

APPROVED

by Resolution No. 6 of 6 October 2004 of the  
Standards Board of the Public Establishment  
the Institute of Accounting of the Republic of  
Lithuania

## 17 BUSINESS ACCOUNTING STANDARD “BIOLOGICAL ASSETS”

(“Valstybės žinios” (Official Gazette), 2004, No. 180-6694)

### I. GENERAL PROVISIONS

1. The objective of this Standard is:
  - 1.1. to set out how biological assets used in agricultural activities shall be recorded in accounting and presented in financial statements;
  - 1.2. to set out how agricultural produce arising from biological assets shall be recorded in accounting at the point of harvest and presented in financial statements.
2. This Standard shall be applied in initial recognition of biological assets and agricultural produce, their measurement, and presentation in financial statements.
3. This Standard does not apply to:
  - 3.1. accounting for biological assets and produce harvested of these assets not used in agricultural activities;
  - 3.2. accounting for processing of biological assets and agricultural produce;
  - 3.3. accounting for land used in agricultural activities.
4. After initial recognition at the point of harvest agricultural produce is accounted for in accordance with 9 Business Accounting Standard “Inventories”.

### II. KEY DEFINITIONS

**Active market** – a market in which items traded are homogeneous, willing buyers and sellers can normally be found at any time and prices are available to the public.

**Biological transformation** – quantitative and qualitative processes of growth, degeneration, and procreation of biological assets and harvesting of agricultural produce.

**Biological assets** – plants and animals.

**Net realisable value** – the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Acquisition (production) cost** – the amount of cash or cash equivalents paid or payable, or the value of other consideration given or consumed to acquire an asset at the time of its acquisition or production.

**Point-of-sale costs** – payments to intermediaries, assessors, sales agents, as well as taxes, levies, and similar costs.

**Harvest** – the detachment of produce from a biological asset (e.g. picking of apples) or the cessation of a biological asset’s life processes (e.g. threshing grains, slaughtering livestock).

**Fair value** – the amount for which an asset or a service could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

**Agricultural produce** – the harvested product of the entity’s biological assets.

**Agricultural activities** – activities that comprise production and treatment of agricultural produce, processing of agricultural produce produced and treated by the entity, production and realisation of foodstuff, and rendering services for agriculture. Production of foodstuff from agricultural produce other than grown and treated in own farm and realisation of this produce are not regarded as an agricultural activity.

### III. THE NATURE OF BIOLOGICAL ASSETS

5. Biological assets are plants and animals.
6. Biological assets change qualitatively and quantitatively. These changes can be measured, assessed and monitored.
7. Biological transformation results in:
  - 7.1. growth (an improvement in quality or increase in quantity of animals or plants);
  - 7.2. deterioration in quality or decrease in quantity of animals or plants;
  - 7.3. creation of additional animals or plants;
  - 7.4. harvesting of agricultural produce.
8. Examples of biological assets, agricultural produce, and products that are the result of their processing are as follows:

<b>Biological assets</b>	<b>Agricultural produce</b>	<b>Products – result of processing</b>
Grain (crop)	Cereal, straw	Flour
Sugar beetroots (crop)	Sugar beetroots	Sugar
Flax	Straw	Fibre, threads, fabrics
Perennial grass, meadows	Grass, hay, haylage, silage	Grass flour
Fruit trees, berry-bearing bushes	Picked fruit, berries	Wine, juice, jam
Dairy cattle	Milk	Pasteurised milk, cheese, sour cream, cottage cheese, butter, cheese
Pigs, livestock	Carcass	Sausages
Sheep	Wool	Yarn, carpets
Bees	Honey, wax	Candles, “Midus”
Mushrooms	Picked mushrooms	Conserved, dried mushrooms
Fish	Fry, fish	Smoked fish, tinned fish
Furry animals	Fur	Fur coats

### IV. RECOGNITION AND MEASUREMENT OF BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE

9. An entity shall recognise a biological asset and agricultural produce in accounting records only when:
  - 9.1. it manages and uses the asset and (or) controls it as a result of past events;
  - 9.2. it is probable that it will get future economic benefits from this asset;
  - 9.3. it is possible to measure reliably the value of the asset.
10. All biological assets shall be measured on initial recognition (at the time of procreation, germination of crops, tree planting, etc.) and at subsequent balance sheet dates; and all agricultural produce harvested of the biological assets shall be measured at the point of harvest applying one of these methods:
  - 10.1. at the fair value less point-of-sale costs;
  - 10.2. at the acquisition (production) costs.
11. If the entity’s accounting policy allows for application of the method specified in paragraph 10.1 of this Standard, the entity shall apply the provisions of paragraphs 12 to 26.
12. If the entity’s accounting policy allows for application of the method specified in paragraph 10.1 of this Standard on initial recognition and at every balance sheet date biological

assets are measured at their fair value less point-of-sale costs, except for cases specified in paragraphs 21-22.

13. If the entity's accounting policy allows for application of the method specified in paragraph 10.1 of this Standard, agricultural produce harvested from biological assets is measured at its fair value at the point of harvest less point-of-sale costs, except for cases specified in paragraphs 21-22.

14. In determining the fair value of a biological asset one shall take into account its location and condition. For example, the fair value of animals held in a farm is their market price less estimated transport and other costs necessary to get the animals to the market.

15. Point-of-sale costs comprise payments to intermediaries, assessors, sales agents, as well as levies and similar costs. These costs exclude transport and other costs necessary to get an asset to a market.

16. It is easier to determine the fair value of biological assets or agricultural produce by grouping them according to their significant attributes (e.g. cattle – by age and weight, produce – by quality). When grouping, an entity shall select the attributes on the basis of those used for pricing in the real market. On the grounds of such grouping, the fair value of groups of homogeneous biological assets can be determined.

17. If agricultural entities enter into contracts to sell biological assets or agricultural produce in the future, such contract prices shall not necessarily be relevant in determining the fair values of these assets. Fair values shall reflect the prices in the current active market.

18. A reliable basis for determining the fair value of biological assets and agricultural produce is their price in an active market. If an entity can sell its produce in several different active markets, it should use the price existing in the market where the produce is expected to be sold.

19. If an active market is not available, an entity determines the fair value of biological assets and agricultural produce on the basis of:

19.1. the most recent transaction prices, provided that there has not been a significant change in economic circumstances between the date of the last transaction and the balance sheet date;

19.2. market prices for similar assets, adjusted for possible differences.

20. If the fair value determined on the basis of the most recent market transaction price differs significantly from that determined on the basis of the market price for similar assets, the entity shall consider the reasons for such differences and determine the fair value using the more reliable method.

21. If it is impossible to determine reliably the fair value of a biological asset or agricultural produce, the measurement can be based on the acquisition (production) cost, especially when:

21.1. little biological transformation has taken place during the period from the incurrence of these costs until the date of determination of the fair value of the biological asset or agricultural produce;

21.2. influence of biological transformation on the price is immaterial;

21.3. produce is used only in farming activities.

22. If it is difficult to determine the value of biological assets and agricultural produce in the ways discussed above, normative prices approved by the Ministry of Agriculture of the Republic of Lithuania can be used for their measurement.

23. Biological assets are often physically attached to land used for agricultural purposes (e.g. fruit-trees in an orchard). Biological assets physically attached to land are measured separately from the land at their fair value less point-of-sale costs.

24. A separate market for biological assets physically attached to land may not exist, but there may be an active market for combined assets, i.e., for biological assets and land together. An entity may use information from the market for combined assets to determine the fair value of biological assets.

25. An increase or decrease in the value of biological assets created or acquired by an entity and agricultural produce produced by the entity, which occurred due to their valuation at fair value

less point-of-sale costs on initial recognition, increases or decreases financial results of the reporting period.

26. The change in the fair value of biological assets due to the change in physical features and prices of those assets is determined at the end of the accounting period. Therefore, at the end of the accounting period, all biological assets shall be revalued at their fair values at the revaluation date less point-of-sale costs. The change in the fair value of biological assets less point-of-sale costs increases or decreases financial results of the reporting period.

27. If the entity's accounting policy allows for application of the method specified in paragraph 10.2 of this Standard, on initial recognition and at each subsequent balance sheet date biological assets (except for perennial seedlings) and agricultural produce are measured according to the requirements of 9 Business Accounting Standard "Inventories". Perennial seedlings are measured according to the requirements of 12 Business Accounting Standard "Non-current Tangible Assets".

## **V. PRESENTING INFORMATION ABOUT BIOLOGICAL ASSETS IN FINANCIAL STATEMENTS**

28. In the balance sheet biological assets are presented in a separate item between fixed and current assets.

29. If the entity's accounting policy allows for measurement of biological assets at their fair value less point-of-sale costs, this amount is stated in the balance sheet.

30. If the entity's accounting policy allows for measurement of biological assets at their acquisition (production) cost, biological assets (except for perennial seedlings) are stated in the balance sheet according to the requirements of 9 Business Accounting Standard "Inventories". Perennial seedlings in the balance sheet are stated at their book value, and their depreciation is calculated according to the requirements of 12 Business Accounting Standard "Non-current Tangible Assets".

31. In explanatory notes all entities shall disclose:

31.1. groups of biological assets of the entity classified on the basis of the purpose and useful life of these assets;

31.2. measurement methods used for each group of biological assets of the entity;

31.3. carrying amount of biological assets pledged as a collateral and biological assets whose title is restricted.

32. If the entity's accounting policy allows for measurement of biological assets created by the entity at their fair value less point-of-sale costs, the following information shall be disclosed in explanatory notes:

32.1. results of measuring biological assets at their fair value less point-of-sale costs;

32.2. information about the changes in the fair value of each group of biological assets during the reporting period:

32.2.1. the carrying amount at the beginning of the period;

32.2.2. an increase due to procreation of animals or plants;

32.2.3. a change due to the changes in the fair value less point-of-sale costs;

32.2.4. an increase due to purchases;

32.2.5. a decrease due to disposals;

32.2.6. a decrease due to harvesting;

32.2.7. other changes;

32.2.8. the carrying amount at the end of the period.

33. If the entity's accounting policy allows for measurement of biological assets created by the entity at their acquisition (production) cost, in explanatory notes it shall disclose information about the changes in the acquisition (production) cost of each group of biological assets during the reporting period:

33.1. the carrying amount at the beginning of the period;

- 33.2. an increase due to procreation of animals or plants;
- 33.3. an increase due to growth;
- 33.4. an increase due to purchases;
- 33.5. a decrease due to disposals;
- 33.6. a decrease due to harvesting;
- 33.7. other changes;
- 33.8. the carrying amount at the end of the period.

## **VI. FINAL PROVISIONS**

34. If the fair value less point-of-sale costs method is chosen for measuring biological assets and agricultural produce harvested of these assets upon the first-time application of this Standard, the change in accounting policies is applied prospectively.

35. This Standard shall be effective for financial statements covering periods beginning on or after 1 January 2005. It may be applied in the preparation of financial statements for 2004.