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IND AS 41
Agriculture

#1 Overview

- Scope #2
- AICing #3
- Govt grant #4

#2 Scope

i) This standard prescribes accing for an entity which has held Biological assets (BIA) in agriculture activity.

ii) BIA means

living animals.
(livestock)

eg→ Sheep, Hen, Cattle, goat, Cow etc.

living plants.
(excluding Bearer plants)

plant is Sold

eg→ Crops i.e. wheat bajra Bamboo etc.

produce of plant is Sold

plant life

<12 m

eg→ Cotton plant.

>12 m.

Known as Bearer plant

eg→ Mangotree

Produce

upto point of Harvest

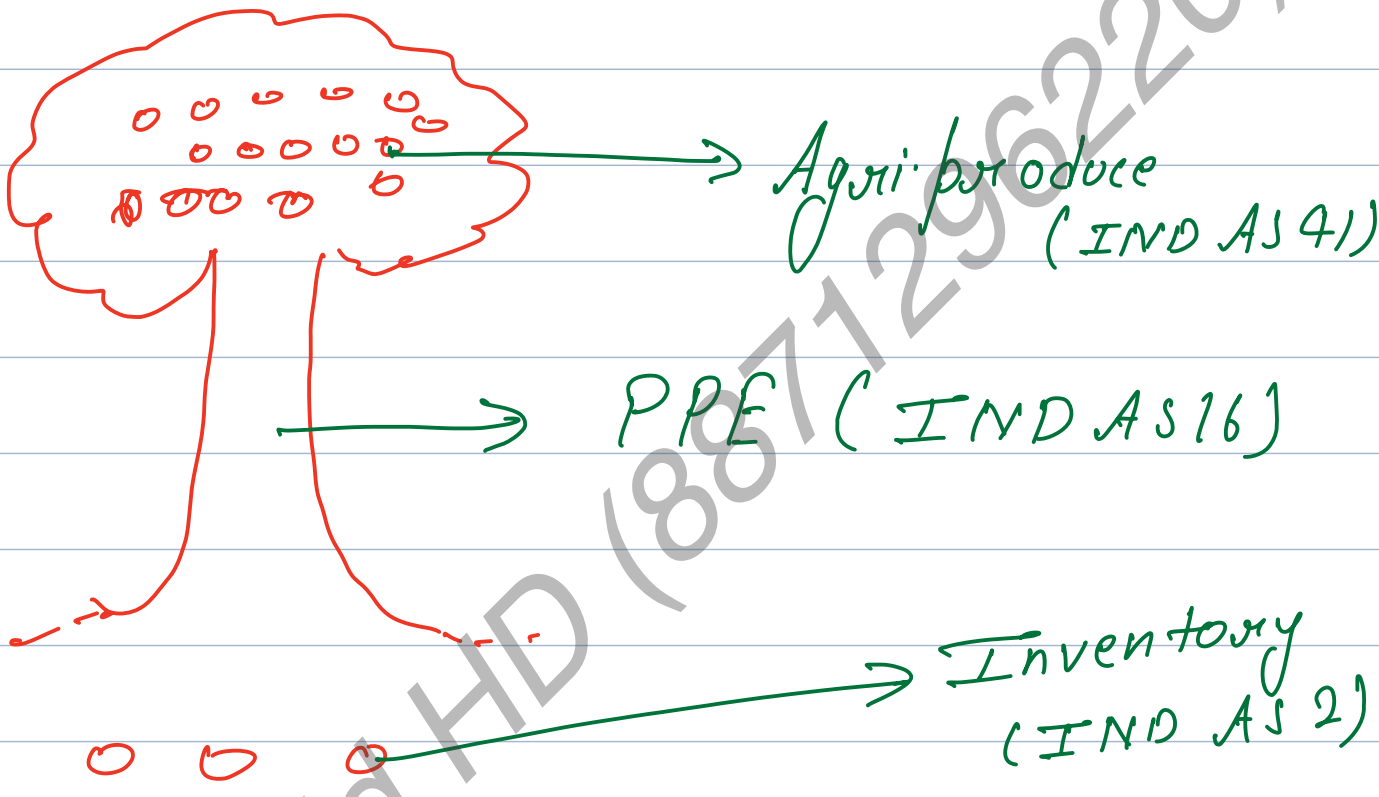
After Harvest i.e.

Plant

PPE (INDA 816)

i.e. mango on tree → BIA (IND AS 41)

Mango on ground → Inventory (IND AS 2)



iii) Agriculture Activity means → mgmt of an entity involved / engaged in managing Biological transformation & harvest of BIA for Agriculture produce or

Biological transformation (BIT)

means

life, process of

growth → Calve → Cow

production → milking

procreation → Birth

Degeneration → Aging

that Causes qualitative & quantitative changes

BIA

Already defined above in (ii)

Harvest means

→ detachment of produce from BIA

→ cessation of life of BIA.

Agriculture produce

means

harvested product from BIA (i.e. out of BIA)

→ milk from cow

→ carcass from goat

→ wool from sheep

→ cotton from cotton plants, crops, fruits.

management means

which has "capability to change" BIA. by doing

↳ mgmt of change → enhancing the conditions for transformation.

↳ measurement of change → check Quality & Quantity of change.

for the purpose of

↳ Sale or

↳ for creating additional Assets.

HD view

Assets ⟶ BIA. for Agri. Activity.

↓

3 conditions. fulfilled.

↓

(1) Asset should be held for B/T

(2) for generating sales of its produce.

(3) for creating add^{n} B/A.

iv) This Standard does not apply to following asset even if entity is involved in agricultural activity

Bearer plants → Fruit tree, Rubber tree → Ind AS 16

PPE → Land, Tractor → Ind AS 16

I.T.A. → license from govt to do agri. activity → IND AS 38

ROU Asset. → leased land, leased tractor, leased license. → IND AS 116

Which means following are considered as agricultural activity under this IND AS

- BIA.
- Agri. produce at the time of Harvest later IND AS-2 applies
- G.G on the Same.

Note Activity

even if they are involved in managing BIA.

Zoo Animals.
There are for educational purpose or recreational purpose.

Circus Animal
There are for recreational purpose

Ocean fishing
No mgmt.

Only harvest contract
No mgmt.

Security Animal
kept at air port
watch dogs
Shiffer dogs

Research purpose

includes
↓
Research whose goal is to convert agriculture produce into product & sells.
eg→ Patanjali

Does not includes
↓
Research whose goal is not to sell.
eg→ PUSA Institute, IARC.

v) Recognition principle

a) BIA is in control of entity as a result of some past event.

b) Probable FEB will flow to the entity

c) Cost / F.V. can be reliably measured.

Question# 1

State which Ind AS following are covered

PARTICULARS	IND AS
1. Biological Asset	
a) Living animals – consumables	41
b) Living animals – bearer	41
c) Living plants – consumables	41
d) Living plants – bearer	16
2. Government grant	
a) Related to 1(a),1(b) and 1(c) above	41
b) (b) Related to 1(d) above	20
3. Agriculture produce	
(a) At the point of harvest	41
(b) Harvested	2
4. Land related to agricultural activity	16
5. Intangibles related to agricultural activity	38

Question# 2 — TYK Q. 5 SM ICAI , (RTP MAY 21)

State whether following are covered under Ind AS 41

1) Managing animals for recreational activities	No
2) Natural breeding in zoo or game parks	No
3) Managed for breeding program	Yes
4) Growing plants to be used in production of drugs	No
5) Development of living organism i.e cells, bacteria for research	No
6) Ocean farming / fish farming / poultry farming	Yes (sells the prod.)
7) Raising livestock	Yes
8) Annual or perennial cropping	Yes
9) Flowery culture > sell flower	Yes.
10) Grooming of flowers	

#3 Aicing

- Part A — BIA
- Part B — Agricultural produce.

Part A :- BIA. Should be carried at Fair Value less Cost to sale (FVLCTS)

i) Initial Recognition (I.R.)

1) Purchased

BIA. Dr (FVLCTS)
To Bank (amt paid)
(any diff. is gain/loss on I.R. tfd. to P/L)

2) New born

B.A. Dr
To gain on I.R. (P/L)

3) FVLCTS

Sale price of BIA. (also known as M.P.) xxx
less Transport cost to bring asset to market borne by seller (xx)
F.V. of BIA. xxx
less Cost to sell (xx)
FVLCTS xxx

Includes
- Commission
- Brokerage.

doesnot include
→ finance cost
→ Income tax

- Transaction cost → Transport cost.
- auctioneer fees
- fees to Reg. authority
- Taxes & duties

4) amount paid

Purchase price of B.A.	xxx
Add Transportation cost to bring B.A. to its own form borne by buyer.	xxx
Add Transaction cost borne by buyer	xxx
	xxx

☞ Note

Purchase price of buyer = Selling price for seller.

iii) Subsequent Recognition

1) B/A is measured at each B/S date @ new FVLCTS.
2) Δ in FVLCTS is known as G/L on FV Δ Or G/L on Remeasurement.
3) change is attributed to both Price change &

physical change.

eg-1

	3 years	4 years.
1-4-24	₹ 100	
31-3-25	₹ 150	₹ 190

∴ Price change = 150 − 100 = ₹ 50

physical change = 190 − 150 = ₹ 40

Journal.

BIA Dr xxx

To gain on Remeasurement. xxx

Or

Loss on Remeasurement Dr xxx

To BIA. xxx

4) Expense on BIA. eg⇒ Food cost, Breeding fees, fertilizer etc.

Exp. inc. on BIA (P/L) Dr xxx

To Bank. xxx

iii) Derecognition :-

a) Sale

Bank Dr xx

To BIA. xx

(Diff = G/L on sale ⇒ P/L)
of BIA.

b) Death

Loss on Death (P/L) Dr

To BIA.

(with proportionate C.A.)

c) Conversion of BIA to Agriculture produce (A.P.)

A.P. Dr → FVLCTS

To B.A. → *

To Bank. → Conversion cost.

(Diff = G/L on I.R. of A.P. = P/L)

* → proportionate C.A.

Live stock a/c

To op. stock	xxx	
To purchase	xxx	
To Δ in FV price Δ	xxx	

physical Δ	xxx	By Cl. stock	xxx

Question# 3 — **ILL 3 ICAI SM , SIMILAR TO JAN 21 (4 MARKS)**

XYZ ltd, on 1 December 2003, purchased 100 sheep's from a market for ₹ 500,000 with a transaction cost of 2%. Sheep's fair value increased from ₹ 500,000 to ₹ 600,000 on 31 March 2004.

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

Soln :- Purchase price of buyer = S.P. for seller = S.L.

i) Calculation of FVLCTS

	1-12-03	31-3-04.
S.P. of B.A.	500000	—
Transp Cost from farm to mkt	—	—
FV	500000	600000
— Transaction cost (2%)	(10000)	(12000)
FVLCTS	490000	588000

ii) Cal^{n} of Amount paid

P. Price.	500000
+ Transp. Cost from mkt to farm	—
Transaction cost	—
	500000

iii) Alcing

1-12-03 BA Dr 490000

LOIR Dr 10000

To Bank 500000

31-3-04 BA Dr 98000

To gain on Remeasurement 98000

(588 − 490)

Question# 4 **ILL 12 ICAI SM**

A farmer owned a dairy herd, of three years old cattle as at April 1, 20X1 with a fair value of ₹ 13,750 and the number of cattle in the herd was 50. The fair value of three year cattle as at March 31, 20 X2 was ₹ 350 per cattle.

The fair value of four year cattle as at March 31, 20X2 is ₹ 400 per cattle.

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

Soln :- note 1)

F.V.

		3yr	4 yr.
1-4-01	13750/50	275	—
31-3-02		350	400

Calculation of FV

F.V. as on 1-4-01	13750
+ price change. (350 − 275) × 50	3750
+ physical change (400 − 350) × 50	2500
FV as on 31-3-02	20000

Question# 12 **TYK Q.4 SM**

On 1 November, 20X1, C Agro Ltd. purchased 100 goats of special breed from a market for 10,00,000 with a transaction cost of 2%. Goats fair value decreased from 10,00,000 to ₹9,00,000 as on 31 March, 20X2

Determine the fair value on the date of purchase and as on financial year ended 31 March, 20X2 under both the cases viz-

- the transaction costs are borne by the seller and
- the transaction costs are incurred by the seller and purchaser both

Also pass journal entres under both the situations on both dates.

Soln :- Case 1 Transaction cost borne by the seller

i) FVLCTS

	1-11-11	31-3-12
S.P.	1000000	–
Transp. Cost	–	–
FV.	1000000	900000
– Trans. Cost (2%)	(20000)	(18000)
FVLCTS	980000	882000

ii) Amt paid

P. price	1000000
TIC	–
Trans. Cost @2%	1000000

iii) J.E.

1-11-11 BIA Dr 980000

LOIR Dr 20000

To Bank 1000000

31-3-12

loss on Rem. 98000

To BIA. 98000

(980 – 882)

Case-2 Transaction Cost is borne by buyer

i) FVLCTS

	1-11-11	31-3-12
S.P.	1000000	–

ii) Amt paid.

P. Price	1000000
Trans. Cost	–

Transp. Cost	—	—
FV.	1000000.	900000
— Trans. Cost (2%)	(20000)	(18000)
FVLCTS	980000	882000

Transac. Cost (@2%) 20000 / 1020000

(iii) J.E.

1-11-11	BA. Dr	980000	
	LOIR Dr	40000	
	To Bank		1020000
31-3-12	Iors on Reme. Dr	98000	
	To BA.		98000

(980 — 882)

Question# 11 — **TYK Q.1 SM , RTP NOV 20**

Entity A purchased cattle at an auction on 30th June 20X1

Purchase price at 30th June 20X1	₹ 1,00,000
Costs of transporting the cattle back to the entity's farm	₹1,000
Sales price of the cattle at 31 March, 20X2	1,10,000

The company would have to incur similar transportation costs if it were to sell the cattle at auction, in addition to an auctioneer's fee of 2% of sales price. The auctioneer charges 2% of the selling price, from both, the buyer as well as the seller.

Calculate the amount at which cattle is to be recognised in books on initial recognition and at year end 31 March, 20X2. Show corresponding journal entries.

Soln:- i) FVLCTS

30-6-01 31-3-02

S.P.	100000	110000
Transportation cost from mkt to entity farm	(1000)	(1000)
F.V.	99000	109000
(Cost to sell (2% of S.P)	(2000)	(2200)
FVLCTS	97000	106800

ii) Amt paid

P. Price	100000
+ Transp cost	1000
+ Trans. Cost (2% of 1Lac)	2000
	103000

iii) Journal

30-6-01	B/A	Dr	97000
	LOIR	Dr	(6000)
	To Bank.		103000
31-3-02	B/A	Dr	9800
	To gain on Rem.		9800

(106800 − 97000)

Part B Agricultural produce.

- I.R.
  - A.P. (inventory) Dr
    To Gain on I.R.
- S.R.
  - @ B/S date, it is remeasured as per IND AS-2

#4 Government Grant

- Unconditional
  - Recognise G.G. immediately to P/L as income.
- Conditional
  - a) Bank Dr
    To D.G.
  - b) D.G. Dr
    To P/L
    (when Conditions are met Or over period of time)

Question# 10 — **TYK Q.3 SM , RTP SEPT 25**

Company X purchased 100 goats at an auction for ₹ 1,00,000 on 30th September 20X1. Subsequent transportation costs were 1,000 that is similar to the cost X would have to incur to sell the goat at the auction. Additionally, there would be a 2% selling fee on the market price of the goat to be incurred by the seller.

On 31 March 20X2, the market value of the goat in the most relevant market increases to 1,10,000. Transportation costs of ₹ 1,000 would have to be incurred by the seller to get the goat to the relevant market. An auctioneer's fee of 2% on the market price of the goat would be payable by the seller.

On 1st June 20X2, X sold 18 goats for 20,000 and incurred transportation charges of 150. In addition, there was a 2% auctioneer's fee on the market price of the goat paid by the seller.

On 15 September 20X2, the fair value of the remaining goat was 82,820. 42 goats were slaughtered on that day, with a total slaughter cost of 4,200. The total market price of the carcasses on that day was 48,300, and the expected transportation cost to sell the carcasses is 420. No other costs are expected.

On 30th September 20X2, the market price of the remaining 40 goat was 44,800. The expected transportation cost is 400. Also, there would be a 2% auctioneer's fee on the market price of the goat payable by the seller

Pass Journal entries for the initial and subsequent measurement for all above transactions. Interim reporting periods are of 30th September and 31 March and the company determines the fair values on these dates for reporting

Soln:- i) FVLCTS

	100 goats. 30-9-01	100 goats 31-3-02	40 goats 30-9-02
S.P.	100000	110000	44800
– Transpor. Cost.	(1000)	(1000)	(400)
	99000	109000	44400
– Selling price (2% of S.P)	(2000)	(2200)	(896)
FVLCTS	97000	106800	43504

2) Amt paid on 30-9-01

P. Price 100000

+ Transportation 1000

101000

3) Cal^{n} of F.V. changes as on 31-3-02

F.V. on 30-9-01 → 100 Gr.		97000
F.V. on 31-3-02 → 100 Gr.		106800
	gain	9800

4) Cal^{n} of F.V. changes as on 30-9-02

F.V. of 40 goats on 31-3-02		42720
$\left(\frac{106800}{100}\right) \times 40$		
F.V. of 40 goats on 30-9-02		43504
	Gain	784

V) Journal.

30-9-01	BIA	Dr	97000
	LOIR	Dr	4000
	To Bank		101000

31-3-02 BIA Dr 9800

To gain on Rem. 9800

1-6-02 Bank Dr (20000 - 2% - 150) 19450

To gain on Sale of BIA 226

To BIA. $\left(\frac{106800}{100} \times 18\right)$ 19224

15-9-02 Inventory Dr (18800 - 420) 47880 (F.V. of cattle)

LOIR Dr 1176

To BIA. $\left(\frac{106800}{100} \times 42\right)$ 44856

To Bank 42000

30-9-02 BIA Dr 784

To gain on F.V. Δ 784.

Question# 5 **ILL 15 SM , SIMILAR TO JULY 21**

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

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

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

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

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

Item	Fair Value less cost to sell		
	1 April 20X1 ₹	1 october 20X1 ₹	31 march 20X2 ₹
Land	50 lakh	60 lakh	70 lakh
New born calves (per calf)	1000	1100	1200
Six month old calves (per calf)	1100	1200	1300
Two year old cows (per cow)	5000	5100	5200
Three year old cows (per cow)	5200	5300	5500
Milk (per litre)	20	22	24

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

Soln :-

i) Cal^n of FVLCTS on 1-4-01 & 31-3-02

		Cow	Calf	Milk
1-4-01 FVLCTS	(10 lac / 200) 2 yr	5000	—	—
31-3-02 FVLCTS	3 yr	5500	(6m) 1300	24
Δ in F.V.		₹ 500	₹ 1300	₹ 24

SO PIL (Extracts)

PIL

Incomes.

Gr. Gr.		1000000
Change in F.V.		
Cow (500 × 200)	100000	
Calves (1300 × 100)	130000	
Milk (24 × 3000)	72000	302000

Expense

Maintenance 600000

Breeding 400000

OCI

Δ in F.V. of Land 2000000

Balance Sheet (Extract)

Non C.A.

a) PPE 7000000

b) BIA.

Cow (200 × 5500) 1100000

Calves (100 × 1300) 130000

C.A.

a) Inventory (milk) 42000

Question# 6 **TYK Q. 2 SM , SIMILAR TO MAY 23 (8 MARKS)**

XY Ltd. is a farming entity where cows are milked on a daily basis. Milk is kept in cold storage immediately after milking and sold to retail distributors on a weekly basis.

On 1 April 20X1, XY Ltd. added a herd of 500 cows which were all three years old. During the year, some of the cows became sick and on 30 September 20X1, 20 cows died. On 1 October 20X1, XY Ltd. purchased 20 replacement cows at the market for ₹ 21,000 each. These 20 cows were all one year old when they were purchased.

On 31 March 20X2, XY Ltd. had 1,000 litres of milk in cold storage which had not been sold to retail distributors. The market price of milk at 31 March 20X2 was ₹ 20 per litre. When selling the milk to distributors, XY Ltd. incurs selling costs of ₹ 1 per litre. These amounts did not change during March 20X2 and are not expected to change during April 20X2.

Information relating to fair value and costs to sell is given below:

Date	Fair value of a dairy cow (aged)				Costs to sell a cow
	1 year	1.5 year	3 year	4 year	
1st April 20X1	20000	22000	27000	25000	1000
1st October 20X1	21000	23000	28000	26000	1000
31st March 20X2	21500	23500	29000	26500	1100

You can assume that fair value of a 3.5 years old cow on 1st October 20X1 is ₹ 27,000.

Pass necessary journal entries of above transactions with respect to cows in the financial statements of XY Ltd. for the year ended 31st March, 20X2? Also show the amount lying in inventory if any.

Soln:- i) Calⁿ of FVLCTS on 1-4-01 & 31-3-02

Date	no. of cows (A)	Age	FV	CTS	FVLCTS (B)	B/A. (A×B)
1-4-01	500	3yrs	27000	1000	26000	13000000
30-9-01	(20)					(520000)
30-9-01	480					12480000
1-10-01	20	1yr	21000	1000	20000	400000
	500					12880000
31-3-02	480	4yrs	26500	1100	25400	12192000
	20	1.5yrs	23500	1100	22400	448000
						12640000

(13000000 / 500 × 20)

ii) Change in F.V.

	1-10-01 (A)	31-3-02 (B)	Change. (B-A)
Old Cows	12480000	12192000	(288000)
New Cows	400000	448000	48000

(24000)

iii) Journal

1-4-01	BIA	Dr	13000000	FVLCTS
	LOIR	Dr	500000	
	To Bank (500 x 27000)		13500000	(amt paid)
30-9-01	loss on Death	Dr (20x26000)	52000	
	To BIA.		52000	
1-10-01	BIA.	Dr	4000000	
	LOIR.	Dr.	20000	
	To Bank (20x 21000)		420000	
31-3-02	loss on Remeas.	Dr	288000	
	To B.A.		288000	
	BIA.	Dr	48000	
	To gain on Rem.		48000	
	Inventory	Dr	19000	
	To gain on Rem.		19000	

(1000 Ltr. @ (20-15))

Question# 16

(6 Marks) (NOV 22)

A herd of 15, 4 year old cows valued at Rs. 500 thousands per cow were held in 'M Dairy Farm as at 1st April 2021. The following transactions took place on 1st October, 2021:

One cow aged 4.5 years was purchased for Rs. 520 thousands.

One calf was born.

No cow was sold or disposed off during the year.

The per cow/calf fair value less cost to sell was as follows:

Rs. in thousands

4 year old cow on 1st April 2021	500
New born calf on 1st October 2021	400
4.5 year old cow on 15th October 2021	520
New born calf on 31st March, 2022	410
0.5 year old calf on 31st March, 2022	440
4 year old cow on 31st March, 2022	516
4.5 year old cow on 31st March, 2022	540
5 year old cow on 31st March, 2022	560

You are required to

i) Calculate change in fair value less costs to sell showing
a) The portion attributable to physical changes
b) The portion attributable to price changes.

ii) Calculate the carrying cost of the herd as on 31 March, 2022.

iii) Prepare an extract of the livestock account for the year ended 31 March, 2022.

Soln:- i) Note.

	1-4-01	1-10-01	31-3-02
Old Cow	15, 4yr @ 500		15, 5yr @ 560 4yr @ 516
New Cow		1, 4.5 @ 520	1, 5yr @ 560 4.5yr @ 540
Calf		1, 0yr @ 400	1, 0.5yr @ 440 0yr @ 410

i) Calc of ΔinFVLCTS

FVLCTs of Heard on 1-4-01 ⇒ 15 × 500 — 7500

Purchase on 1-10-01 ⇒ 1 × ₹20 — 520

Change in FVLCTs → price Δ

Old cow	⇒	15 × ₹16	240	
New Cow	⇒	1 × ₹20	20	
Calf	⇒	1 × ₹10	10	270

Change in FVLCTs → physical Δ

Old cow	⇒	15 × 44	660	
New Cow	⇒	1 × 20	20	
Calf	⇒	1 × 430 (∵ New born is gain on I.R)	430	1110

9400

ii) Cal^{n} of C.A. of Cost of heard on 31-3-02

	FVLCTs
16 cows @ ₹560	8960
1 cow @ ₹440	440
	9400

iii) Live stock

To op. stock	7500
To purch.	520
To FV Δ	
Price Δ	270

physic Δ 1110

By Bal.e1d. 3400

Question# 15 **PQ Q.3 SM , RTP NOV 23**

M. Chinnaswamy & Brothers Ltd. is a company that is engaged in growing and maintaining coconut palms and selling their output in various forms. The company has a farmland having 2,00,000 coconut palms in the coastal area of Karnataka near Mangalore.
The fair value of each coconut palm is derived based on the average realisable price of 30 per nut (fruit). Each coconut palm grows 80 nuts per annum on an average basis Each coconut palm can generate revenue for as long as 80 years and the current palms are only 20-year-old. The management thinks that considering the risk factors in business, the valuation of each palm can be considered at 5 times its annual revenue.
During August, 20X5, the Ooty Hotels Association (OHA) chairman and his team visited the corporate office of the company at Mangalore. The deal was to supply tender coconuts to Ooty Hotels at an agreed price throughout the year. The agreement came into effect from 1 September, 20X5 whereby the company shall reserve 15,000 coconut palms (out of 2.00,000 coconut palms) for OHA and will charge a concessional rate of 15 only per nut supplied to OHA. OHA will in turn supply the tender coconuts to each Octy Hotel at the same price. This contract price is applicable irrespective of the ownership of palm trees (it is not an entity-specific restriction) All tender coconuts of these 15,000 coconut palms were used by OHA irrespective of the agreement being effective from 1" September, 20X5.
What will be the valuation of 2,00,000 coconut palms in the company's farm for the quarter ended 30 September, 20X5 ?

Solⁿ:- 15000 palm × 80 nuts × ₹15 × 5 times = 900,00,000
+ 185000 palm × 80 nuts × ₹30 × 5 times = 2220,00,000

231,00,00,000

IND AS 41 States that entities enter into Contract to sell their B/A or A.P. at future date. Contract prices are not necessarily relevant in measuring f.v. because F.V. reflects Current market Condition in which buyer & seller would enter into transaction. As a result the f.v. of

BIA / A.P is not adjusted bcoz of existence of contract.