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Regulation of the Ministry of Finance on the
"Establishment of the Guidelines of the Accounting Standards Board"
Note 7
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Applicable to the accounting periods, starting on 01.01.2018 or later.

ASBG 7 BIOLOGICAL ASSETS

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OBJECTIVE AND BASIS FOR PREPARARTION

1. The objective of this Accounting Standards Board's guideline ASBG 7 "*Biological Assets*" is to prescribe the rules for the accounting for biological assets in the financial statements prepared in accordance with the Estonian financial reporting standard (hereinafter also *the financial statement*). Estonian financial reporting standard is a body of financial reporting requirements directed at the public and based on the internationally accepted accounting and reporting principles, which principal requirements are established by the Accounting Act and which is specified by a regulation of the minister responsible for the area established on the basis of subsection 34 (4) of the Accounting Act (hereinafter *guideline of the Standards Board* or for short *ASBG*).

2. ASBG 7 is based on IFRS for SMEs section 34 "*Specialised Activities*" and on concepts defined in section 2 "*Concepts and Pervasive Principles*" and "*Glossary of Terms*". The guideline contains references to the specific paragraphs of IFRS for SMEs that the requirements of the guideline are based on. The comparison of ASBG 7 with IFRS for SMEs is presented in clauses 38-39. In areas where ASBG 7 does not specify a particular accounting method but that are regulated by IFRS for SMEs, it is recommended to abide by the accounting method described in IFRS for SMEs.

SCOPE

3. ***ASBG 7 "Biological Assets" shall be applied:***

(a) ***at the time of harvesting biological assets related to agricultural activity; and***

(b) ***agricultural produce from biological assets;***

for reporting in the financial statements.

4. ASBG 7 shall not be applied to accounting for land and intangible assets relating to agricultural activities (see ASBG 5 "*Property, Plant and Equipment and Intangible Assets*").

DEFINITIONS

5. ***The following terms are used in this guideline with the meanings specified:***

A biological asset is a living animal or plant. (IFRS for SMEs Glossary of Terms)

Agricultural produce is the harvested product of biological assets. (IFRS for SMEs Glossary of Terms)

Agricultural activity is the management by an entity of the biological transformation of biological assets into agricultural produce or additional biological assets. (IFRS for SMEs Glossary of Terms)

Biological transformation comprises the processes of growth, degeneration, production and procreation that cause qualitative or quantitative changes in a biological asset.

***Fair value** is the amount for which an asset could be exchanged or a liability settled in a transaction between knowledgeable, willing and independent parties in an arm's length transaction. (IFRS for SMEs 2.34 (b))*

***Acquisition cost** is the fair value of cash or non-monetary consideration paid to acquire an asset at the time of its acquisition and the fair value of cash or non-monetary consideration received upon assuming a liability. (IFRS for SMEs 2.34 (a))*

***Costs to sell** incremental costs that are attributable to the disposal of a cash-generating unit or assets, except for financial expenses and income costs.*

***Carrying amount** is the net amount at which an asset is carried in the balance sheet (taking into consideration accumulated depreciation and any impairment).*

6. Examples of biological assets addressed by this guideline are livestock and poultry, plantations, fish in the fisheries and growing forest.

7. Agricultural produce originates at the end of the life cycle of a biological asset (for example, cut forest; meat in the slaughterhouse) or at the time of harvesting agricultural produce from biological assets (for example, fruit harvested from trees; milk milked from dairy cattle; eggs received from hens).

8. The accounting policies for agricultural produce presented in this guideline shall be applied only for harvesting agricultural produce from biological assets. For the subsequent measurement of agricultural produce, ASBG 4 "*Inventories*" shall be used as the basis.

9. A biological asset could also be an asset that an accounting entity does not own but leases under finance lease.

10. The accounting policies described in this guideline may also be applied to a group of biological assets if it is homogeneous both as to the nature of the group's members as well as the purposes of their use.

ACCOUNTING POLICIES

Initial Recognition and Subsequent Measurement

11. ***Biological assets or agricultural produce is reported in the balance sheet only, if (IFRS for SMEs 34.3):***

(a) ***the item is under the control of the entity;***
(b) ***it is likely that economic benefits will flow to the entity in the future from using the item; and***
(c) ***the fair value of acquisition cost of the asset can be reliably determined without undue cost and effort.***

12. ***An entity shall determine its accounting policy for each class of its biological assets as follows (IFRS for SMEs 34.2, 34.4):***

(a) ***biological assets whose fair value can be reliably determined without undue cost or effort shall be measured on initial recognition and at each reporting date at their fair value less estimated costs to sell (see clauses 15-28);***
(b) ***other biological assets shall be measured using the cost method (see clauses 29-33).***

13. ***Agricultural produce harvested from biological assets shall be measured at its fair value less estimated costs to sell. Such value is also considered as the cost of agricultural produce for its subsequent measurement as an inventory item, based on ASBG 4 "Inventories". (IFRS for SMEs 34.5, 34.9, 13.15) According to this guideline, it is presumed that the fair value of agricultural produce at the point of harvest from a biological asset can always be measured reliably.***

14. ***A micro entity who prepares abridged financial statements, shall recognise all biological assets and agricultural produce at cost (see clauses 29-33).***

15. Costs to sell include, for example, broker commissions, state fees and non-refundable taxes. Costs to sell exclude transport and other costs arising on the distribution of the asset, but such costs shall be taken into consideration when determining fair value.

Example 1 – Recognition of biological assets

An entity owns pigs whose market value as at the reporting date is 100,000 euros. In order to sell the pigs, they should be transported to the agricultural trader for the estimated cost of 10 000 euros. The agricultural trader asks a commission of 5 000 euros for the sale of pigs, hence the company would earn 95 000 euros (less transport costs) for the sale of pigs.

The fair value of biological assets is 90 000 euros (general market value less transport costs to the point of sale). In its balance sheet, the entity records these biological assets at the amount of 85 000 euros (fair value less costs to sell).

Accounting for biological assets using the fair value method

16. In determining the fair value of a biological asset or agricultural produce, the assets may be grouped according to their attributes that are significant in the formation of market prices (e.g., by age or quality).

17. If an entity has entered into a long-term contract for the future sale of biological assets or agricultural produce, the fair value at the reporting date and not the contract price shall be used for measuring a biological asset or agricultural produce at the reporting date. If contract prices are onerous to the entity, a provision shall be set up pursuant to clauses 28-29 of ASBG 8.

18. If an active market exists, the best indicator of the fair value of a biological asset is its market value. The market value is the most favourable price that the seller would receive in an active market for selling an asset or the buyer for buying it. An active market is one where exchangeable goods are similar (homogeneous), it is possible to find buyers and sellers under normal conditions and information on prices is available to the general public. If an entity has access to multiple active markets, prices shall be used from the active market where the entity intends to sell its biological assets. (IFRS for SMEs 34.6 (a)).

19. If an active market does not exist, the following may be used to measure fair value (IFRS for SMEs 34.6 (b)):

(a) the most recent market price, provided that the transaction was concluded between independent parties and there have been no significant changes in economic circumstances between the date of that transaction and the reporting date;
(b) market prices for similar assets, adjusted with the effect of existing differences; and
(c) value derived from a comparative analysis in the agricultural sector.

20. In some cases it is possible to reliably determine the fair value of a biological asset without undue cost or effort even if prices based on market information are unavailable. An entity must consider if the discounted net cash flow model (see clauses 21-22) enables to reliably determine fair value. (IFRS for SMEs 34.6 (d))

21. The objective of the application of the discounted cash flow model is to determine the fair value of a biological asset in under present conditions. An entity shall determine the present value of expected cash flows based on the net cash flows expected by market participants from the biological asset in its most relevant market, discounted at a market interest rate. (IFRS for SMEs 34.6 (d))

22. In applying the discounted net cash flow model, the cash flows arising from the use of the asset shall be measured and their present value shall be calculated. The calculation of the present value of the expected net cash flows generated by a biological asset is similar to the calculation of the value in use of property, plant and equipment and intangible assets in accordance with ASBG 5 "Property, Plant and Equipment and Intangible Assets". In determining the fair value of a biological asset based on the net cash flow model, no consideration shall be given to cash flows for financing the assets, taxation, or re-establishing biological assets (e.g. the cost of replanting trees in a plantation after harvest).

Example 2 – Determining the fair value of a biological asset at discounted cash flow method

An entity owns a ten-year-old berry plantation that according to the management's estimate will be held for the next ten years. Neither a significant increase nor a decrease in the yield of the berry plantation is forecast for the next ten years. According to the management, the estimated discount rate applicable for berry growing companies is 10% per annum and a 10-year period is used for discounting purposes.

The management of the entity prepared an estimate for the cash flows received from the sale of berries and the cash flows relating to the maintenance of the berry plantation for the next 10 years. As a result of the estimates, the net cash flow is 30,000 euros per year.

By discounting this cash flow by 10% and using a 10-year period, the present value of the cash flow is 184,337 euros. This amount may be considered as the fair value of the berry plantation.

23. In determining the fair value, the cost of a biological asset may be used, if:

(a) after the acquisition, the asset has significantly not changed biologically (e.g. apple trees planted before the reporting date); or

(b) the impact of biological change on the cost of asset is insignificant (e.g. biological attributes of a 40-year-old pinewood do not changes notable over six months after acquisition).

Example 3 – Determining the fair value of a biological asset by the attributes of a biological asset

An entity grows spruce plants to be sold as Christmas trees. According to this guideline the entity is required to record spruce plants at their fair value (less costs to sell) in its balance sheet. There exists an active market for spruce plants that are five years and older.

The company may use the following policies in determining fair value:
(a) Up to two-year-old spruce plants whose fair value does not differ significantly from their cost shall be recognised at cost in the balance sheet (based on clause 23 of this guideline).

(b) Two to five-year-old spruce plants for which there exists no active market, but whose fair value as a result of a biological transformation differs significantly from their cost, shall be recognised under the discounted cash flow method (based on clauses 20-22 of this guideline). By using the discounted cash flow method, the entity estimates the cash flows relating to growing spruce plants until they are five years old and their estimated market value when they are five years old. The present value of cash flows relating to growing spruce plants and their potential sale is considered as the fair value of these spruce plants.

(c) In determining the fair value of plants of five years and older, the market value of plants will be used as the basis (based on clauses 18-19 of this guideline).

24. An estimate of fair value depends on the date of the estimation. If the estimation of value takes place before or after the reporting date, the events that occurred between the reporting date and the estimation date that may impact the value of the asset should be considered when measuring a biological asset in the balance sheet.

25. If biological assets are physically attached to land and the fair value of biological assets cannot be determined reliably, but there exists an active market for biological assets together with land (e.g. registered immovables in a forest), then the combined value of assets less the value of land shall be used as the basis of valuation.

Gains and Losses

26. ***The gains and losses arising from initial recognition of a biological asset at its fair value (less estimated costs to sell) as well as from subsequent changes in fair value shall be recognised in the income statement of the accounting period. (IFRS for SMEs 34.4).***

27. A gain may arise on the initial recognition of a biological asset when a new asset has arisen as a result of procreation (e.g. a calf is born). A loss may arise on the initial recognition of a biological asset when the estimated costs to sell are larger than the fair value of the asset.

28. ***Gains and losses arising on the initial recognition of agricultural produce at fair value (less estimated costs to sell) shall be recognised in the income statement of the accounting period.***

Accounting for biological assets using the cost method

29. ***The entity shall measure at cost less accumulated depreciation and any accumulated impairment losses those biological assets whose fair value cannot be determined without undue cost or effort. (IFRS for SMEs 34.8).***

30. The estimation of fair value of some rare or non-tradable biological assets (e.g. competition horses, forest under environmental protection) may be impossible as there is no active market for the assets and the cash flows arising from the asset cannot be determined reliably.

31. Once the estimation of the fair value of a biological asset measured using the cost method becomes possible without undue cost or effort, the asset shall be measured at its fair value less costs to sell.

32. For determining the cost, accumulated depreciation and impairment losses, the policies described in ASBG 4 "Inventories" and ASBG 5 "Property, Plant and Equipment and Intangible Assets" shall be used as the basis.

33. The capitalisation of expenditures related to biological assets measured using the cost method during their useful lives is permitted only if these expenditures meet the criteria for capitalisation as provided by ASBG 5 "Property, Plant and Equipment and Intangible Assets".

Example 4 – Determining the cost of a biological asset in a situation when the fair value cannot be measured reliably without undue cost or effort

An entity owns a 10-goat herd of a breed that is rare in Estonia, as a result of which their market value cannot be determined reliably. As the entity lacks a long-term experience in raising livestock of this particular breed, there is also no reliable basis for measuring their fair value under the discounted net cash flow model.

In 20X1, five new kids were born. In the reporting year, goats produced on average 600 litres of milk per head. The direct and indirect costs to raise the herd (animal feed, wages of milkers, barn maintenance costs, depreciation, etc.) in the amount of 5 000 euros were charged to period expenses in the income statement.

Based on the estimated proportions of the market price of milk collected and the new kids born during the year, 90% of the maintenance costs of the herd is considered as the cost of milk and 10% as the cost of kids.

Hence the cost of new assets added in 20X1 is:

a) the cost of one litre of milk of 0.75 euros [(0.9×5 000)/(10×600)]
b) the cost of one kid of 100 euros (0.1×5 000)/5

The recognition of kids born in 20X1:

D	Biological assets (kids, asset account)	500

C Gain/loss from biological assets 500

Over the following years, the value of kids born in 20X1 will be increased based on actual production costs until they are included in the main herd. After the inclusion in the main herd, the increase of the cost of individual goats will be stopped. If the fair value of the goat herd is reliably determinable without undue cost or effort, the herd must be accounted for at fair value on the balance sheet.

The milk collected in the accounting period is agricultural produce which is recognised at the fair value of the asset:

D Agricultural produce (milk, inventories)

C Agricultural produce (income; in the income statement, a change in the balances of agricultural produce)

The further processing of milk that has been recognised shall be accounted for in accordance with ASBG 4 "Inventories".

RECOGNITION IN THE BALANCE SHEET AND INCOME STATEMENT

34. ***Biological assets shall be recognised in separate balance sheet items either in the non-current asset or current asset group. Only such a biological asset shall be measured as a current asset that has been acquired for the purpose of resale or it shall be sold during the normal business cycle of an entity. If the purpose for holding a biological asset is not definitely known, then the classification of such a biological asset in the balance sheet shall be based on the management's estimate with regard to its most probable purpose of use.***

35. It is recommended to classify biological assets in the financial statements by main groups. For example, assets may be classified as consumable assets (assets that can be transformed into agricultural produce or resold) and bearer assets (assets held for the production of agricultural produce). Consumable assets are biological assets held for resale, livestock intended for the production of meat, fish in a fishery and a forest being grown for timber. Bearer assets are, for example, dairy livestock, hens laying eggs and a fruit tree plantation. In general, bearer assets are included in the property, plant and equipment group, consumable assets either in the non-current or current assets group depending on the period of use of these assets.

36. It is also recommended to classify biological assets as mature or immature assets based on their stage of completion. Consumable assets are considered mature when they have attained harvestable specifications and bearer assets are considered mature when they are able to produce agricultural produce.

37. Gains and losses from revaluation of biological assets accounted for at fair value shall be recognised as a separate item "Gain (loss) from biological assets" in the income statement. Upon initial recognition, the fair value of agricultural produce shall be recognised in the income statement as a change in the balances of inventories of agricultural produce. An example of the recognition of gains/losses arising from the revaluation of biological assets is provided in Note 1 of this guideline.

COMPARISON WITH IFRS FOR SMES

38. The accounting methods prescribed in ASBG 7 for biological assets and agricultural produce are in compliance with the accounting policies prescribed in section 34 of IFRS for SMEs.

39. Unlike ASBG 7, IFRS for SMEs does not prescribe specific rules for the presentation of biological assets in the balance sheet and the presentation of gains and losses arising from them in the income statement.

NOTE

Example of measuring biological assets and agricultural produce under the fair value method

The following example illustrates one potential way of accounting for biological assets and agricultural produce in an entity's books. In this example, costs incurred for growing biological assets and producing agricultural produce are expensed as incurred and the respective biological assets and agricultural produce are recognised in the balance sheet (or are revalued in the balance sheet) as a result of physical inventories. Expenses are accounted for in accordance with their nature (Format 1 of income statement provided in the Accounting Act).
It is presumed in this example that the fair value of biological assets and agricultural produce can be measured reliably without undue cost or effort.

Economic Transactions

1. In spring, an entity acquired barley seeds for 10 000 euros and fertilizers and pesticides for 22 000 euros.

D	Raw materials and materials; seeds (inventories)	10,000
D	Raw materials and materials; fertilizers and pesticides (inventories)	22,000
C	Cash	32,000

2. The entity ordered agricultural work for 40,000 euros, including the sowing of seeds and use of fertilizers and pesticides.

D	Goods, raw materials and services (expenses)	72,000
C	Cash	40,000
C	Raw materials and materials; seeds (inventories)	10,000
C	Raw materials and materials; fertilizers and pesticides (inventories)	22,000
D	Immature consumable biological assets; grains (inventories)	72,000
C	Gain/loss from biological assets (income; growth of biological assets)	72,000

3. The entity ordered harvesting and drying of grain for the total cost of 40,000 euros. The crop totalled 800 tonnes of barley. To produce this, a total of (72 000 + 40 000 =) 112 000 euros was spent. Therefore, the cost of one tonne was 112 000 / 800 = 140 euros. At the same time, the procurement price of the bin of grain is 160 euros per tonne and the market value of the crop was (160×800 =) 128 000 euros.

D	Goods, raw materials and services (expenses)	40,000
C	Cash	40,000
D	Agricultural produce (inventories in the balance sheet)	128,000
C	Agricultural produce (income; in the income statement, a change in the balances of agricultural produce)	128,000
C	Immature consumable biological assets; grains (inventories)	72,000
D	Change in balance of agricultural produce (income statement)	72,000

4. The entity sold 100 tonnes at a price higher than the market price, i.e. 200 euros per tonne.

D	Cash	20,000
C	Revenue	20,000
D	Cost of agricultural produce sold (a change in the balance of agricultural produce in the income statement)	16,000
C	Agricultural produce (inventories in the balance sheet)	16,000

5. 300 tonnes of barley (300 × 160 = 48,000) will be processed into fodder. 10 000 euros will be spent on it.

D	Goods, raw materials and services (expenses)	10,000
C	Cash	10,000
D	Agricultural produce for internal use; (expense, a change in the balance of agricultural produce in the income statement)	48,000
C	Agricultural produce (inventories in the balance sheet)	48,000

After these entries, the fodder has been fully expensed and it is not recorded in inventories. In this case there will be no more entries at the time of feeding and the balance will be adjusted at the end of the year through the change in the balances of produce. The sale of fodder results only in revenue (without the accompanying expenses).

If an entity wishes to keep current records of the balances of fodder and expenses, then fodder shall immediately be recognised as inventories.

D	Agricultural produce; fodder (inventories)	58,000
C	Change in balance of agricultural produce (income statement)	58,000

6. 80% of fodder (0.8 × 58 000 = 46 400) will be used internally for fodder and 20% (0.2 × 58 000 = 11 600) will be sold to others for 15 000 euros.

D	Change in balance of agricultural produce (income statement)	46,400
C	Produce (inventories)	46,400
D	Cash/receivable	15,000
C	Revenue	15,000
D	Change in balance of agricultural produce (income statement)	11,600
C	Produce (inventories)	11,600

7. The entity ordered autumn ploughing from a machine association in the amount of 20 000 euros.

D	Goods, raw materials and services (expenses)	20,000
C	Cash	20,000
D	Work-in-progress (inventories)	20,000
C	Change in balance of agricultural produce (income statement)	20,000

8. The entity purchased seeds and sowed winter rye to half of the ploughed soil. It cost 5 000 euros.

D	Goods, raw materials and services (expenses)	5,000
C	Cash	5,000
D	Immature consumable biological assets; winter crop (inventories)	5,000
C	Gain/loss from biological assets (income; growth of biological assets)	5,000
D	Change in balance of agricultural produce (income statement)	10,000
C	Work-in-progress (inventories)	10,000
D	Immature consumable biological assets; winter crop (inventories)	10,000
C	Gain/loss from biological assets (income; growth of biological assets)	10,000

Since there is no active market for winter crop and the determination of discounted cash flows is difficult (clauses 18-20) and between the ploughing and the year-end, the effect of the biological transformation of winter crop on the cost is not material (clause 23), then in this case the determination of the fair value of biological assets based on cost (expenses incurred) is justified.

9. The entity acquired a 50-head dairy livestock for 60 000 euros, the cost of one cow being 1 200 euros.

D	Mature bearer biological assets (non-current assets)	60,000
C	Cash	60,000

10. During the year, 20 new female calves and 20 male calves were born. The market price of one female calf is 80 euros and that of a male calf 30 euros. The intention is to raise four male calves and to sell 16 male calves at the first opportunity before they are four months old. Therefore, the market value of female calves is 1 600 euros (20×80), that of male calves to be raised 120 euros (4×30) and that of male calves to be sold quickly 480 euros (16×30).

D	Mature consumable biological assets (inventories)	480
D	Immature consumable biological assets (inventories)	120
D	Immature bearer biological assets (tangible assets)	1,600
C	Gain/loss from biological assets (income; growth of biological assets)	2,200

Although male calves are raised for almost two years, they are still carried in the balance sheet as current assets (immature consumable biological assets). They are being raised for resale and in this case, their regular (business) cycle is ca two years (see clause 34).

11. Ten male calves for sale were sold for 800 euros (each for 80 euros) and a contract was concluded to sell the remaining six male calves for 1,200 euros (each for 200) at the beginning of next year. Before the sale, the carrying amount of one calf was 30 euros, i.e. the total cost of ten sold calves was 300 euros.

D	Cash	800
C	Revenue	800
D	Gain/loss from biological assets (expense; cost of biological assets sold)	300

C	Mature consumable biological assets (inventories)	300

The contract entered into is not recorded for accounting purposes before conclusion of the transaction, but it shall be considered when preparing the financial statements and it shall be determined whether the contract is an onerous contract on the basis of which a provision should be set up (see transaction No. 16).

12. The entity had to sell five calves for 2,500 euros to the meat industry, each for the price of 500 euros. Before the sale, the carrying amount of one cow was 1200 euros. Therefore, the entity incurred a loss of 700 euros on each cow (1 200 – 500) and a total loss of 3 500 euros (6 000 – 2 500).

D	Cash	2,500
D	Gain/loss from biological assets (expense; cost of biological assets sold)	6,000
C	Revenue	2,500
C	Mature bearer biological assets (non-current assets)	6,000

The cows are considered as non-current assets in the balance sheet, but their sale is recorded as revenue because it is one of the main activities of the entity engaged in cattle breeding.
In accordance with ASBG 2, clause 28, only transactions relating to non-core activities shall be offset. In other cases, only the respective profits/losses shall be recognised in the income statement upon the sale on non-current assets, because it is mostly a non-core activity.

13. During the year, the cows produced a total of 315 tonnes of milk. Of this, 300 tonnes were sold to the dairy industry at the price of 0.3 euros per litre (300,000× 0,3 = 90,000) and 15 tonnes were given to the calves. As lower quality milk was used internally, its market price was calculated as 0.2 euros per litre (15 000 × 0.2 = 3 000).

D	Agricultural produce (milk, inventories)	93,000
C	Change in balance of agricultural produce (income statement)	93,000
D	Cash/receivable	90,000
C	Revenue	90,000
D	Cost of agricultural produce sold (expenses; in the income statement, a change in the balances of agricultural produce)	90,000
C	Agricultural produce (milk, inventories)	90,000
D	Agricultural produce for internal use; (expense, a change in the balance of agricultural produce in the income statement)	3,000
C	Agricultural produce (milk, inventories)	3,000

Because the sale and use of milk occurs immediately after its production (as a result of which no major inventories remain in the balance sheet), then the production, sale and internal use of milk may be recognised without accounting for them in inventories.

D	Cash/receivable	90,000
C	Revenue	90,000
D	Agricultural produce sold (income; in the income statement, a change in the	90,000

	balances of agricultural produce)	
D	Agricultural produce for internal use; (a change in the balance of agricultural produce in the income statement)	3,000
C	Agricultural produce (income; in the income statement, a change in the balances of agricultural produce)	93,000

14. During the year, miscellaneous expenses were incurred and depreciation was charged.

D	Other operating expenses	20,000
D	Staff costs	40,000
D	Depreciation	5,000
C	Accumulated depreciation on non-current assets	5,000
C	Cash	60,000

15. At the end of the financial year (as of 31.12.20X1) biological assets were revalued to fair value (see the following table).

Asset	Carrying amount before revaluation	Market value 31.12.20X1	Change in carrying amount
Immature consumable biological assets. Male calves to be raised (4)	120	1,200	+1,080
Mature consumable biological assets. Male calves for sale (6)	180	1,500	+1,320
Immature bearer biological assets. Female calves (20)	1,600	5,000	+3,400
Mature bearer biological assets. Main herd (45 cows)	54,000	49,500	-4,500
Total	55,900	57,200	1,300

D	Immature consumable biological assets (inventories)	1,080
D	Mature consumable biological assets (inventories)	1,320
D	Immature bearer biological assets (non-current assets)	3,400
C	Mature bearer biological assets (non-current assets)	4,500
C	Loss/loss from biological assets (income; gain from increase in value of biological asset)	1,300

16. In accordance with the contract entered into during the sale of bulls (see transaction No. 11), the entity is required to sell six bulls for 200 euros each at the beginning of next year. After the revaluation (see transaction 15) their carrying amount is 250 euros each. This means that entity will likely incur a loss of 300 euros ((250–200)×6) on their sale pursuant to the contract. Therefore, the entity has entered into an onerous contract for which a provision shall be set up.

D	Loss from decrease in value of biological assets	300
C	Short-term provision (short-term liability)	300

As a result of the above-presented business transactions, the entity's income statement for 20X1 will be as follows:

Revenue	128,300
Change in balance of agricultural produce	-8,000
Agricultural produce produced	149,000
Cost of agricultural produce sold (minus)	-106,000
Agricultural produce for internal use (minus)	-51,000
Gain (loss) from biological assets	83,900
Growth of biological assets	89,200
Cost of biological assets sold (minus)	-6,300
Gain from growth in value of biological assets	1,300
Loss from decrease in value of biological assets (minus)	-300
Change in finished goods and work-in-progress (non-agricultural activity)	10,000
Goods, raw materials and services	147,000
Other operating expenses	20,000
Staff costs	40,000
Depreciation	5,000
OPERATING PROFIT	2,200