



NZ ACCOUNTING
STANDARDS
BOARD

PUBLIC BENEFIT ENTITY INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARD 27 AGRICULTURE (PBE IPSAS 27)

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PBE IPSAS 27 AGRICULTURE

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PBE IPSAS 27 AGRICULTURE

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Public Benefit Entity International Public Sector Accounting Standard 27 *Agriculture* is set out in paragraphs 1–57.1. All the paragraphs have equal authority. PBE IPSAS 27 should be read in the context of its objective, the Basis for Conclusions, and Standard XRB A1 *Accounting Standards Framework*. PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Objective

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

Scope

2. **An entity that prepares and presents financial statements shall apply this Standard for the following when they relate to agricultural activity:**
 - (a) **Biological assets; and**
 - (b) **Agricultural produce at the point of harvest.**
3. This Standard does not apply to:
 - (a) Land related to agricultural activity (see PBE IPSAS 16 *Investment Property* and PBE IPSAS 17 *Property, Plant and Equipment*);
 - (b) Intangible assets related to agricultural activity (see PBE IPSAS 31 *Intangible Assets*); and
 - (c) Biological assets held for the provision or supply of services.
4. Biological assets are used in many activities undertaken by public benefit entities. When biological assets are used for research, education, transportation, entertainment, recreation, customs control or in any other activities that are not agricultural activities as defined in paragraph 9 of this Standard, those biological assets are not accounted for in accordance with this Standard. Where those biological assets meet the definition of an asset, other PBE Standards should be considered in determining the appropriate accounting (e.g., PBE IPSAS 12 *Inventories* and PBE IPSAS 17).
5. 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, PBE IPSAS 12, or another applicable 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.
6. 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

7. [Not used.]

- 7.1 **This Standard applies to public sector public benefit entities in Tier 1 and public sector public benefit entities that are eligible for and elect to apply Tier 2 PBE Standards.**
- 7.2 **A Tier 2 entity is not required to comply with the disclosure requirements in this Standard denoted with an asterisk (*). Where a Tier 2 entity elects to apply a disclosure concession it shall comply with any RDR paragraphs associated with that concession.**
8. [Not used.]

Definitions

Agriculture-related Definitions

9. **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;**
- **Distribution at no charge or for a nominal charge; or**
- **Conversion into agricultural produce or into additional biological assets for sale or for distribution at no charge or for a nominal charge.**

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. Disposal may occur through sale or through distribution at no charge or for a nominal charge.

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.

10. 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 fiber strength) or quantity (for example, progeny, weight, cubic meters, fiber length or diameter, and number of buds) brought about by biological transformation or harvest is measured and monitored as a routine management function.
11. 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

12. **Terms defined in other PBE Standards are used in this Standard with the same meaning as in those Standards, and are reproduced in the *Glossary of Defined Terms* published separately.**

Recognition and Measurement

13. **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 or service potential associated with the asset will flow to the entity; and**
 - (c) **The fair value or cost of the asset can be measured reliably.**
14. The fair value of an asset is based on its present location and condition. As a result, for example, the fair value of cattle at a farm is the price for the cattle in the relevant market less the transport and other costs of getting the cattle either to that market or to the location where it will be distributed at no charge or for a nominal charge.
15. 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 or service potential are normally assessed by measuring the significant physical attributes.
16. **A biological asset shall be measured on initial recognition and at each reporting date at its fair value less costs to sell, except for the case described in paragraph 34 where the fair value cannot be measured reliably.**
17. **Where an entity acquires a biological asset through a non-exchange transaction, the biological asset is measured on initial recognition and at each reporting date in accordance with paragraph 16.**
18. **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 PBE IPSAS 12, or another applicable Standard.**
19. The determination of fair value for 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.
20. Entities often enter into contracts to sell their biological assets or agricultural produce at a future date. Contract prices are not necessarily relevant in determining fair value, because fair value reflects the current market in which a willing buyer and seller 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 in an exchange transaction may be an onerous contract, as defined in PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*. PBE IPSAS 19 applies to onerous contracts.
21. If an active market exists for a biological asset or agricultural produce in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset. If an entity has access to different active markets, the entity uses the most relevant one. For example, if an entity has access to two active markets, it would use the price existing in the market expected to be used.
22. If an active market does not exist, an entity uses one or more of the following, when available, in determining fair value:
- (a) The most recent market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the reporting date;
 - (b) Market prices for similar assets with adjustment to reflect differences; and
 - (c) Sector benchmarks such as the value of an orchard expressed per export tray, bushel, or hectare, and the value of cattle expressed per kilogram of meat.

23. In some cases, the information sources listed in paragraph 22 may suggest different conclusions as to the fair value of a biological asset or agricultural produce. An entity considers the reasons for those differences, in order to arrive at the most reliable estimate of fair value within a relatively narrow range of reasonable estimates.
24. In some circumstances, market-determined prices or values may not be available for a biological asset in its present condition. In these circumstances, an entity uses the present value of expected net cash flows from the asset discounted at a current market-determined rate in determining fair value.
25. The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition. An entity considers this in determining an appropriate discount rate to be used and in estimating expected net cash flows. In determining the present value of expected net cash flows, an entity includes the net cash flows that market participants would expect the asset to generate in its most relevant market.
26. 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).
27. In agreeing an arm's length transaction price, knowledgeable, willing buyers and sellers consider the possibility of variations in cash flows. It follows that fair value reflects the possibility of such variations. Accordingly, an entity incorporates expectations about possible variations in cash flows into either the expected cash flows, or the discount rate, or some combination of the two. In determining a discount rate, an entity uses assumptions consistent with those used in estimating the expected cash flows, to avoid the effect of some assumptions being double-counted or ignored.
28. 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 reporting date); 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).
29. 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 determine 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

30. **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 surplus or deficit for the period in which it arises.**
31. 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.
32. **A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell shall be included in surplus or deficit for the period in which it arises.**
33. A gain or loss may arise on initial recognition of agricultural produce as a result of harvesting.

Inability to Measure Fair Value Reliably

34. **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 market-determined prices or values are not available, and for which alternative estimates of fair value 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**

PBE IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, it is presumed that fair value can be measured reliably.

35. The presumption in paragraph 34 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.
36. 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.
37. In determining cost, accumulated depreciation and accumulated impairment losses, an entity considers PBE IPSAS 12, PBE IPSAS 17, PBE IPSAS 21 *Impairment of Non-Cash-Generating Assets* and PBE IPSAS 26 *Impairment of Cash-Generating Assets*.

Disclosure

General

- *38. **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.**
39. **An entity shall provide a description of biological assets that distinguishes between consumable and bearer biological assets and between biological assets held for sale and those held for distribution at no charge or for a nominal charge.**

RDR 39.1 **A Tier 2 entity is not required to distinguish between consumable and bearer biological assets as required by paragraph 39.**
- *40. Consumable biological assets are those that are held for harvest as agricultural produce or for sale or distribution at no charge or for a nominal charge as biological assets. Examples of consumable biological assets are animals and plants for one-time use, such as 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 biological assets that are used repeatedly or continuously for more than one year in an agricultural activity. Bearer biological assets are not agricultural produce but, rather, are self-regenerating. Examples of types of animals that are bearer biological assets include breeding stocks (including fish and poultry), livestock from which milk is produced, and sheep or other animals used for wool production. Examples of types of plants that are bearer biological assets include trees, vines and shrubs cultivated for fruits, nuts, sap, resin, bark and leaf products and trees from which firewood is harvested while the tree remains.
- *41. The disclosures required by paragraph 39 would take the form of a quantified description. The quantified description may be accompanied by a narrative description.
- *42. In making the disclosures required by paragraph 39, an entity is also encouraged to distinguish between mature and immature biological assets, as appropriate. These distinctions provide information that may be helpful in assessing the timing of future cash flows and service potential. An entity discloses the basis for making any such distinctions.
- *43. 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).
- *44. **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.**
45. **An entity shall disclose the methods and significant assumptions applied in determining the fair value of each group of agricultural produce at the point of harvest and each group of biological assets.**

- *46. **An entity shall disclose the fair value less costs to sell of agricultural produce harvested during the period, determined at the point of harvest.**
- *47. **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 nature and extent of restrictions on the entity's use or capacity to sell biological assets;**
 - (c) **The amount of commitments for the development or acquisition of biological assets; and**
 - (d) **Financial risk management strategies related to agricultural activity.**
48. **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, disclosed separately for bearer biological assets and consumable biological assets;**
 - (b) **Increases due to purchases;**
 - (c) **Increases due to assets acquired through a non-exchange transaction;**
 - (d) **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 PBE IFRS 5;**
 - (e) **Decreases due to distributions at no charge or for a nominal charge;**
 - (f) **Decreases due to harvest;**
 - (g) **Increases resulting from entity combinations;**
 - * (h) **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**
 - (i) **Other changes.**
- RDR 48.1 **A Tier 2 entity is not required to disclose the reconciliation specified in paragraph 48 for prior periods.**
- RDR 48.2 **A Tier 2 entity is not required to disclose separately the gain or loss arising from changes in fair value less costs to sell for biological assets and consumable biological assets as specified in paragraph 48(a).**
- *49. 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 surplus or deficit 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).
- *50. 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 or service potential. A change in fair value of a biological asset due to harvesting is also a physical change.
51. Agricultural activity is often exposed to climatic, disease and other natural risks. If an event occurs that gives rise to a material item of revenue or expense, the nature and amount of that item are disclosed in accordance with PBE IPSAS 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

52. **If an entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 34) 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.**
- *53. **If, during the current period, an entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 34), an entity shall disclose any gain or loss recognised on disposal of such biological assets and the reconciliation required by paragraph 48 shall disclose amounts related to such biological assets separately. In addition, the reconciliation shall include the following amounts included in surplus or deficit related to those biological assets:**
- (a) **Impairment losses;**
 - (b) **Reversals of impairment losses; and**
 - (c) **Depreciation.**
- *54. **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.**

Transitional Provisions

55. [Not used.]

Effective Date

56–57. [Not used.]

57.1 **A public sector public benefit entity shall apply this Standard for annual financial statements covering periods beginning on or after 1 July 2014. Earlier application is not permitted.**

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 27.

BC1. The New Zealand Accounting Standards Board (NZASB) has modified IPSAS 27 *Agriculture* for application by Tier 1 and Tier 2 public benefit entities. Where applicable, disclosure concessions have been identified for Tier 2 entities and the language generalised for use by public benefit entities. The NZASB considered that the requirements of IPSAS 27 are generally appropriate for application by public benefit entities.

Biological Assets held for the Provision or Supply of Services

BC2. The NZASB noted that the IPSASB had excluded biological assets held for the provision or supply of services from the scope of IPSAS 27, and after considering the IPSASB's reason for making this exclusion, agreed to retain the scope exclusion in PBE IPSAS 27. The IPSASB had considered whether biological assets such as horses and dogs used for policing purposes and plants and trees in parks and gardens operated for recreational purposes would fall within the scope of IPSAS 27. The IPSASB concluded that such biological assets are not held for use in an agricultural activity because they are not routinely managed for the purpose of measuring and monitoring the change in quality or quantity brought about by biological transformation or harvest, as described in paragraph 10. In order to clarify that such biological assets are not dealt with in this Standard the IPSASB decided to include a scope exclusion stating that the Standard does not apply to biological assets held for the provision or supply of services.

Illustrative Examples

These examples accompany, but are not part of, PBE IPSAS 27.

Extracts from statements of comprehensive revenue and expense and statements of financial position are provided to show the effects of the transactions described below. These extracts do not necessarily conform to all the disclosure and presentation requirements of other Standards.

The first example illustrates how the disclosure requirements of this Standard might be put into practice for a dairy farming entity. This Standard encourages the separation of the change in fair value less costs to sell of an entity's biological assets into physical change and price change. That separation is reflected in the first example. The second example illustrates how to separate physical change and price change.

Disclosure Requirements

Statement of Financial Position

Entity XYZ	Notes	December 31 20X8 Currency Unit (CU)	December 31 20X7 CU
ASSETS			
Current assets			
Cash		10,000	10,000
Receivables		88,000	65,000
Inventories		82,950	70,650
Total current assets		180,950	145,650
Non-current assets			
Bearer biological assets			
Dairy livestock – immature ¹		52,060	47,730
Dairy livestock – mature ¹		372,990	411,840
Subtotal – bearer biological assets	3	425,050	459,570
Property, plant and equipment		1,462,650	1,409,800
Total non-current assets		1,887,700	1,869,370
Total assets		2,068,650	2,015,020
LIABILITIES			
Current liabilities			
Payables		122,628	150,020
Total current liabilities		122,628	150,020
NET ASSETS/EQUITY			
Contributed capital		1,000,000	1,000,000
Accumulated comprehensive revenue and expense		946,022	865,000
Total net assets/equity		1,946,022	1,865,000
Total net assets/equity and liabilities		2,068,650	2,015,020

¹ An entity is required to provide a description of biological assets that distinguishes between consumable and bearer biological assets and between those held for sale and those held for distribution at no charge or for a nominal charge. Such disclosures would take the form of a quantified description that may be accompanied by a narrative description. An entity is also encouraged, but not required, to distinguish between mature and immature biological assets, as appropriate. An entity discloses the basis for making any such distinctions. This example shows the disclosure of bearer biological assets on the face of the statement of financial position. Information to meet other disclosure requirements is disclosed in the notes to the financial statements, as permitted.

Statement of Comprehensive Revenue and Expense

Entity XYZ	Notes	CU Year ended December 31 20X8
Fair value of milk produced		518,240
Gains arising from changes in fair value less costs to sell of dairy livestock held for sale	3	39,930
		558,170
Inventories used		(137,523)
Staff costs		(127,283)
Depreciation expense		(15,250)
Other operating expenses		(197,092)
		<u>(477,148)</u>
Comprehensive revenue and /expense for the period		<u>81,022</u>

Statement of Changes in Net Assets/Equity

	Year ended December 31 20X8		
	CU	CU	CU
	Contributed	Accumulated	
	Capital	Comprehensive	
		Revenue and	
		Expense	Total
Balance at January 1, 20X8	1,000,000	865,000	1,865,000
Comprehensive revenue and expense for the period	-	81,022	81,022
Balance at December 31, 20X8	<u>1,000,000</u>	<u>946,022</u>	<u>1,946,022</u>

*Cash Flow Statement*²

Entity XYZ	Year ended December 31, 20X8
	CU
Cash flows from operating activities	
Cash receipts from sales of milk	498,027
Cash receipts from sales of livestock	97,913
Cash paid for supplies and to employees	(504,025)
Cash paid for purchases of livestock	(23,815)
Net cash from operating activities	68,100
Cash flows from investing activities	
Purchase of property, plant and equipment	(68,100)
Net cash used in investing activities	(68,100)
Net increase in cash	0
Cash at beginning of the year	10,000
Cash at end of the year	10,000

Notes

1. Operations and Principal Activities

Entity XYZ (“the Entity”) is engaged in milk production. At December 31, 20X8, the Entity held 419 cows able to produce milk (mature bearer assets) and 137 heifers being raised to produce milk in the future (immature bearer assets). The Entity produced 157,584kg of milk with a fair value less costs to sell of CU518,240 (the fair value of this agricultural produce is determined at the time of milking) in the year ended December 31, 20X8. The Entity does not own any consumable biological assets.

2. Accounting Policies

Livestock and Milk

Livestock are measured at their fair value less costs to sell. The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit. Milk is initially measured at its fair value less costs to sell at the time of milking. The fair value of milk is determined based on market prices in the local area.

3. Biological Assets

	20X8 CU
Reconciliation of Carrying Amounts of Dairy Livestock	
Carrying amount at January 1, 20X8	459,570
Increases due to purchases	26,250
Gain arising from changes in fair value less costs to sell attributable to physical changes ³	15,350
Gain arising from changes in fair value less costs to sell attributable to price changes ⁴	24,580
Decreases due to sales	(100,700)
Carrying amount at December 31, 20X8	425,050

² This statement of cash flows reports cash flows from operating activities using the direct method. PBE IPSAS 2 *Cash Flow Statements* requires that an entity reports cash flows from operating activities using either the direct method or the indirect method. PBE IPSAS 2 encourages use of the direct method.

³ Separating the increase in fair value less costs to sell between the portion attributable to physical changes and the portion attributable to price changes is encouraged but not required by this Standard.

⁴ See Footnote 3.

4. Financial Risk Management Strategies

The Entity is exposed to financial risks arising from changes in milk prices. The Entity does not anticipate that milk prices will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in milk prices. The Entity reviews its outlook for milk prices regularly in considering the need for active financial risk management.

Physical Change and Price Change

The following example illustrates how to separate physical change and price change. Separating the change in fair value less costs to sell between the portion attributable to physical changes and the portion attributable to price changes is encouraged but not required by this Standard.

A herd of ten 2 year old animals was held at January 1, 20X8. One animal aged 2.5 years was purchased on July 1, 20X8 for CU108, and one animal was born on July 1, 20X8. No animals were sold or disposed of during the period. Per-unit fair values less costs to sell were as follows:

	CU	CU
2 year old animal at January 1, 20X8	100	
Newborn animal at July 1, 20X8	70	
2.5 year old animal at July 1, 20X8	108	
Newborn animal at December 31, 20X8	72	
0.5 year old animal at December 31, 20X8	80	
2 year old animal at December 31, 20X8	105	
2.5 year old animal at December 31, 20X8	111	
3 year old animal at December 31, 20X8	120	
Fair value less costs to sell of herd at January 1, 20X8 (10 x 100)		1,000
Purchase on July 1, 20X8 (1 x 108)		108
Increase in fair value less costs to sell due to price change		
10 × (105 – 100)	50	
1 × (111 – 108)	3	
1 × (72 – 70)	2	55
Increase in fair value less costs to sell due to physical change:		
10 × (120 – 105)	150	
1 × (120 – 111)	9	
1 × (80 – 72)	8	
1 × 70	70	237
Fair value less costs to sell of herd at December 31, 20X8		
11 × 120	1,320	
1 × 80	80	1,400

Comparison with IPSAS 27

PBE IPSAS 27 *Agriculture* is drawn from IPSAS 27 *Agriculture*. PBE Standards require the presentation of a statement of comprehensive revenue and expense. IPSASs require the presentation of a statement of financial performance. Other than the impact of this difference, there are no significant differences between PBE IPSAS 27 and IPSAS 27.

History of Amendments

PBE IPSAS 27 *Agriculture* was issued in May 2013.

This table lists the pronouncements establishing and substantially amending PBE IPSAS 27. The table is based on amendments approved as at 31 May 2013.

Pronouncements	Date approved	Early operative date	Effective date (annual financial statements ... on or after ...)
PBE IPSAS 27 <i>Agriculture</i>	May 2013	Early application not permitted	1 July 2014