comply with any RDR paragraphs associated with that concession.

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 covered by paragraphs 34 and 35.

2 This Standard does not apply to:

- (a) land related to agricultural activity (see NZ IAS 16 *Property, Plant and Equipment* and NZ IAS 40 *Investment Property*); and
- (b) intangible assets related to agricultural activity (see NZ IAS 38 *Intangible Assets*).

3 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, NZ IAS 2 *Inventories* or another applicable New Zealand equivalent to an International Financial Reporting Standard is applied. Accordingly, this Standard does not deal with the processing of agricultural produce after harvest; for example, the 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.

4 The table below provides examples of biological assets, agricultural produce, and products that are the result of processing after harvest:

Biological assets	Agricultural produce	Products that are the result of processing after harvest
Sheep	Wool	Yarn, carpet
Trees in a plantation forest	Felled trees	Logs, lumber
Plants	Cotton	Thread, clothing
	Harvested cane	Sugar
Dairy cattle	Milk	Cheese
Pigs	Carcass	Sausages, cured hams
Bushes	Leaf	Tea, cured tobacco
Vines	Grapes	Wine
Fruit trees	Picked fruit	Processed fruit

Definitions

Agriculture-related definitions

5 The following terms are used in this Standard with the meanings specified:

Agricultural activity is 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.

Agricultural produce is the harvested product of the entity's biological assets.

A *biological asset* is a living animal or plant.

Biological transformation comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset.

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

A *group of biological assets* is an aggregation of similar living animals or plants.

Harvest is the detachment of produce from a biological asset or the cessation of a biological asset's life processes.

6 Agricultural activity covers a diverse range of activities; for example, raising livestock, forestry, annual or perennial cropping, cultivating orchards and plantations, floriculture, and aquaculture (including fish farming). Certain common features exist within this diversity:

- (a) *Capability to change.* Living animals and plants are capable of biological transformation;
- (b) *Management of change.* Management facilitates biological transformation by enhancing, or at least stabilising, conditions necessary for the process to take place (for example, nutrient levels, moisture, temperature, fertility, and light). Such management distinguishes agricultural activity from other activities. For example, harvesting from unmanaged sources (such as ocean fishing and deforestation) is not agricultural activity; and
- (c) *Measurement of change.* The change in quality (for example, genetic merit, density, ripeness, fat cover, protein content, and fibre strength) or quantity (for example, progeny, weight, cubic metres, fibre length or diameter, and number of buds) brought about by biological transformation or harvest is measured and monitored as a routine management function.

7 Biological transformation results in the following types of outcomes:

- (a) asset changes through (i) growth (an increase in quantity or improvement in quality of an animal or plant); (ii) degeneration (a decrease in the quantity or deterioration in quality of an animal or plant); or (iii) procreation (creation of additional living animals or plants); or
- (b) production of agricultural produce such as latex, tea leaf, wool, and milk.

General definitions

8 The following terms are used in this Standard with the meanings specified:

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

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. (See NZ IFRS 13 *Fair Value Measurement*.)

Government grants are as defined in NZ IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.

9 [Deleted by IASB]

Recognition and measurement

10 An entity shall recognise a biological asset or agricultural produce when, and only when:

- (a) the entity controls the asset as a result of past events;
- (b) it is probable that future economic benefits associated with the asset will flow to the entity; and

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

11 In agricultural activity, control may be evidenced by, for example, legal ownership of cattle and the branding or otherwise marking of the cattle on acquisition, birth, or weaning. The future benefits are normally assessed by measuring the significant physical attributes.

12 **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, except for the case described in paragraph 30 where the fair value cannot be measured reliably.**

13 **Agricultural produce harvested from an entity's biological assets shall 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 NZ IAS 2 *Inventories* or another applicable New Zealand equivalent to an International Financial Reporting Standard.**

14 [Deleted by IASB]

15 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.

16 Entities often enter into contracts 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. In some cases, a contract for the sale of a biological asset or agricultural produce may be an onerous contract, as defined in NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. NZ IAS 37 applies to onerous contracts.

17–21 [Deleted by IASB]

22 An entity does not include any cash flows for financing the assets, taxation, or re-establishing biological assets after harvest (for example, the cost of replanting trees in a plantation forest after harvest).

23 [Deleted by IASB]

24 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
- (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).

25 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, for the biological assets, raw land, and land improvements, as a package. An entity may use information regarding the combined assets to measure fair value for 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.

Gains and losses

26 **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.**

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

28 **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.**

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

Inability to measure fair value reliably

30 **There is a presumption that fair value can be measured reliably for a biological asset. However, that presumption can be rebutted only on initial recognition for a biological asset for which quoted market prices are not available and for which alternative fair value measurements are determined to be**

clearly unreliable. In such a case, that biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses. 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. Once a non-current biological asset meets the criteria to be classified as held for sale (or is included in a disposal group that is classified as held for sale) in accordance with NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, it is presumed that fair value can be measured reliably.

- 31 The presumption in paragraph 30 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.
- 32 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.
- 33 In determining cost, accumulated depreciation and accumulated impairment losses, an entity considers NZ IAS 2, NZ IAS 16 and NZ IAS 36 *Impairment of Assets*.

Government grants

- 34 **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.**
- 35 **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.**
- 36 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 all of the 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 allows part of it to be retained according to the time that has elapsed, the entity recognises that part in profit or loss as time passes.
- 37 If a government grant relates to a biological asset measured at its cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30), NZ IAS 20 is applied.
- 38 This Standard requires a different treatment from NZ IAS 20, if a government grant relates to a biological asset measured at its fair value less costs to sell or a government grant requires an entity not to engage in specified agricultural activity. NZ IAS 20 is applied only to a government grant related to a biological asset measured at its cost less any accumulated depreciation and any accumulated impairment losses.

Disclosure

- 39 [Deleted by IASB]

General

- *40 **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.**
- 41 **An entity shall provide a description of each group of biological assets.**
- 42 The disclosure required by paragraph 41 may take the form of a narrative or quantified description.
- *43 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. For example, an entity may disclose the carrying amounts of consumable biological assets and bearer biological assets by group. An entity may further divide those carrying amounts between mature and immature assets. These distinctions provide information that may be helpful in assessing the timing of future cash flows. An entity discloses the basis for making any such distinctions.
- *44 Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets. Examples of consumable biological assets are livestock intended for the production of meat,

livestock held for sale, fish in farms, crops such as maize and wheat, and trees being grown for lumber. Bearer biological assets are those other than consumable biological assets; for example, livestock from which milk is produced, grape vines, fruit trees, and trees from which firewood is harvested while the tree remains. Bearer biological assets are not agricultural produce but, rather, are self-regenerating.

*45 Biological assets may be classified either as mature biological assets or immature biological assets. Mature biological assets are those that have attained harvestable specifications (for consumable biological assets) or are able to sustain regular harvests (for bearer biological assets).

***46 If not disclosed elsewhere in information published with the financial statements, an entity shall describe:**

- (a) the nature of its activities involving each group of biological assets; and
- (b) non-financial measures or estimates of the physical quantities of:
 - (i) each group of the entity's biological assets at the end of the period; and
 - (ii) output of agricultural produce during the period.

47–48 [Deleted by IASB]

***49 An entity shall 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.

50 An entity shall present a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period. The reconciliation shall include:

- (a) the gain or loss arising from changes in fair value less costs to sell;
- (b) increases due to 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 NZ IFRS 5;
- (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.

RDR 50.1 A Tier 2 entity is not required to disclose the reconciliation specified in paragraph 50 for prior periods.

*51 The fair value less costs to sell of a biological asset can change due to both physical changes and price changes in the market. Separate disclosure of physical and price changes is useful in appraising current period performance and future prospects, particularly when there is a production cycle of more than one year. In such cases, an entity is encouraged to disclose, by group or otherwise, the amount of change in fair value less costs to sell included in profit or loss due to physical changes and due to price changes. This information is generally less useful when the production cycle is less than one year (for example, when raising chickens or growing cereal crops).

*52 Biological transformation results in a number of types of physical change—growth, degeneration, production, and procreation, each of which is observable and measurable. Each of those physical changes has a direct relationship to future economic benefits. A change in fair value of a biological asset due to harvesting is also a physical change.

*53 Agricultural activity is often exposed to climatic, disease and other natural risks. If an event occurs that gives rise to a material item of income or expense, the nature and amount of that item are disclosed in accordance with NZ IAS 1 *Presentation of Financial Statements*. Examples of such an event include an outbreak of a virulent disease, a flood, a severe drought or frost, and a plague of insects.

Additional disclosures for biological assets where fair value cannot be measured reliably

- 54 If an entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30) at the end of the period, the entity shall disclose for such biological assets:
- (a) a description of the biological assets;
 - (b) an explanation of why fair value cannot be measured reliably;
 - *(c) if possible, 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 (aggregated with accumulated impairment losses) at the beginning and end of the period.
- *55 If, during the current period, an entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30), an entity shall disclose any gain or loss recognised on disposal of such biological assets and the reconciliation required by paragraph 50 shall disclose amounts related to such biological assets separately. In addition, the reconciliation shall include the following amounts included in profit or loss related to those biological assets:
- (a) impairment losses;
 - (b) reversals of impairment losses; and
 - (c) depreciation.
- *56 If the fair value of biological assets previously measured at their cost less any accumulated depreciation and any accumulated impairment losses becomes reliably measurable during the current period, an entity shall disclose for those biological assets:
- (a) a description of the biological assets;
 - (b) an explanation of why fair value has become reliably measurable; and
 - (c) the effect of the change.

Government grants

- 57 An entity shall disclose the following related to agricultural activity covered by this Standard:
- (a) the nature and extent of government grants recognised in the financial statements;
 - (b) unfulfilled conditions and other contingencies attaching to government grants; and
 - *(c) significant decreases expected in the level of government grants.

Effective date and transition

- 58 This Standard becomes operative for an entity's financial statements that cover annual accounting periods beginning on or after 1 January 2007. Early adoption of this Standard is permitted only when an entity complies with NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* for an annual accounting period beginning on or after 1 January 2005.
- 59 [Paragraph 59 is not reproduced. The first-time adoption of NZ IAS 41 is accounted for in accordance with NZ IFRS 1].
- 60 Paragraphs 5, 6, 17, 20 and 21 were amended and paragraph 14 deleted by *Improvements to NZ IFRSs* issued in June 2008. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.
- 61 NZ IFRS 13, issued in June 2011, amended paragraphs 8, 15, 16, 25 and 30 and deleted paragraphs 9, 17–21, 23, 47 and 48. An entity shall apply those amendments when it applies NZ IFRS 13.
- NZ 61.1 *Framework: Tier 1 and Tier 2 For-profit Entities*, issued in November 2012, amended extant NZ IFRSs by deleting any public benefit entity paragraphs, deleting any differential reporting concessions, adding scope paragraphs for Tier 1 and Tier 2 for-profit entities and adding disclosure concessions for Tier 2 entities. It made no changes to the requirements for Tier 1 entities. A Tier 2 entity may elect to apply the

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disclosure concessions for annual periods beginning on or after 1 December 2012. Early application is permitted.

HISTORY OF AMENDMENTS

Table of Pronouncements – NZ IAS 41 *Agriculture*

This table lists the pronouncements establishing and substantially amending NZ IAS 41. The table is based on amendments approved as at 30 November 2012.

Pronouncements	Date approved	Early operative date	Effective date (annual reporting periods... on or after ...)
NZ IAS 41 <i>Agriculture</i>	Nov 2004	1 Jan 2005	1 Jan 2007
NZ IAS 1 <i>Presentation of Financial Statements</i> (revised 2007)	Nov 2007	Early application permitted	1 Jan 2009
<i>Omnibus amendments</i> (2007-1)	Nov 2007	Early application permitted	1 Jan 2008
<i>Improvements to NZ IFRSs</i>	June 2008	Early application permitted	1 Jan 2009
NZ IFRS 13 <i>Fair Value Measurement</i>	June 2011	Early application permitted	1 Jan 2013
<i>Framework: Tier 1 and Tier 2 For-profit Entities</i> ¹	Nov 2012	Early application permitted	1 Dec 2012

Table of Amended Paragraphs in NZ IAS 41

Paragraph affected	How affected	By ... [date]
Paragraph NZ 4.3	Inserted	<i>Omnibus amendments</i> (2007-1) [Nov 2007]
Paragraph 5	Amended	<i>Improvements to NZ IFRSs</i> [June 2008]
Paragraph 6(c)	Amended	<i>Improvements to NZ IFRSs</i> [June 2008]
Paragraph 8	Amended	NZ IFRS 13 [June 2011]
Paragraph 9	Deleted	NZ IFRS 13 [June 2011]
Paragraph 14	Deleted	<i>Improvements to NZ IFRSs</i> [June 2008]
Paragraph 15	Amended	NZ IFRS 13 [June 2011]
Paragraph 16	Amended	NZ IFRS 13 [June 2011]
Paragraph 17	Amended	<i>Improvements to NZ IFRSs</i> [June 2008]
Paragraph 20	Amended	<i>Improvements to NZ IFRSs</i> [June 2008]
Paragraph 21	Amended	<i>Improvements to NZ IFRSs</i> [June 2008]
Paragraphs 17–21	Deleted	NZ IFRS 13 [June 2011]
Paragraph 23	Deleted	NZ IFRS 13 [June 2011]
Paragraph 25	Amended	NZ IFRS 13 [June 2011]
Paragraph 30	Amended	NZ IFRS 13 [June 2011]
Paragraph 34	Amended	<i>Improvements to NZ IFRSs</i> [June 2008]
Paragraph 35	Amended	<i>Improvements to NZ IFRSs</i> [June 2008]
Paragraph 36	Amended	<i>Improvements to NZ IFRSs</i> [June 2008]

¹ This pronouncement amended extant NZ IFRSs by (i) deleting any public benefit entity paragraphs, (ii) deleting any differential reporting paragraphs, (iii) adding scope paragraphs for Tier 1 and Tier 2 for-profit entities, and (iv) adding RDR disclosure concessions.

Table of Amended Paragraphs in NZ IAS 41		
Paragraph affected	How affected	By ... [date]
Paragraph 46	Amended	<i>Omnibus amendments</i> (2007-1) [Nov 2007]
Paragraphs 47–48	Deleted	NZ IFRS 13 [June 2011]
Paragraph 50	Amended	<i>Omnibus amendments</i> (2007-1) [Nov 2007]
Paragraph 51	Amended	<i>Omnibus amendments</i> (2007-1) [Nov 2007]
Paragraph 55	Amended	<i>Omnibus amendments</i> (2007-1) [Nov 2007]
Paragraph 60	Inserted	<i>Improvements to NZ IFRSs</i> [June 2008]
Paragraph 61	Inserted	NZ IFRS 13 [June 2011]
Paragraph NZ 61.1	Inserted	<i>Framework: Tier 1 and Tier 2 For-profit Entities</i> [Nov 2012]