



MALAYSIAN INSTITUTE
OF ACCOUNTANTS



MALAYSIAN INSTITUTE OF ACCOUNTANTS
FINANCIAL REPORTING STANDARDS IMPLEMENTATION COMMITTEE
("FRSIC")

FRSIC Issue No. 53 [2015]

Fair Value of Agricultural Produce Growing on Bearer Plants – Oil Palm Bunches

<p>The issue:</p> <p>On 2 September 2014, MASB issued MFRS 141 <i>Agriculture: Bearer Plants, Amendments to MFRS 116 and MFRS 141</i> ("MFRS 141 Amendments") which states "produce growing on bearer plants is a biological asset" [paragraph 5(c)]. Hence, the produce growing on bearer plants is required to be measured at fair value.</p>
<p>Current accounting practice as observed by the Submitter:</p> <p>The submitter claimed that there are potential implementation issues in relation to how to measure fair value of agricultural produce growing on bearer plants following the proposed amendments.</p>
<p>Reasons for the FRSIC to address the issue:</p> <p>The main concern of the preparers in relation to the fair value requirement is the input used to determine the fair value of the oil palm bunches on the oil palm trees. Specific issues highlighted by the preparers in relation to the input used to determine the fair value are as follows:</p> <ul style="list-style-type: none">a) the assumptions to be applied when using the DCF model under the income approach;b) at which stage of the agricultural produce lifecycle the DCF model should start – i.e. flowering, young fruit, unripe bunch or based on time factor (e.g. 15-days before harvest, 1 month before harvest); andc) the discount rate to be used in the DCF model. <p>Due to variations in the input used to determine the fair value, the Committee was requested to provide guidance on measuring fair value of agricultural produce growing on bearer plants.</p>
<p>Submitter's proposal or recommendation to address the issue:</p> <p>FRSIC Consensus will provide guidance on the above matter.</p>
<p>Submitted on:</p> <p>12 January 2015</p>
<p>Corresponding FRSIC Consensus:</p>