IPSAS® ACCOUNTING STANDARD

IPSAS 27, *AGRICULTURE*

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Acknowledgment

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History of IPSAS Accounting Standard

This version includes amendments resulting from IPSAS Accounting Standards issued up to January 31, 2026.

IPSAS 27, *Agriculture* was issued in December 2009.

Since then, IPSAS 27 has been amended by the following IPSAS Accounting Standards:

- IPSAS 51, *Tangible Natural Resources Held for Conservation* (issued January 2026)
- IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards* (issued November 2025)
- *Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement* (issued August 2025)
- IPSAS 47, *Revenue* (issued May 2023)
- IPSAS 46. *Measurement* (issued May 2023)
- IPSAS 45, *Property, Plant, and Equipment* (issued May 2023)
- IPSAS 44, *Non-current Assets Held for Sale and Discontinued Operations* (issued May 2022)
- IPSAS 43, *Leases* (issued January 2022)
- IPSAS 40, *Public Sector Combinations* (issued January 2017)
- *The Applicability of IPSAS* (issued April 2016)
- *Improvements to IPSAS 2015* (issued April 2016)
- IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS)* (issued January 2015)
- *Improvements to IPSAS 2011* (issued October 2011)

Table of Amended Paragraphs in IPSAS 27

Paragraph Affected	How Affected	Affected By
Introduction section	Deleted	*Improvements to IPSAS* October 2011
2	Amended	*Improvements to IPSAS* April 2016
3	Amended	*Improvements to IPSAS* April 2016 IPSAS 43 January 2022 IPSAS 45 May 2023 IPSAS 51 January 2026
4	Amended	IPSAS 45 May 2023
5	Amended	*Improvements to IPSAS* April 2016
6	Amended	*Improvements to IPSAS* April 2016 IPSAS 45 May 2023
7	Deleted	*The Applicability of IPSAS* April 2016

Paragraph Affected	How Affected	Affected By
8	Deleted	*The Applicability of IPSAS* April 2016
9	Amended	*Improvements to IPSAS* April 2016
9A	New	*Improvements to IPSAS* April 2016
9B	New	*Improvements to IPSAS* April 2016
9C	New	*Improvements to IPSAS* April 2016
13	Amended	*Improvements to IPSAS* April 2016
14	Deleted	IPSAS 46 May 2023
19	Amended	IPSAS 46 May 2023
20	Amended	IPSAS 46 May 2023
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25	Deleted	IPSAS 46 May 2023
26	Amended	IPSAS 46 May 2023
27	Deleted	IPSAS 46 May 2023
28	Amended	*Improvements to IPSAS* April 2016
29	Amended	IPSAS 46 May 2023
34	Amended	*Improvements to IPSAS* April 2016 IPSAS 44 May 2022 IPSAS 46 May 2023
37	Amended	IPSAS 45 May 2023
40	Amended	*Improvements to IPSAS* April 2016
45	Deleted	IPSAS 46 May 2023
46	Deleted	IPSAS 46 May 2023
Heading above paragraph 46A	New	IPSAS 46 May 2023
46A	Amended	IPSAS 46 May 2023 *Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement* August 2025
46B	New	IPSAS 46 May 2023

Paragraph Affected	How Affected	Affected By
46C	Amended	IPSAS 46 May 2023 *Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement* August 2025
46D	New	IPSAS 46 May 2023
46E	New	IPSAS 46 May 2023
46F	New	IPSAS 46 May 2023
48	Amended	*Improvements to IPSAS* April 2016 IPSAS 40 January 2017 IPSAS 44 May 2022
55	Deleted	IPSAS 33 January 2015
56A	New	IPSAS 33 January 2015
56B	New	*Improvements to IPSAS* April 2016
56C	New	*Improvements to IPSAS* April 2016
56D	New	*Improvements to IPSAS* April 2016
56E	New	*The Applicability of IPSAS* April 2016
56F	New	IPSAS 40 January 2017
56G	New	IPSAS 43 January 2022
56H	New	IPSAS 44 May 2022
56I	New	IPSAS 45 May 2023
56J	New	IPSAS 46 May 2023
56K	New	*Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement* August 2025
56L	New	IPSAS 51 January 2026
57	Amended	IPSAS 33 January 2015 IPSAS 33 November 2025

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International Public Sector Accounting Standard 27, *Agriculture* is set out in paragraphs 1–57. All the paragraphs have equal authority. IPSAS 27 should be read in the context of its objective, the Basis for Conclusions, the *Preface to IPSAS Accounting Standards and IPSASB SRS Standards,* and *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*. 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 under the accrual basis of accounting shall apply this Standard for the following when they relate to agricultural activity:**

   (a) **Biological assets, except for bearer plants; and**

   (b) **Agricultural produce at the point of harvest.**

3. This Standard does not apply to:

   (a) Land related to agricultural activity (see IPSAS 16, *Investment Property* and IPSAS 45, *Property, Plant, and Equipment*);

   (b) Bearer plants related to agricultural activity (see IPSAS 45). However, this Standard applies to the produce on those bearer plants.

   (c) Intangible assets related to agricultural activity (see IPSAS 31, *Intangible Assets*);

   (d) Biological assets held for the provision or supply of services;

   (e) Right-of-use assets arising from a lease of land related to agricultural activity (see IPSAS 43, *Leases*); and

   (f) Tangible natural resources held for conservation within the scope of IPSAS 51, *Tangible Natural Resources Held for Conservation*.

4. Biological assets are used in many activities undertaken by public sector 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 IPSAS should be considered in determining the appropriate accounting (e.g., IPSAS 12, *Inventories* and IPSAS 45).

5. This Standard is applied to agricultural produce, which is the harvested produce of the entity's biological assets, at the point of harvest. Thereafter, 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 timber plantation forest	Felled trees	Logs, lumber
Dairy cattle	Milk	Cheese

Biological assets	Agricultural produce	Products that are the result of processing after harvest
Pigs	Carcass	Sausages, cured hams
Cotton plants	Harvested cotton	Thread, clothing
Sugarcane	Harvested cane	Sugar
Tobacco plants	Picked leaves	Cured tobacco
Tea bushes	Picked leaves	Tea
Grape vines	Picked grapes	Wine
Fruit trees	Picked fruit	Processed fruit
Oil Palms	Picked fruit	Palm Oil
Rubber trees	Harvested latex	Rubber products
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 IPSAS 45. However, the produce growing on bearer plants, for example, tea leaves, grapes, oil palm fruit and latex, is within the scope of IPSAS 27.		

7. [Deleted]

8. [Deleted]

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 produce of the entity's biological assets.

A bearer plant is a living plant that:

(a) **Is used in the production and supply of agricultural produce;**

(b) **Is expected to bear produce for more than one period; and**

(c) **Has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.**

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.

<u>Costs to sell</u> 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 <u>group of biological assets</u> is an aggregation of similar living animals or plants.

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

9A. The following are not bearer plants:

(a) Plants cultivated to be harvested as agricultural produce (for example, trees grown for use as lumber);

(b) Plants cultivated to produce agricultural produce when there is more than a remote likelihood that the entity will also harvest and sell the plant as agricultural produce, other than as incidental scrap sales (for example, trees that are cultivated for their fruit and their lumber); and

(c) Annual crops (for example, maize and wheat).

9B. When bearer plants are no longer used to bear produce they might be cut down and sold as scrap, for example, for use as firewood. Such incidental scrap sales would not prevent the plant from satisfying the definition of a bearer plant.

9C. Produce growing on bearer plants is a biological asset.

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 stabilizing, 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 IPSAS 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 recognize 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**[1]**.**

14. [Deleted]

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 IPSAS 12, or another applicable Standard.**

19. 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.

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 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 in an exchange transaction may be an onerous contract, as defined in IPSAS 19*, Provisions, Contingent Liabilities and Contingent Assets*. IPSAS 19 applies to onerous contracts.

21. [Deleted]

22. [Deleted]

23. [Deleted]

24. [Deleted]

25. [Deleted]

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

27. [Deleted]

28. Cost may sometimes approximate fair value, particularly when:

(a) Little biological transformation has taken place since initial cost incurrence (for example, for seedlings planted immediately prior to reporting date or newly acquired livestock); or

[1] Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC16 of IPSAS 1 discusses the transitional approach to the explanation of reliability.

(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 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.

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 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 IPSAS 44, *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 IPSAS 12, IPSAS 21, *Impairment of Non-Cash-Generating Assets*, IPSAS 26, *Impairment of Cash-Generating Assets*, and IPSAS 45.

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.**

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, produce on a bearer plant 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 held to bear produce. 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 from which fruit is harvested, vines and shrubs cultivated for the harvest of fruits, nuts, sap, resin, bark and leaf products.

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. [Deleted]

46. [Deleted]

Current Value Measurement

46A. **An entity shall disclose information that helps users of its financial statements assess both of the following:**

    (a) **For agricultural assets that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the measurement techniques and inputs used to develop those measurements; and**

(b) **For fair value measurements using significant unobservable inputs (Level 3) in the statement of financial position after initial recognition, the effect of the measurements on surplus or deficit or net assets/equity for the period.**

46B. To meet the objectives in paragraph 46A, an entity shall consider all the following:

(a) The level of detail necessary to satisfy the disclosure requirements;

(b) How much emphasis to place on each of the various requirements;

(c) How much aggregation or disaggregation to undertake; and

(d) Whether users of financial statements need additional information to evaluate the quantitative information disclosed.

If the disclosures provided in accordance with this IPSAS and other IPSAS are insufficient to meet the objectives in paragraph 46A, an entity shall disclose additional information necessary to meet those objectives.

46C. To meet the objectives in paragraph 46A, an entity shall disclose, at a minimum, the following information for each class of agricultural assets (see paragraph 46D for information on determining appropriate classes of agricultural assets) measured at fair value (including measurements based on fair value within the scope of IPSAS 46, *Measurement*) in the statement of financial position after initial recognition:

(a) The fair value measurement at the end of the reporting period;

(b) For fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3);

(c) For fair value measurements estimated using unobservable inputs, a description of the measurement technique(s) and the inputs used in the fair value measurement. If there has been a change in measurement technique (e.g., changing from a market approach to an income approach or the use of an additional measurement technique), the entity shall disclose that change and the reason(s) for making it. For fair value measurements categorized within Level 3 of the fair value hierarchy, an entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement. An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring fair value (e.g., when an entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure an entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the entity;

(d) For fair value measurements categorized within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:

(i) Total gains or losses for the period recognized in surplus or deficit, and the line item(s) in surplus or deficit in which those gains or losses are recognized;

(ii) Total gains or losses for the period recognized in net assets/equity, and the line item(s) in net assets/equity in which those gains or losses are recognized; and

(iii) Purchases, sales, issues and settlements (each of those types of changes disclosed separately).

(e) For fair value measurements categorized within Level 3 of the fair value hierarchy, the amount of the total gains or losses for the period in (d)(i) included in surplus or deficit that is attributable to the change in unrealized gains or losses relating to those agricultural assets held at the end of the reporting period, and the line item(s) in surplus or deficit in which those unrealized gains or losses are recognized;

(f) For fair value measurements categorized within Level 3 of the fair value hierarchy, a description of the valuation processes used by the entity (including, for example, how an entity decides its valuation policies and procedures and analyses changes in fair value measurements from period to period); and

(g) For fair value measurements categorized within Level 3 of the fair value hierarchy, a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement. To comply with that disclosure requirement, the narrative description of the sensitivity to changes in unobservable inputs shall include, at a minimum, the unobservable inputs disclosed when complying with (c).

46D. An entity shall determine the appropriate disaggregation of agricultural assets on the basis of the following:

(a) The nature, characteristics and risks of the agricultural assets; and

(b) The level of the fair value hierarchy within which the fair value measurement is categorized.

The disaggregation may need to be greater for fair value measurements categorized within Level 3 of the fair value hierarchy because those measurements have a greater degree of uncertainty and subjectivity. Determining the appropriate disaggregation of agricultural assets for which disclosures about fair value measurements should be provided requires judgment. Agricultural assets will often require greater disaggregation than the line items presented in the statement of financial position. However, an entity shall provide information sufficient to permit reconciliation to the line items presented in the statement of financial position. If another IPSAS specifies the disaggregation for an agricultural asset, an entity may use that disaggregation in providing the disclosures required in this Standard if that disaggregation meets the requirements in this paragraph.

46E. For each class of agricultural assets not measured at fair value in the statement of financial position but for which the fair value is disclosed, an entity shall disclose the information required by paragraph 46C(b), (c) and (g). However, an entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy, or for fair value measurements estimated using unobservable inputs, required by paragraph 46C(c). For such agricultural assets, an entity does not need to provide the other disclosures required by this Standard.

46F. An entity shall present the quantitative disclosures required by this Standard in a tabular format unless another format is more appropriate.

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 IPSAS 44;**

(e) **Decreases due to distributions at no charge or for a nominal charge;**

(f) **Decreases due to harvest;**

(g) **Increases resulting from public sector 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.**

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. 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 IPSAS 1. 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 recognized 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 Provision

55. [Deleted]

Effective Date

56. **An entity shall apply this Standard for annual financial statements covering periods beginning on or after April 1, 2011. Earlier application is encouraged. If an entity applies this Standard for a period beginning before April 1, 2011, it shall disclose that fact.**

56A. **Paragraphs 55 and 57 were amended by IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS)* issued in January 2015. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is permitted. If an entity applies IPSAS 33 for a period beginning before January 1, 2017, the amendments shall also be applied for that earlier period.**

56B. **Paragraphs 34 and 48 were amended by *Improvements to IPSAS 2015*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2017, it shall disclose that fact.**

56C. **Paragraphs 2, 3, 5, 6, 9, 28 and 40 were amended and paragraphs 9A, 9B and 9C added by *Improvements to IPSAS 2015* issued in April 2016. An entity shall apply those amendments for annual periods beginning on or after January 1, 2017. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. An entity shall apply those amendments retrospectively, in accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors.***

56D. **In the reporting period when the amendments to IPSAS 17 and IPSAS 27 from part IV *of Improvements to IPSAS 2015* is first applied an entity need not disclose the quantitative information required by paragraph 33(f) of IPSAS 3 for the current period. However, an entity shall present the quantitative information required by paragraph 33(f) of IPSAS 3 for each prior period presented.**

56E. **Paragraphs 7 and 8 were deleted by *The Applicability of IPSAS*, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.**

56F. **Paragraph 48 was amended by IPSAS 40, *Public Sector Combinations*, issued in January 2017. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2019 it shall apply IPSAS 40 at the same time.**

56G. **Paragraph 3 was amended by IPSAS 43 issued in January 2022. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2025. Earlier application is permitted. If an entity applies the amendments for a period beginning before January 1, 2025, it shall disclose that fact and apply IPSAS 43 at the same time.**

56H. **Paragraphs 34 and 48 were amended by IPSAS 44 issued in May 2022. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2025. Earlier application is permitted. If an entity applies the amendments for a period beginning before January 1, 2025, it shall disclose that fact and apply IPSAS 44 at the same time.**

56I. **Paragraphs 3, 4, 6, and 37 were amended by IPSAS 45 issued in May 2023. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2025. Earlier application is encouraged. If an entity applies these amendments for a period beginning before January 1, 2025, it shall disclose that fact and apply IPSAS 45 at the same time.**

56J. **Paragraphs 19, 20, 26, 29 and 34 were amended, paragraphs 46A–46F were added, and paragraphs 14, 21–25, 27, 45 and 46 were deleted by IPSAS 46, *Measurement*, issued in May 2023. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2025. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2025, it shall disclose that fact and apply IPSAS 46 at the same time.**

56K. **Paragraphs 46A, and 46C(a)-46C(g) are amended by Part of 4 of *Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement*, issued in August 2025. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2028. Earlier application is permitted.**

56L. **Paragraph 3(f) was added by IPSAS 51, issued in January 2026. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2028. Earlier application is permitted. If an entity applies the amendments for a period beginning before January 1, 2028, it shall disclose that fact and apply IPSAS 51 at the same time.**

57. When an entity adopts accrual basis IPSAS Standards as defined in IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards* for financial reporting purposes subsequent to this effective date, this Standard applies to the entity's annual financial statements covering periods beginning on or after the date of adoption of IPSAS Standards.

Appendix

Amendments to Other IPSAS

[Deleted]

Basis for Conclusions

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

Introduction

BC1. The IPSASB's IFRS Convergence Program is an important element in IPSASB's work program. The IPSASB's policy is to develop accrual-based IPSAS that are convergent with IFRS issued by the IASB where appropriate for public sector entities.

BC2. Accrual-basis IPSAS that are converged with IFRS maintain the requirements, structure, and text of the IFRS, unless there is a public sector specific reason for a departure. Departure from the equivalent IFRS occurs when requirements or terminology in the IFRS are not appropriate for the public sector, or when inclusion of additional commentary or examples is necessary to illustrate certain requirements in the public sector context. Differences between IPSAS and their equivalent IFRS are identified in the Comparison with IFRS included in each IPSAS.

Biological Assets Held for the Provision or Supply of Services

BC3. The IPSASB acknowledged that in the public sector biological assets are often held for the provision or supply of services. Examples of such biological assets include horses and dogs used for policing purposes and plants and trees in parks and gardens operated for recreational purposes. 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 in paragraph 3(d) stating that the Standard does not apply to biological assets held for the provision or supply of services. Paragraph 4 provides examples of such scope exclusions.

Definition of Agricultural Activity

BC4. In certain jurisdictions biological assets that are part of agricultural activity may be sold or distributed to other public sector entities, non-governmental organizations or other entities at no charge or for a nominal charge. While IAS 41, *Agriculture*, from which this Standard is drawn, deals with commercial agricultural activity, the IPSASB concluded that biological assets held for distribution at no charge or for a nominal charge should be within the definition of agricultural activity, because such transactions are common in the public sector. The IPSASB therefore modified the definition from that in IAS 41 to include references to biological assets held for distribution at no charge or for a nominal charge.

Government Grants

BC5. IAS 41 specifies requirements and guidance for accounting for government grants related to biological assets that differ from the requirements in IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*. IPSAS 27 does not include requirements and guidance for government grants, because at the time this Standard was developed, IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)* provided requirements and guidance related to government grants in non-exchange transactions. The IPSASB did not consider that accounting for government grants related to biological assets should vary from the requirements of IPSAS 23.

Biological Assets and Agricultural Assets Acquired through a Non-Exchange Transaction

BC6. An entity may acquire a biological asset or agricultural produce in a non-exchange transaction. In accordance with this Standard, these assets would be measured at fair value less costs to sell. At the time this Standard was developed, IPSAS 23 prescribes that assets acquired through a non-exchange transaction should be measured initially at fair value as at the date of acquisition. As a result of the different measurement requirements, the IPSASB considered the appropriate measurement basis for biological assets acquired in a non-exchange transaction.

BC7. When the IPSASB debated various approaches to measuring biological assets and agricultural produce acquired through a non-exchange transaction, it considered, in particular, the following three approaches:

(a) Approach 1: Measure all biological assets and agricultural produce acquired in a non-exchange transaction using IPSAS 23 (i.e., exclude all biological assets and agricultural produce acquired in a non-exchange transaction from the measurement requirements of this Standard);

(b) Approach 2: Measure all biological assets and agricultural produce acquired in a non-exchange transaction using this Standard (i.e., exclude all biological assets and agricultural produce from the measurement requirements of IPSAS 23); and

(c) Approach 3: Use both IPSAS 23 and this Standard to measure biological assets and agricultural produce acquired in a non-exchange transaction.

BC8. The IPSASB rejected approach 1 because biological assets and agricultural produce acquired in exchange and non-exchange transactions would be measured differently. The IPSASB agreed that there is no reason to measure biological assets and agricultural produce acquired in a non-exchange transaction differently from those acquired in an exchange transaction because the assets are the same.

BC9. When this Standard was issued, in analyzing approach 3, the IPSASB had considered the requirements of IPSAS 23 in relation to the measurement of other types of assets. At the time this Standard was developed, IPSAS 23.13 stated that: "...If a reporting entity is required to pay delivery and installation costs in relation to the transfer of an item of plant to it from another entity, those costs are recognized separately from revenue arising from the transfer of the item of plant. Delivery and installation costs were included in the amount recognized as an asset, in accordance with IPSAS 17." In developing IPSAS 45, *Property, Plant, and Equipment*, the IPSASB noted that this guidance is still applicable. This implied that for other assets, an entity considered the measurement requirements of other IPSAS as well as IPSAS 23 in initially measuring assets acquired through a non-exchange transaction.

BC10. An additional attribute relevant to the measurement of biological assets is costs to sell. The IPSASB therefore concluded that in accordance with approach 3, an entity considered the requirements of both IPSAS 23 and this Standard in measuring biological assets and agricultural produce acquired in a non-exchange transaction at fair value less costs to sell at their initial recognition. The IPSASB noted that this is the same outcome as under approach 2.

Biological Assets and Agricultural Produce to be Distributed at No Charge or for a Nominal Charge

BC11. IAS 41 addresses only biological assets and agricultural produce that will be sold. In the public sector, such assets may be managed with the objective of distributing them at no charge or for a nominal charge. Some respondents to Exposure Draft 36, *Agriculture* expressed a view that a distinction should be made between the recognition and measurement of biological assets held for sale in an exchange transaction, and biological assets held for distribution at no charge or for a nominal charge. The principle was established in IPSAS 12, *Inventories*, that inventories held for distribution at no charge or for a nominal charge should be measured at the lower of cost and current replacement cost. Cost is not an available option in this Standard unless the exception in paragraph 34 applies. Current replacement cost is defined as the cost an entity would incur to acquire the asset at the reporting date, which is an approximation of fair value less costs to sell. Accordingly, the approach in Exposure Draft 36 was not changed.

BC12. Some respondents to the Exposure Draft also questioned whether gains and losses arising from use of fair value measurement should be reported in the statement of financial performance during the transformation process. The IPSASB is of the view that the gains and losses arising from fair value measurement should be reported in the statement of financial performance because such reporting provides useful accountability information during the biological transformation process. Entities may decide to make additional disclosures to explain the impact of these reported fair value changes.

Disclosure

BC13. The IPSASB considered whether any further disclosures were justified to address public sector specific issues and added disclosure requirements to:

(a) Distinguish between consumable and bearer biological assets. This distinction is necessary because the Government Finance Statistics (GFS) Manual 2001 (GFSM 2001) classifies consumable assets as inventory, while this Standard classifies them as biological assets. The distinction allows for a better reconciliation between an entity's financial statements prepared under IPSAS and statistical measures.

(b) Distinguish between biological assets held for sale and those held for distribution at no charge or for a nominal charge. The IPSASB believes this distinction is necessary to permit users to determine the unrealized gains and losses on biological assets held for distribution at no charge or for a nominal charge.

(c) Show biological assets acquired through non-exchange transactions and biological assets held for distribution at no charge or for a nominal charge in its reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period. This disclosure is required to provide appropriate information about non-exchange transactions, which are included in the scope of this Standard.

(d) Disclose separately the changes in fair value less costs to sell as a result of non-exchange transactions for biological assets held for sale and for biological assets held for distribution at no charge or for a nominal charge. It is important that information is provided on the amount of gains and losses attributable to biological assets intended for distribution at no charge or for a nominal charge to assist users of financial statements in assessing the cost of government programs.

(e) Describe the nature and extent of restrictions imposed on the entity's use or capacity to sell biological assets, such as the total and restricted amounts of such assets. The IPSASB is of the view that such disclosure provides useful information about the entity's ability to sell agricultural produce at fair value, and thus about its measurement.

Transitional Provisions

BC14. IAS 41 does not contain transitional provisions for first-time adoption of the accrual basis of accounting. When issued, this Standard contained such provisions to assist entities in applying this Standard when first adopting the accrual basis of accounting. These provisions have since been replaced by the guidance in IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards.*

Revision of IPSAS 27 as a result of Part II of *Improvements to IPSAS 2015*: issues raised by stakeholders

BC15. When IPSAS 27 was revised as a result of Part II of *Improvements to IPSAS 2015* stakeholders had indicated that IPSAS referred to non-current assets held for sale and disposal groups inconsistently. The IPSASB had concluded that IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, might only be appropriate for the public sector in certain circumstances, for the following reasons:

(a) Sales of assets in the public sector might not be completed within one year because of the levels of approval required. This had raised questions about the relevance and consistency of information provided in accordance with IFRS 5. In particular, the IPSASB had noted that, under IFRS 5, non-current assets held for sale are not depreciated. The IPSASB had concerns that not depreciating assets for an extended period of time might be inappropriate.

(b) Many assets in the public sector are disposed of through a transfer or distribution for no or nominal consideration. As IFRS 5 deals with sales at fair value, the measurement and disclosure requirements might not provide relevant information for these transfers. However, the IPSASB had recognized that the measurement and disclosure requirements in IFRS 5 might be appropriate where sales are intended to take place at fair value.

(c) Many discontinued operations in the public sector are operations that previously provided services at no or nominal cost. As IFRS 5 deals with discontinued operations that were either cash-generating units or a group of cash-generating units prior to disposal or being classified as held for sale, the disclosure requirements might not provide relevant information for public sector discontinued operations. However, the IPSASB had recognized that the disclosure requirements in IFRS 5 might be appropriate where discontinued operations were previously either cash-generating units or one or more groups of cash generating units.

Because the IPSASB had concluded that IFRS 5 would only be appropriate in the public sector in limited circumstances, the IPSASB agreed to remove references in IPSAS to international or national accounting standards dealing with non-current assets held for sale and discontinued operations. The IPSASB had concerns that retaining this reference might result in entities following the requirements of IFRS 5 in circumstances where this might not be appropriate. The IPSASB had noted that IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*, provides guidance on selecting accounting policies for transactions that are not specifically addressed in IPSAS. This guidance would permit entities to adopt an accounting policy that is consistent with IFRS 5 where the entity considers this is appropriate.

BC15A. In developing IPSAS 44, *Non-current Assets Held for Sale and Discontinued Operations*, the IPSASB concluded that in certain circumstances it would be appropriate for public sector entities to apply the requirements of IFRS 5. As a result, all the relevant references have been added.

Revision of IPSAS 27 as a result of IASB's *Narrow Scope Amendments* issued in June 2014

BC16. The IPSASB reviewed the revisions to IAS 41 included in the narrow scope amendments titled Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) issued by the IASB in June 2014 and generally concurred that there was no public sector specific reason for not adopting the amendments.

Revision of IPSAS 27 as a result of the IPSASB's *The Applicability of IPSAS*, issued in April 2016

BC17. The IPSASB *issued The Applicability of IPSAS* in April 2016. This pronouncement amends references in all IPSAS as follows:

(a) Removes the standard paragraphs about *The Applicability of IPSAS* to "public sector entities other than GBEs" from the scope section of each Standard;

(b) Replaces the term "GBE" with the term "commercial public sector entities", where appropriate; and

(c) Amends paragraph 10 of the Preface to *International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSAS are designed.

The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.

Revision of IPSAS 27 as a result of IPSAS 46, *Measurement*

BC18. IPSAS 46, *Measurement*, issued in May 2023, provides generic guidance on the measurement of fair value, to ensure a consistent approach across all IPSAS. The IPSASB agreed to remove guidance on measurement in IPSAS 27 where such guidance was now provided in IPSAS 46, and to refer preparers to the guidance in that Standard.

Revision of IPSAS 27 as a result of Part 4 of *Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement* issued in August 2025

BC19. During the development of Exposure Draft (ED) 90, *Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement*, the IPSASB proposed to remove the terms ‘recurring’ and ‘non-recurring’ to enhance the consistency of current value measurement disclosure terminology across IPSAS.

BC20. In August 2024, the IPSASB published ED 90, which proposed enhancing current value measurement disclosures by removing the terms ‘recurring and non-recurring’ across IPSAS. While respondents supported the proposal:

(a) A respondent suggested explaining when an asset is considered to be measured on a recurring or non-recurring basis after initial recognition; and

(b) A few respondents noted that the removal of ‘recurring and non-recurring’ expanded the scope to initial recognition for fair value measurement using significant unobservable inputs (Level 3).

BC21. The IPSASB discussed that:

(a) These terms were removed because each IPSAS specifies whether an asset is measured on a recurring or non-recurring basis after initial recognition under a current value measurement basis. Therefore, explaining this within the current value measurement disclosures may lead to confusion. Instead, the IPSASB decided to enhance paragraph A.2. in Section A: Measurement, Implementation Guidance in IPSAS 46 to explain that the level of disclosures required is dependent on whether the asset is measured on a recurring or non-recurring basis at current value measurement basis after initial recognition.

(b) The IPSASB agreed that the removal of ‘recurring’ in paragraphs that do not stipulate ‘in the statement of financial position after initial recognition’ could be interpreted to require current value measurement disclosures for assets initially measured at deemed cost.

BC22. In responding to constituents’ comments, the IPSASB updated relevant current value measurement disclosure paragraphs across IPSAS to ensure the scope of current value measurement disclosures is limited to measuring assets using current value measurement basis in the statement of financial position after initial recognition.

Illustrative Examples

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

Extracts from statements of financial performance 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	December 31, 20X7
		Currency Unit (CU)	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[2]		52,060	47,730
Dairy livestock – mature[2]		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 surplus		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**

[2] 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 Financial Performance

		CU
Entity XYZ	**Notes**	**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)
		(477,148)
Surplus for the period		**81,022**

Statement of Changes in Net Assets/Equity

			Year ended December 31, 20X8
	CU	**CU**	**CU**
	Contributed Capital	**Accumulated Surplus**	**Total**
Balance at January 1, 20X8	1,000,000	865,000	**1,865,000**
Surplus for the period	-	81,022	**81,022**
Balance at December 31, 20X8	**1,000,000**	**946,022**	**1,946,022**

Cash Flow Statement[3]

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

3. Biological Assets

	20X8
Reconciliation of Carrying Amounts of Dairy Livestock	**CU**
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[4]	15,350
Gain arising from changes in fair value less costs to sell attributable to price changes[5]	24,580
Decreases due to sales	(100,700)
Carrying amount at December 31, 20X8	**425,050**

4. Financial Rish 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	

[4] 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.

[5] See footnote 4.

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 IAS 41

IPSAS 27, *Agriculture* is drawn primarily from IAS 41, *Agriculture* (2001), as amended up to December 31, 2008. The main differences between IPSAS 27 and IAS 41 are as follows:

- The definition of "agricultural activity" includes transactions for the distribution of biological assets at no charge or for a nominal charge. IAS 41 does not deal with such transactions.
- The scope section clarifies that biological assets held for the provision or supply of services are not addressed in this Standard. IAS 41 does not include such a clarification.
- IAS 41 includes requirements for government grants relating to biological assets measured at fair value less costs to sell. IPSAS 27 does not include requirements and guidance for government grants, because IPSAS 47, *Revenue* provides requirements and guidance related to government grants.
- IPSAS 27 contains requirements for the measurement at initial recognition, and at each reporting date, of biological assets acquired through a non-exchange transaction.
- This Standard contains an additional disclosure requirement for biological assets for which the entity's use or capacity to sell are subject to restrictions.
- This Standard contains a requirement to distinguish 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. Such disclosures would take the form of a quantified description that may be accompanied by a narrative description. IAS 41 encourages, but does not require, entities 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.
- This Standard contains transitional provisions on the first-time adoption of accrual accounting. IAS 41 does not include such transitional provisions.
- IPSAS 27 uses different terminology, in certain instances, from IAS 41. The most significant examples are the use of the terms future economic benefits and service potential, surplus or deficit, and statement of financial performance in IPSAS 27. The equivalent terms in IAS 41 are future economic benefits, profit or loss, and statement of comprehensive income.