Accounting Standards Board

Exposure Draft – Amendments to Section 3041, *Agriculture*

Responses to Exposure Draft

May 2025

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I want to take this opportunity to thank the AcSB for identifying difficult disclosure requirements in Section 3041 Agriculture. I have limited knowledge and experience in this section but the two financial statements I've reviewed thus far, I see first-hand how difficult these disclosures are for small businesses. Here are my comments for the questions listed below:

1. The AcSB proposes to remove the disclosure requirements in paragraphs 3041.88(c) and 3041.88(d) that are applicable to agricultural producers applying the net realizable value model. Do you agree with this proposal? If not, why not? Yes, the amount of inventories recognized as an expense during the period is not very useful to the users of the financial statements of smaller agricultural producers.

2. The AcSB proposes to remove the disclosure requirement in paragraph 3041.86(d) that is applicable to agricultural producers applying the cost model. Do you agree with this proposal? If not, why not? Yes, the amount of inventories recognized as an expense during the period is not very useful to the users of the financial statements of smaller agricultural producers.

3. The AcSB is aware that the requirement to disclose the amount of inventories recognized as an expense is consistent between Section 3031 and Section 3041. Given mixed feedback received to date regarding removing the disclosure requirement from Section 3031, the Board decided to explore any potential amendments to Section 3031 separately from this project on agriculture (see paragraphs 17-18 in the Basis for Conclusions). If the Board proceeds to finalize the proposals in Section 3041, do you have any significant concerns with the disclosure requirement remaining in Section 3031 until the Board reviews disclosures in Section 3031 more holistically? If so, please explain your concerns. I do believe that this requirement in Section 3031 is also considered to be removed. I don't have any concerns since the Section 3041 deals with Agricultural inventory.

4. The AcSB proposes to amend paragraph 3041.66 to clarify that the requirement to not amortize productive biological assets that are managed on a collective basis can be applied to any type of productive biological asset. Do you agree with this proposal? If not, why not?

5. The AcSB proposes to add new paragraphs 3041.67A and 3041.68A to clarify the accounting for when the useful life of productive biological assets changes from indefinite life to no longer indefinite, and vice versa. Do you agree with this proposal? If not, why not? Yes, that will be helpful. Or in any additional guidance on this Section from CPA Canada

6. The AcSB proposes not to add authoritative guidance in Section 3041 on how to determine productive capacity as this is an area that requires the use of judgment (see paragraphs 21-22 in the Basis for Conclusions). Do you agree with this proposal? If not, why not?

7. The AcSB proposes that the amendments to Section 3041 are effective for fiscal years beginning on or after January 1, 2027, with earlier application permitted. The Board also proposes that the amendments are to be applied retrospectively, except for new paragraphs 3041.67A and 3041.68A that are to be applied prospectively. Do you agree with these proposals? If not, why not? Yes I agree

8. The AcSB decided not to conduct a post-implementation review on Section 3041 but instead commence a standard-setting project to quickly address the few narrow-scope issues raised by interested and affected parties. Are there issues with Section 3041 not addressed in this Exposure Draft that you think the Board should consider when it discusses its future standard-setting priorities?

If so, please describe the issues and the requirements in Section 3041 that are causing challenges in practice, and how the requirements should be changed. I would appreciate additional guidance from CPA Canada on this Section. For some of us, we do not have too many agricultural producers as clients and when there is one or two clients, it is especially critical that have access to additional guidance. Thank you.

9. Are there any topics for which you think non-authoritative guidance is needed to help with applying the requirements in Section 3041 (see paragraph 24 in the Basis for Conclusions)? If so, please describe the topic and the different views or challenges in accounting that you see in practice. I would like to see non-authoritative guidance on the entire Section 3041 for the reasons mentioned above. Thank you.

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May 9, 2025

Re: AcSB Exposure Draft – Amendments to Section 3041, *Agriculture* ("the Exposure Draft")

Dear Ms. Christopoulos,

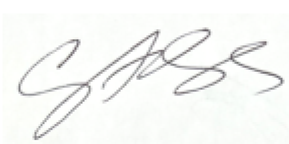
We have reviewed the Exposure Draft issued in March 2025 and are grateful for the opportunity to provide our feedback. After careful consideration and completing outreach with practitioners who have experience in the agricultural industry, we have outlined our responses to your specific questions below.

We are generally supportive of the proposals included in the Exposure Draft, however, do believe that consistency in application can be improved with further guidance related to the determination of productive capacity.

In addition, during our outreach, we noted challenges related to accounting for changes in productive capacity as well as the measurement of productive biological assets at cost, particularly livestock. Given the nature of these issues, there is a risk that they may become more pervasive in the future and encourage the Board to consider whether additional user input is required to determine standard-setting priorities.

We would be pleased to elaborate on our comments in more detail if you require. If so, please contact Melissa Salomons at 403-309-1619 or via email at msalomons@bdo.ca or myself at 647-798-1331 or via email at ccross@bdo.ca.

Yours sincerely,



Craig Cross, CPA, CA
Partner, National Accounting Standards
(through a Professional Corporation)
BDO Canada LLP

1. *The AcSB proposes to remove the disclosure requirements in paragraphs 3041.88(c) and 3041.88(d) that are applicable to agricultural producers applying the net realizable value model. Do you agree with this proposal? If not, why not?*

   Yes, we agree with the proposal to remove the disclosure requirements in paragraphs 3041.88(c) and 3041.88(d). We agree with the Board's conclusion in paragraph 10 of the Basis for Conclusions that the costs of preparing these disclosures outweigh the benefits to financial statement users.

2. *The AcSB proposes to remove the disclosure requirement in paragraph 3041.86(d) that is applicable to agricultural producers applying the cost model. Do you agree with this proposal? If not, why not?*

   Yes, we agree with the proposal to remove the disclosure requirements in paragraphs 3041.86(d). We agree with the Board's conclusion in paragraph 10 of the Basis for Conclusions that the costs of preparing these disclosures outweigh the benefits to financial statement users.

3. *The AcSB is aware that the requirement to disclose the amount of inventories recognized as an expense is consistent between Section 3031 and Section 3041. Given mixed feedback received to date regarding removing the disclosure requirement from Section 3031, the Board decided to explore any potential amendments to Section 3031 separately from this project on agriculture (see paragraphs 17-18 in the Basis for Conclusions). If the Board proceeds to finalize the proposals in Section 3041, do you have any significant concerns with the disclosure requirement remaining in Section 3031 until the Board reviews disclosures in Section 3031 more holistically? If so, please explain your concerns.*

   While we are supportive of the proposals to remove certain disclosure requirements from Section 3041, we do have some concerns around the inconsistency that this creates between Section 3031 and Section 3041 if similar amendments are not made to Section 3031 currently. Although rare, some producers may have assets that result from secondary production that are required to be accounted for under Section 3031. Financial statement preparers may be less inclined to disclose the amount of inventories expensed for inventories within scope of Section 3031 based on this inconsistency.

   As a result, we encourage the Board to prioritize exploring additional amendments to Section 3031 in the near term, particularly providing additional guidance related to the presentation of cost of sales. Additional guidance related to the presentation of cost of sales for inventories may alleviate the need to require specific disclosure related to amount of inventories recognized as an expense during the period while providing more consistent and decision-useful information.

4. *The AcSB proposes to amend paragraph 3041.66 to clarify that the requirement to not amortize productive biological assets that are managed on a collective basis can be applied to any type of productive biological asset. Do you agree with this proposal? If not, why not?*

   We agree that the proposal to include the example of fruit trees in an orchard in paragraph 3041.66 provides greater clarity that the requirement to not amortize productive biological assets that are managed on a collective basis can be applied to any type of productive biological assets.

However, the addition of the wording "an expected level or range of production units" to the example may lead to inconsistency in application. Our understanding is that the application of 3041.66 is intended to provide relief of amortization when the productive biological assets are managed in such a way that the collective productive capacity is not anticipated to diminish. However, the use of the undefined terms "expected level" and "range of production units" in the example may be interpreted as allowing for this relief in situations for which it was not intended. Ultimately, most agricultural producers are managing productive capacity in such a way to meet an expected level or range of production. A producer intends to maintain that productive capacity until factors such as input costs, commodity prices etc. change.

To improve consistency in application, we suggest modifying the amended wording at paragraph 3041.66 as follows:

> Some productive biological assets are managed on a collective basis to maintain their collective productive capacity indefinitely. Productive biological assets of this type are considered to have an indefinite useful life and are not subject to amortization. Examples include animals in a herd or fruit trees in an orchard managed collectively such that the volume of inputs (e.g. animals or plants) or outputs (e.g. milk or fruit) are expected to be maintained ~~that are managed collectively to meet an expected level or range of production units~~ indefinitely. The cost incurred in the maintenance of the service potential of such productive biological assets is a maintenance expenditure, not a betterment.

In addition, we suggest including guidance authoritative guidance on how to determine productive capacity to improve consistency in application of this paragraph. For further details, please see our response to question 6 below.

5. *The AcSB proposes to add new paragraphs 3041.67A and 3041.68A to clarify the accounting for when the useful life of productive biological assets changes from indefinite life to no longer indefinite, and vice versa. Do you agree with this proposal? If not, why not?*

We agree with the proposal to add new paragraphs 3041.67A and 3041.68A to clarify the accounting for when the useful life of productive biological assets changes from indefinite life to no longer indefinite, and vice versa. Based on feedback from practitioners, it is our understanding that this guidance would not be frequently applied, particularly paragraph 3041.67A. Therefore, we believe that it would be beneficial for the Board to include an example of when a productive biological asset that had previously had an indefinite useful life is subsequently determined to no longer have an indefinite useful life in the Basis for Conclusions.

We considered the example of an orchard whose owner has the intent to exit in a certain number of years by way of a sale to a developer or other purchaser who does not intend to continue to operate the orchard.

6. *The AcSB proposes not to add authoritative guidance in Section 3041 on how to determine productive capacity as this is an area that requires the use of judgment (see paragraphs 21-22 in the Basis for Conclusions). Do you agree with this proposal? If not, why not?*

   Authoritative guidance on how to determine the productive capacity would be helpful in the application of Section 3041 and reduce inconsistency in application. We would encourage the Board to consider guidance that productive capacity may be determined based on inputs or outputs based on the nature of the biological asset:

   1. Inputs: Productive capacity is based on the amount of biological assets, for example, the number of acres of plantation or number of animals in a herd.
   2. Outputs: Productive capacity is based on the agricultural inventory harvested from the biological assets, for example meeting a pre-agreed production level such as quota.

7. *The AcSB proposes that the amendments to Section 3041 are effective for fiscal years beginning on or after January 1, 2027, with earlier application permitted. The Board also proposes that the amendments are to be applied retrospectively, except for new paragraphs 3041.67A and 3041.68A that are to be applied prospectively. Do you agree with these proposals? If not, why not?*

   We agree with the proposed effective date of the amendments as well as that the amendments be applied retrospectively with the exception of new paragraphs 3041.67A and 3041.68A.

8. *The AcSB decided not to conduct a post-implementation review on Section 3041 but instead commence a standard-setting project to quickly address the few narrow-scope issues raised by interested and affected parties. Are there issues with Section 3041 not addressed in this Exposure Draft that you think the Board should consider when it discusses its future standard-setting priorities? If so, please describe the issues and the requirements in Section 3041 that are causing challenges in practice, and how the requirements should be changed.*

   Based on our outreach, we have identified the following items within Section 3041 for the Board to consider when discussing future standard-setting priorities:

   1. *Measurement basis at cost*
      We have noted challenges and concerns with the application of cost as the underlying measurement basis particularly for productive biological assets due to the additional complexity of this model. We have seen some situations where financial statement users have accepted a qualified report or conclusion for a departure from ASPE or accepted financial statements prepared under a disclosed basis of accounting such that productive biological assets are measured at net realizable value. Further, we have received feedback that it is common practice in the agricultural industry for financial statement users to accept compiled financial statements that measure productive biological assets, particularly livestock, at fair value.

In addition, as some maintenance activities associated with a productive biological asset also enhance the service potential of the asset over a long period of time, it is particularly challenging to apportion the betterment component of the expenditure as well as obtain appropriate assurance evidence over any such betterment. On a year over year basis, where productive capacity is maintained, this generally will not have a material impact on the financial statements. Our concern is that on a long-term basis, the cumulative increase in service potential is not reflected in the measurement of the asset.

We understand the Board's previous reasoning for requiring productive biological assets to be measured at cost, however, we would encourage the Board to perform further outreach with users on the application of Section 3041 particularly with respect to the measurement of productive biological assets.

2. *Animals raised or purchased for competitive sport*
   Paragraph 3041.04(c) excludes raising or purchasing animals for competitive sport from the application of Section 3041, but it is not clear which section applies to such animals. This may result in inconsistent application of ASPE when accounting for such animals. Therefore, we recommend that the Board consider adding guidance to assist in determining which standard applies for the measurement and recognition of animals raised or purchased for competitive sport.

3. *Unit of account for productive biological assets*
   We believe that further guidance on the unit of account with respect to productive biological assets managed on a collective basis would improve the consistency in application.

   For example, an agricultural producer may maintain a herd of 200 dairy cows. During the year, additional quota may be purchased resulting in the need to increase the herd by 5 cows. However, 10 new cows may be added to the herd during the year – 5 cows to replace old stock and maintain the original productive capacity as well as 5 cows to meet the increased quota. While Section 3041 provides guidance on determining the cost upon purchase or change in use, inconsistency may result when determining which head of cattle are deemed to be the betterment and which head are expensed as maintenance. Could the producer take an average of the cost of the cows added during the year and use that to recognize the betterment? Or could the producer make an assumption as to which cows resulted in a betterment?

   This issue is also relevant when disposing of productive biological assets managed on a collective basis. For example, an agricultural producer maintains a herd of cows and disposes of ten cows during the year resulting in a decrease in productive capacity. How is the cost of that cattle determined? Would the agricultural producer take the current cost of the herd and divide it by the number of head to determine the average cost of the disposed cattle? Alternatively, could the producer make an assumption regarding the cost (or amortized cost, if applicable) of the cattle and remove that value from the cost of the herd? We believe that either option could be interpreted to be correct.

   We believe the Board should consider clarifying in Section 3041 how additions and disposals to a productive biological asset managed on a collective basis are to be accounted for and provide illustrative examples, including an example where agricultural inventories are reclassified to productive biological assets to increase or maintain the productive capacity.

9. *Are there any topics for which you think non-authoritative guidance is needed to help with applying the requirements in Section 3041 (see paragraph 24 in the Basis for Conclusions)? If so, please describe the topic and the different views or challenges in accounting that you see in practice.*

   Where the Board does not pursue a standard setting activity for the topics noted in question 8, we ask that non-authoritative be considered to address the challenges noted.

   We also note that an area where questions frequently arise relates to betterment for productive biological assets managed on a collective basis indefinitely, particularly with respect to breeding to improve genetics and replacing animals in a herd or plants with a different breed or variety, respectively. We understand that this is an area of significant professional judgement, however, believe that consistency in application would be improved with non-authoritative guidance and illustrations.

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Accounting Standards Board
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May 12, 2025

Ms. Christopoulos:

Ernst & Young LLP ("EY" or "we") welcome the opportunity to provide comments to the Accounting Standards Board ("AcSB" or the "Board") on the March 2025 Amendments to Section 3041, *Agriculture* Exposure Draft (the "Exposure Draft"). Our responses to the specific questions posed in the Exposure Draft are included below.

Comments on Specific Questions Requested by the AcSB

1. The AcSB proposes to remove the disclosure requirements in paragraphs 3041.88(c) and 3041.88(d) that are applicable to agricultural producers applying the net realizable value model. Do you agree with this proposal? If not, why not?

   Yes, we agree with this proposal.

2. The AcSB proposes to remove the disclosure requirement in paragraph 3041.86(d) that is applicable to agricultural producers applying the cost model. Do you agree with this proposal? If not, why not?

   Yes, we agree with this proposal.

3. The AcSB is aware that the requirement to disclose the amount of inventories recognized as an expense is consistent between Section 3031 and Section 3041. Given mixed feedback received to date regarding removing the disclosure requirement from Section 3031, the Board decided to explore any potential amendments to Section 3031 separately from this project on agriculture (see paragraphs 17-18 in the Basis for Conclusions). If the Board proceeds to finalize the proposals in Section 3041, do you have any significant concerns with the disclosure requirement remaining in Section 3031 until the Board reviews disclosures in Section 3031 more holistically? If so, please explain your concerns.

   No, we do not have any significant concerns with the disclosure requirement remaining in Section 3031 until the Board reviews disclosures in Section 3031 more holistically. We note that the requirement in Section 3031 to disclose the amount of inventories recognized as an expense would impact a greater number of industries and financial statement users than that in Section 3041. As such, the consideration of financial statement user needs and other relevant considerations would differ significantly between that for Section 3041 and that for Section 3031 and a separate project on Section 3031 is appropriate in the circumstances.

4. The AcSB proposes to amend paragraph 3041.66 to clarify that the requirement to not amortize productive biological assets that are managed on a collective basis can be applied to any type of productive biological asset. Do you agree with this proposal? If not, why not?

   Yes, we agree with this proposal.

5. The AcSB proposes to add new paragraphs 3041.67A and 3041.68A to clarify the accounting for when the useful life of productive biological assets changes from indefinite life to no longer indefinite, and vice versa. Do you agree with this proposal? If not, why not?

   Yes, we agree with this proposal.

6. The AcSB proposes not to add authoritative guidance in Section 3041 on how to determine productive capacity as this is an area that requires the use of judgment (see paragraphs 21-22 in the Basis for Conclusions). Do you agree with this proposal? If not, why not?

   Yes, we agree with this proposal.

7. The AcSB proposes that the amendments to Section 3041 are effective for fiscal years beginning on or after January 1, 2027, with earlier application permitted. The Board also proposes that the amendments are to be applied retrospectively, except for new paragraphs 3041.67A and 3041.68A that are to be applied prospectively. Do you agree with these proposals? If not, why not?

   Yes, we agree with this proposal.

8. The AcSB decided not to conduct a post-implementation review on Section 3041 but instead commence a standard-setting project to quickly address the few narrow-scope issues raised by interested and affected parties. Are there issues with Section 3041 not addressed in this Exposure Draft that you think the Board should consider when it discusses its future standard-setting priorities? If so, please describe the issues and the requirements in Section 3041 that are causing challenges in practice, and how the requirements should be changed.

   We are not aware of any significant issues with Section 3041 not addressed in this Exposure Draft that we think the Board should consider when it discusses its future standard setting priorities.

9. Are there any topics for which you think non-authoritative guidance is needed to help with applying the requirements in Section 3041 (see paragraph 24 in the Basis for Conclusions)? If so, please describe the topic and the different views or challenges in accounting that you see in practice.

   Because the AcSB proposes not to add authoritative guidance in Section 3041 on how to determine productive capacity, non-authoritative guidance may be helpful with applying the requirements in Section 3041. We note that some preparers have challenges with determining when service potential of productive biologic assets with indefinite life is enhanced (e.g., whether or not there is some sort of materiality threshold).

We would be pleased to discuss our comments with members of the AcSB or its staff. If you wish to do so, please contact Adam Rybinski, Partner, Professional Practice at 416-943-2711 (Adam.C.Rybinski@ca.ey.com) or Eric Spiekman, Professional Practice Director, at 416-943-3779 (Eric.G.Spiekman@ca.ey.com).

Yours sincerely,
ERNST & YOUNG LLP

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

May 12, 2025

Ms. Katharine Christopoulos, CPA, CA
Director, Accounting Standards
Accounting Standards Board
277 Wellington Street West
Toronto ON M5V 3H2

Dear Ms. Christopoulos:

Re: Exposure Draft – Amendments to Section 3041, Agriculture (the "Exposure Draft")

We welcome the opportunity to comment on the Accounting Standards Board's ("AcSB" or the "Board") Exposure Draft, Amendments to Section 3041, *Agriculture*.

We generally agree with the proposed amendments in the Exposure Draft with one recommendation as noted below.

The proposed new paragraphs 3041.67A and 3041.68A require productive biological assets to be tested for impairment when they are subsequently determined to have an indefinite useful life (paragraph 3041.68A) or when they are subsequently determined to no longer have an indefinite useful life (paragraph 3041.67A). The new paragraphs make a reference to paragraph 3041.74 which provides guidance on when to test for impairment. However, the new paragraphs already clarify that impairment test is required. Paragraphs 75 to 78 of Section 3041 prescribe guidance on how to carry out the impairment test and measure an impairment loss. We recommend also referring to paragraphs 75 to 78 of Section 3041 as illustrated below.

.67A When productive biological assets that are not being amortized are subsequently determined to no longer have an indefinite useful life, the assets are tested for impairment in accordance with **<u>paragraphs</u>** 3041.74 **<u>to 78</u>**...

[....]

.68A When a productive biological asset that is being amortized is subsequently determined to have an indefinite useful life by applying paragraph 3041.66, the asset is tested for impairment in accordance with **<u>paragraphs</u>** 3041.74 **<u>to 78</u>**....

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We would be pleased to respond to any questions you might have. Questions can be addressed to Celeste Murphy (celeste.k.murphy@pwc.com) or Sean Cable (sean.c.cable@pwc.com).

Yours very truly,

PricewaterhouseCoopers LLP

Chartered Professional Accountants

May 12, 2025

SENT ELECTRONICALLY

Katharine Christopoulos, CPA, CA
Director, Accounting Standards
Accounting Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

Re: Exposure Draft, "Amendments to Section 3041, *Agriculture*"

Dear Ms. Christopoulos,

Thank you for the opportunity to provide input to the Accounting Standards Board ("AcSB") on the above noted document.

MNP LLP is one of Canada's largest chartered professional accountancy and business advisory firms. Our clients include small to mid-size owner-managed businesses in agriculture, agribusiness, retail and manufacturing as well as pension plans, credit unions, co-operatives, First Nations, medical and legal professionals, not-for-profit organizations, municipalities and government entities. In addition, our client base includes a sizable contingent of publicly traded companies. We believe that we are well-positioned to provide feedback on this exposure draft ("ED").

We support the AcSB's efforts to reduce disclosure requirements and clarify Section 3041, *Agriculture*. Overall, we agree with the proposed amendments. Where we have specific comments on the questions in the Exposure Draft, we have included those comments below.

Questions 1 & 2: The AcSB proposes to remove the disclosure requirements in paragraphs 3041.88(c), 3041.88(d), and 3041.86(d) that are applicable to agricultural producers applying the net realizable value and cost models. Do you agree with these proposals? If not, why not?

We agree with the removal of these disclosure requirements. We agree that financial statement users do not require information on the aggregate of gains and losses arising from changes in the carrying amount of agricultural inventories measured using the net realizable value model, nor the amount of inventories expensed during the period under both cost and net realizable value models. Some agricultural producers encounter operational challenges with providing this information as it is not information tracked for internal purposes. The costs of preparing these disclosures outweigh the benefits financial statement users are deriving from having this information in the notes.

Question 9: Are there any topics for which you think non-authoritative guidance is needed to help with applying the requirements in Section 3041 (see paragraph 24 in the Basis for Conclusions)? If so, please describe the topic and the different views or challenges in accounting that you see in practice.

We believe non-authoritative guidance is needed to clarify the meaning of "short productive lives" used in the definitions of agricultural inventories and productive biological assets in paragraph 3041.09(b) and 09(h). In our experience, there may be diversity in views as to what is considered a short productive life (e.g. egg laying hens with a productive life approximating one year). This may result in the same biological assets being accounted for differently as either agricultural inventories or productive biological assets.

We would be pleased to offer our assistance to the AcSB for any future proposed changes to accounting standards and in helping to find solutions which meet the needs of the financial statement users.

Yours truly,

MNP LLP

Maryse Vendette

Maryse Vendette, CPA, Auditor
Partner, Assurance Professional Standards, Technical Services

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May 12, 2025

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Subject: Invitation to Comment - Exposure Draft: Amendments to Section 3041, *Agriculture*

Dear Ms. Christopoulos:

Deloitte is pleased to provide comments on the above noted Exposure Draft regarding amendments to accounting for biological assets and disclosures on agricultural inventories under Section 3041, *Agriculture*.

Overall, we are supportive of the Accounting Standard Board's proposed narrow-scope amendments. The proposed amendments will simplify disclosures and reduce the cost of preparation for agricultural producers, however, we ask the board to consider if the removal of the requirement to disclose the total amounts of inventories recognized as an expense during the period should be considered with the assessment of the requirements in Section 3031, *Inventories*.

Please find attached our comments to the specific questions raised in the Exposure Draft. If you have any questions, please contact Martin Roy (mroy@deloitte.ca) at 416-601-5679.

Yours truly,

Deloitte LLP

Chartered Professional Accountants

Appendix
Amendments to Section 3041, *Agriculture*

1. **The AcSB proposes to remove the disclosure requirements in paragraphs 3041.88(c) and 3041.88(d) that are applicable to agricultural producers applying the net realizable value model. Do you agree with this proposal? If not, why not?**

   We agree with the proposal to remove disclosure requirements in paragraphs 3041.88(c) and 3041.88(d) for agricultural producers applying the net realizable value model.

2. **The AcSB proposes to remove the disclosure requirement in paragraph 3041.86(d) that is applicable to agricultural producers applying the cost model. Do you agree with this proposal? If not, why not?**

   We note that the usefulness of information regarding the amount of inventories recognized as an expense during the period may vary by sub-industry and product. We have concerns that a blanket removal of the requirement may reduce the decision usefulness of the financial statements without a broader outreach to users. Additionally, we have concerns over the implications in principle, of removing the requirements to disclose the amount of inventories recognized as an expense during the period specifically for agricultural inventories, but requiring the disclosure for all other forms of inventory under Section 3031. We agree that agricultural inventories require different principles in recognition and measurement, however, the principles regarding disclosure of total amounts of inventories recognized as an expense should be similar to other forms of inventory. Therefore we ask the Board to consider if this amendment should be deferred and considered along with review of the requirements in Section 3031, unless the Board considers the requirements of agricultural inventory to be independent and an exception to all other forms of inventory in all respects, including usefulness of additional disclosures.

3. **The AcSB is aware that the requirement to disclose the amount of inventories recognized as an expense is consistent between Section 3031 and Section 3041. Given mixed feedback received to date regarding removing the disclosure requirement from Section 3031, the Board decided to explore any potential amendments to Section 3031 separately from this project on agriculture (see paragraphs 17-18 in the Basis for Conclusions). If the Board proceeds to finalize the proposals in Section 3041, do you have any significant concerns with the disclosure requirement remaining in Section 3031 until the Board reviews disclosures in Section 3031 more holistically? If so, please explain your concerns.**

   Please refer to our comments to Question 2.

4. **The AcSB proposes to amend paragraph 3041.66 to clarify that the requirement to not amortize productive biological assets that are managed on a collective basis can be applied to any type of productive biological asset. Do you agree with this proposal? If not, why not?**

   We agree with the proposal to amend paragraph 3041.66 to clarify that the requirement to not amortize productive biological assets managed on a collective basis can be applied to any type of productive biological asset, not just animals. Although we believe the principles are implied, the clarification would reduce the subjectivity in application and diversity in practice.

5. **The AcSB proposes to add new paragraphs 3041.67A and 3041.68A to clarify the accounting for when the useful life of productive biological assets changes from indefinite life to no longer indefinite, and vice versa. Do you agree with this proposal? If not, why not?**

   We agree with the proposal to add paragraphs 3041.67A and 3041.68A to clarify how to account for useful life of productive biological assets changing from indefinite to no longer indefinite, and vice versa. The clarifications will reduce diversity in practice and increase comparability of financial statements.

6. **The AcSB proposes not to add authoritative guidance in Section 3041 on how to determine productive capacity as this is an area that requires the use of judgment (see paragraphs 21-22 in the Basis for Conclusions). Do you agree with this proposal? If not, why not?**

   We agree that there should not be authoritative guidance in Section 3041 on how to determine productive capacity as the conclusion would differ between agricultural producers and will depend on specific facts and circumstances. Therefore it would be difficult to add authoritative guidance that would be applicable across all scenarios. As the industry is diverse, we agree that a principles-based approach should be taken and appropriate judgment should be applied based on each agricultural business' circumstances.

7. **The AcSB proposes that the amendments to Section 3041 are effective for fiscal years beginning on or after January 1, 2027, with earlier application permitted. The Board also proposes that the amendments are to be applied retrospectively, except for new paragraphs 3041.67A and 3041.68A that are to be applied prospectively. Do you agree with these proposals? If not, why not?**

   Yes, we agree with the proposed effective date of fiscal years beginning on or after January 1, 2027, with earlier application permitted. We also agree that the proposed amendments should be applied retrospectively, except for paragraphs 3041.67A and 3041.68A which are to be applied prospectively.

8. **The AcSB decided not to conduct a post-implementation review on Section 3041 but instead commence a standard-setting project to quickly address the few narrow-scope issues raised by interested and affected parties. Are there issues with Section 3041 not addressed in this Exposure Draft that you think the Board should consider when it discusses its future standard-setting priorities? If so, please describe the issues and the requirements in Section 3041 that are causing challenges in practice, and how the requirements should be changed.**

   We are not aware of any additional issues not addressed in the Exposure Draft that the Board should consider.

9. **Are there any topics for which you think non-authoritative guidance is needed to help with applying the requirements in Section 3041 (see paragraph 24 in the Basis for Conclusions)? If so, please describe the topic and the different views or challenges in accounting that you see in practice.**

   There is currently no guidance on how to account for costs incurred during the gestational period or an animal. It is unclear if these costs incurred be considered within the scope of development costs under Section 3041. It would be helpful to clarify whether to recognize these costs into agricultural inventory or whether these costs should be expensed.

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May 12, 2025

Katharine Christopoulos, CPA, CA
Director, Accounting Standards
Accounting Standards Board
277 Wellington Street West
Toronto ON M5V 3H2

Dear Ms. Christopoulos:

Re: Exposure Draft – Amendments to Section 3041, *Agriculture* [May 2025]

Doane Grant Thornton LLP (we) would like to thank you for the opportunity to provide comments on the Accounting Standards Board's (the "Board") Exposure Draft *Amendments to Section 3041, Agriculture* (the "ED").

In general, we are supportive of the Board's proposed amendments; however, we have identified some areas where we believe guidance could be clarified or provided. Our comments on specific questions are found in Appendix A.

If you wish to discuss our comments or concerns, please contact Katie Quinn (Kathleen.Quinn@doane.gt.ca, 416-360-2389) or Stéphane Landry (landry.stephane@rcgt.com, 418-647-5008).

Yours sincerely,

Doane Grant Thornton LLP
Kathleen Quinn, CPA, CA

Raymond Chabot Grant Thornton LLP
Stéphane Landry, CPA auditor
Karen Pinard, CPA auditor

Appendix A – Responses to Exposure Draft questions

1. **The AcSB proposes to remove the disclosure requirements in paragraphs 3041.88(c) and 3041.88(d) that are applicable to agricultural producers applying the net realizable value model. Do you agree with this proposal? If not, why not?**

   Yes, we agree.

2. **The AcSB proposes to remove the disclosure requirement in paragraph 3041.86(d) that is applicable to agricultural producers applying the cost model. Do you agree with this proposal? If not, why not?**

   Please see our response to Q3.

3. **The AcSB is aware that the requirement to disclose the amount of inventories recognized as an expense is consistent between Section 3031 and Section 3041. Given mixed feedback received to date regarding removing the disclosure requirement from Section 3031, the Board decided to explore any potential amendments to Section 3031 separately from this project on agriculture (see paragraphs 17-18 in the Basis for Conclusions). If the Board proceeds to finalize the proposals in Section 3041, do you have any significant concerns with the disclosure requirement remaining in Section 3031 until the Board reviews disclosures in Section 3031 more holistically? If so, please explain your concerns**

   Overall, we believe that this disclosure requirement should be removed from both Sections 3031 and 3041 as the challenge with applying it is not specific to agricultural producers. As the project to explore the removal of this disclosure requirement from Section 3031 has not yet started, we believe the disclosure requirement should remain in Section 3041 until a decision can be made for both standards as we oppose creating further unnecessary differences between the standards, even if temporary.

4. **The AcSB proposes to amend paragraph 3041.66 to clarify that the requirement to not amortize productive biological assets that are managed on a collective basis can be applied to any type of productive biological asset. Do you agree with this proposal? If not, why not?**

   Yes, we strongly agree with this proposal.

5. **The AcSB proposes to add new paragraphs 3041.67A and 3041.68A to clarify the accounting for when the useful life of productive biological assets changes from indefinite life to no longer indefinite, and vice versa. Do you agree with this proposal? If not, why not?**

   Yes, we strongly agree with this proposal.

6. **The AcSB proposes not to add authoritative guidance in Section 3041 on how to determine productive capacity as this is an area that requires the use of judgment (see paragraphs 21-22 in the Basis for Conclusions). Do you agree with this proposal? If not, why not?**

   We agree that guidance on how to determine productive capacity is needed, and that non-authoritative guidance would be most appropriate in this circumstance. This is an area where there is judgement in application, and we believe that judgement should remain; however, we believe that providing application examples for preparers to consider would be helpful and would result in more consistent application of the relevant guidance.

One specific example that we believe it would be beneficial to address pertains to changes in the size of a group of productive biological assets that are managed on a collective basis when there is no (or a limited) change in the group's productive capacity. For example, in any one year, the herd of animals may not change to a degree for which an adjustment to the carrying amount of the asset would be required; however, over a longer period (e.g., 3 years) the herd may have grown/declined to a degree where an adjustment in cost could be warranted. It would be helpful to provide factors for preparers to consider when determining whether an adjustment to the carrying amount of the asset is necessary.

7. **The AcSB proposes that the amendments to Section 3041 are effective for fiscal years beginning on or after January 1, 2027, with earlier application permitted. The Board also proposes that the amendments are to be applied retrospectively, except for new paragraphs 3041.67A and 3041.68A that are to be applied prospectively. Do you agree with these proposals? If not, why not?**

   Yes, we agree.

8. **The AcSB decided not to conduct a post-implementation review on Section 3041 but instead commence a standard-setting project to quickly address the few narrow-scope issues raised by interested and affected parties. Are there issues with Section 3041 not addressed in this Exposure Draft that you think the Board should consider when it discusses its future standard-setting priorities? If so, please describe the issues and the requirements in Section 3041 that are causing challenges in practice, and how the requirements should be changed.**

   We are aware of many situations where entities with productive biological assets are receiving feedback from financial statement users (primarily lenders) that it would be more useful if those assets were measured at NRV rather than cost (as currently required by Section 3041). Feedback indicates that the cost model required by Section 3041 is providing less useful information to the users of financial statements. Most users are lenders who look to understand the current value of the assets for lending purposes rather than the amortized cost base of the productive biological assets. Based on these comments, we recommend that the Board consider whether Section 3041 should allow agricultural producers the option to measure productive biological assets at NRV when certain conditions are met.

9. **Are there any topics for which you think non-authoritative guidance is needed to help with applying the requirements in Section 3041 (see paragraph 24 in the Basis for Conclusions)? If so, please describe the topic and the different views or challenges in accounting that you see in practice.**

   None other than those outlined above.

May 22, 2025

Katharine Christopoulos, CPA, CA
Director, Accounting Standards
Accounting Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2

sent via email

Re: Exposure Draft on Amendments to Section 3041, *Agriculture*

On behalf of the Standards and Ethics Consultation Group (Working Group) of CPA Manitoba, CPA New Brunswick, CPA Newfoundland and Labrador, CPA Nova Scotia, and CPA Saskatchewan, we appreciate the opportunity to provide feedback on the Accounting Standards Board (AcSB)'s exposure draft on the Amendments to Section 3041, *Agriculture*.

EXPOSURE DRAFT RESPONSE

Interested participants of the Working Group met on May 5, 2025 to discuss the AcSB's specific questions within the Exposure Draft. A consolidation of their responses is included below.

QUESTION 1

The AcSB proposes to remove the disclosure requirements in paragraphs 3041.88(c) and 3041.88(d) that are applicable to agricultural producers applying the net realizable value model. Do you agree with this proposal? If not, why not?

In general, the Working Group participants agree with the proposed removal. The consensus was that these disclosure requirements did not add significantly to the financial statements. Most producers or third-party users are focused more on the total impact on the financial statements rather than on the specifics of where these adjustments have been made.

QUESTION 2

The AcSB proposes to remove the disclosure requirement in paragraph 3041.86(d) that is applicable to agricultural producers applying the cost model. Do you agree with this proposal? If not, why not?

The Working Group participants agree with the proposed removal.

QUESTION 3

The AcSB is aware that the requirement to disclose the amount of inventories recognized as an expense is consistent between Section 3031 and Section 3041. Given mixed feedback received to date regarding removing the disclosure requirement from Section 3031, the Board decided to explore any potential amendments to Section 3031 separately from this project on agriculture (see paragraphs 17-18 in the Basis for Conclusions). If the Board proceeds to finalize the proposals in Section 3041, do you have any significant concerns with the disclosure requirement remaining in

Section 3031 until the Board reviews disclosures in Section 3031 more holistically? If so, please explain your concerns.

Removing this specific disclosure requirement from Section 3041 may create a risk that some practitioners mistakenly believe that it has also been removed from Section 3031. The Working Group participants did not have any concerns with a disclosure inconsistency between Sections 3041 and 3031, given the AcSB's intention to explore potential amendments to 3031 in a separate project. As disclosure deficiencies unfortunately already exist in practice, the Working Group believed the relief given to the agriculture sector through the removal of this disclosure requirement should not be delayed by concerns over a potentially low risk of inconsistency.

QUESTION 4

The AcSB proposes to amend paragraph 3041.66 to clarify that the requirement to not amortize productive biological assets that are managed on a collective basis can be applied to any type of productive biological asset. Do you agree with this proposal? If not, why not?

One of the Working Group participants expressed that the current wording of paragraph 3041.68 has created significant implementation challenges, as it results in practitioners restricting their thinking and judgment to the specific example of a herd managed on a collective basis to meet a production quota. With this specific example, not only do practitioners tend to gravitate towards livestock as opposed to other productive biological assets such as plants, but they also tend to feel there needs to be an element of production or quota to allow for application. The Working Group participant was concerned not only about the interpretation by preparers and practitioners, but also the interpretation by regulators such that the bar may be set in ways that are not appropriate for all parties using this standard. The Working Group participant suggested removing all examples in their entirety to ensure the standard maintained sufficient space for the application of professional judgment. Indicating that the definition of a productive biological asset is already well defined within the standard, the Working Group participant proposed the following alternate wording for paragraph 68:

- *Any productive biological assets managed on a collective basis to maintain their collective productive capacity indefinitely are considered to have an indefinite useful life and would not be subject to amortization.*

The remaining Working Group participants did not have concerns with the proposed changes, expressing support for the provision of clarity to preparers and practitioners.

QUESTION 5

The AcSB proposes to add new paragraphs 3041.67A and 3041.68A to clarify the accounting for when the useful life of productive biological assets changes from indefinite life to no longer indefinite, and vice versa. Do you agree with this proposal? If not, why not?

The Working Group participants noted that these situations typically arise when operations are either starting up or winding down. While not opposed to the addition of these new paragraphs, the Working Group participants indicated that the paragraphs would not be necessary given that the existing standard includes sufficient guidance to arrive at these same conclusions in the types of circumstances contemplated.

QUESTION 6

The AcSB proposes not to add authoritative guidance in Section 3041 on how to determine productive capacity as this is an area that requires the use of judgment (see paragraphs 21-22 in the Basis for Conclusions). Do you agree with this proposal? If not, why not?

The Working Group participants agree that authoritative guidance would not be beneficial, on the basis that this is an area where professional judgment is required.

QUESTION 7

The AcSB proposes that the amendments to Section 3041 are effective for fiscal years beginning on or after January 1, 2027, with earlier application permitted. The Board also proposes that the amendments are to be applied retrospectively, except for new paragraphs 3041.67A and 3041.68A that are to be applied prospectively. Do you agree with these proposals? If not, why not?

In general, the Working Group participants agreed with the proposed implementation date and proposals within Question 7.

QUESTION 8

The AcSB decided not to conduct a post-implementation review on Section 3041 but instead commence a standard-setting project to quickly address the few narrow-scope issues raised by interested and affected parties. Are there issues with Section 3041 not addressed in this Exposure Draft that you think the Board should consider when it discusses its future standard-setting priorities? If so, please describe the issues and the requirements in Section 3041 that are causing challenges in practice, and how the requirements should be changed.

The Working Group participants did not identify any additional issues or challenges in practice.

QUESTION 9

Are there any topics for which you think non-authoritative guidance is needed to help with applying the requirements in Section 3041 (see paragraph 24 in the Basis for Conclusions)? If so, please describe the topic and the different views or challenges in accounting that you see in practice.

The Working Group participants did not identify any topics for which non-authoritative guidance would be needed. Rather, concerns were expressed that previous publications of non-authoritative guidance had the unintended impact of creating additional implementation challenges and inconsistency in practice.

One Working Group participant expressed that clients in the agriculture industry are facing inflationary pressures and declining profitability and are unlikely to see the benefits of an investment in financial reporting to further refine and measure cost given the large volume of individual assets involved and the amount of complexity that comes with the definition of cost. This Working Group participant highlighted many of the positive disclosure enhancements incorporated within Section 3041. The markets and the public should be allowed to assess how to apply the theory and guidance provided with application of professional judgment.

CONTACT INFORMATION

This specific Exposure Draft response has been submitted with contributions from the following individuals:

- Sheila Filion, FCPA, FCA
- John Guthrie, CPA, CA
- Ross Harwood, FCPA

If you require any clarification regarding this response, please contact the Working Group leader, Marilyn Flaman, CPA at rules@cpask.ca.

Regards,

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Associate Director, CPD and Monitoring
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