

Sri Lanka Accounting Standard-LKAS 41

Agriculture

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**SRI LANKA ACCOUNTING STANDARD-LKAS 41
AGRICULTURE**

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Agriculture

Sri Lanka Accounting Standard LKAS 41 *Agriculture* is set out in paragraphs 1–58. All the paragraphs have equal authority. LKAS 41 should be read in the context of its objective, the *Preface to Sri Lanka Accounting Standards* and the *Framework for the Preparation and Presentation of Financial Statements*. LKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Objective

The objective of this Standard is to prescribe the accounting treatment and disclosures related to agricultural activity.

Scope

- 1 **This Standard shall be applied to account for the following when they relate to agricultural activity:**
 - (a) **biological assets;**
 - (b) **agricultural produce at the point of harvest; and**
 - (c) **government grants covered by paragraphs 34 and 35.**
- 2 This Standard does not apply to:
 - (a) land related to agricultural activity (see LKAS 16 *Property, Plant and Equipment* and LKAS 40 *Investment Property*); and
 - (b) intangible assets related to agricultural activity (see LKAS 38 *Intangible Assets*).
- 3 This Standard is applied to agricultural produce, which is the harvested product of the entity's biological assets, only at the point of harvest. Thereafter, LKAS 2 *Inventories* or another applicable Standard is applied. Accordingly, this Standard does not deal with the processing of agricultural produce after harvest; for example, the processing of grapes into wine by a vintner who has grown the grapes. While such processing may be a logical and natural extension of agricultural

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activity, and the events taking place may bear some similarity to biological transformation, such processing is not included within the definition of agricultural activity in this Standard.

- 4 The table below provides examples of biological assets, agricultural produce, and products that are the result of processing after harvest:

Biological assets	Agricultural produce	Products that are the result of processing after harvest
Sheep	Wool	Yarn, carpet
Trees in a plantation forest	Felled trees	Logs, lumber
Plants	Cotton	Thread, clothing
	Harvested cane	Sugar
Dairy cattle	Milk	Cheese
Pigs	Carcass	Sausages, cured hams
Bushes	Leaf	Tea, cured tobacco
Vines	Grapes	Wine
Fruit trees	Picked fruit	Processed fruit

Definitions

Agriculture-related definitions

- 5 The following terms are used in this Standard with the meanings specified:

Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets.

Agricultural produce is the harvested product of the entity's biological assets.

A biological asset is a living animal or plant.

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

Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.

A group of biological assets is an aggregation of similar living animals or plants.

Harvest is the detachment of produce from a biological asset or the cessation of a biological asset's life processes.

- 6 Agricultural activity covers a diverse range of activities; for example, raising livestock, forestry, annual or perennial cropping, cultivating orchards and plantations, floriculture and aquaculture (including fish farming). Certain common features exist within this diversity:
- (a) *Capability to change.* Living animals and plants are capable of biological transformation;
 - (b) *Management of change.* Management facilitates biological transformation by enhancing, or at least stabilising, conditions necessary for the process to take place (for example, nutrient levels, moisture, temperature, fertility, and light). Such management distinguishes agricultural activity from other activities. For example, harvesting from unmanaged sources (such as ocean fishing and deforestation) is not agricultural activity; and
 - (c) *Measurement of change.* The change in quality (for example, genetic merit, density, ripeness, fat cover, protein content, and fibre strength) or quantity (for example, progeny, weight, cubic metres, fibre length or diameter, and number of buds) brought about by biological transformation or harvest is measured and monitored as a routine management function.
- 7 Biological transformation results in the following types of outcomes:
- (a) asset changes through (i) growth (an increase in quantity or improvement in quality of an animal or plant), (ii) degeneration (a decrease in the quantity or deterioration in quality of an animal or plant), or (iii) procreation (creation of additional living animals or plants); or
 - (b) production of agricultural produce such as latex, tea leaf, wool, and milk.

General definitions

- 8 The following terms are used in this Standard with the meanings specified:

An active market is a market where all the following conditions exist:

- (a) the items traded within the market are homogeneous;
- (b) willing buyers and sellers can normally be found at any time; and
- (c) prices are available to the public.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

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

Government grants are as defined in LKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.

- 9 The fair value of an asset is based on its present location and condition. As a result, for example, the fair value of cattle at a farm is the price for the cattle in the relevant market less the transport and other costs of getting the cattle to that market.

Recognition and measurement

- 10 An entity shall recognise a biological asset or agricultural produce when, and only when:

- (a) the entity controls the asset as a result of past events;
- (b) it is probable that future economic benefits associated with the asset will flow to the entity; and
- (c) the fair value or cost of the asset can be measured reliably.

- 11 In agricultural activity, control may be evidenced by, for example, legal ownership of cattle and the branding or otherwise marking of the cattle on acquisition, birth, or weaning. The future benefits are normally assessed by measuring the significant physical attributes.
- 12 **A biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except for the case described in paragraph 30 where the fair value cannot be measured reliably.**
- 13 **Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying LKAS 2 *Inventories* or another applicable Standard.**
- 14 [Deleted]
- 15 The determination of fair value for a biological asset or agricultural produce may be facilitated by grouping biological assets or agricultural produce according to significant attributes; for example, by age or quality. An entity selects the attributes corresponding to the attributes used in the market as a basis for pricing.
- 16 Entities often enter into contracts to sell their biological assets or agricultural produce at a future date. Contract prices are not necessarily relevant in determining fair value, because fair value reflects the current market in which a willing buyer and seller would enter into a transaction. As a result, the fair value of a biological asset or agricultural produce is not adjusted because of the existence of a contract. In some cases, a contract for the sale of a biological asset or agricultural produce may be an onerous contract, as defined in LKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. LKAS 37 applies to onerous contracts.
- 17 If an active market exists for a biological asset or agricultural produce in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset. If an entity has access to different active markets, the entity uses the most relevant one. For example, if an entity has access to two active markets, it would use the price existing in the market expected to be used.

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- 18 If an active market does not exist, an entity uses one or more of the following, when available, in determining fair value:
- (a) the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the end of the reporting period;
 - (b) market prices for similar assets with adjustment to reflect differences; and
 - (c) sector benchmarks such as the value of an orchard expressed per export tray, bushel, or hectare, and the value of cattle expressed per kilogram of meat.
- 19 In some cases, the information sources listed in paragraph 18 may suggest different conclusions as to the fair value of a biological asset or agricultural produce. An entity considers the reasons for those differences, in order to arrive at the most reliable estimate of fair value within a relatively narrow range of reasonable estimates.
- 20 In some circumstances, market-determined prices or values may not be available for a biological asset in its present condition. In these circumstances, an entity uses the present value of expected net cash flows from the asset discounted at a current market-determined rate in determining fair value.
- 21 The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition. An entity considers this in determining an appropriate discount rate to be used and in estimating expected net cash flows. In determining the present value of expected net cash flows, an entity includes the net cash flows that market participants would expect the asset to generate in its most relevant market.
- 22 An entity does not include any cash flows for financing the assets, taxation, or re-establishing biological assets after harvest (for example, the cost of replanting trees in a plantation forest after harvest).
- 23 In agreeing an arm's length transaction price, knowledgeable, willing buyers and sellers consider the possibility of variations in cash flows. It follows that fair value reflects the possibility of such variations. Accordingly, an entity incorporates expectations about possible variations in cash flows into either the expected cash flows, or the discount rate, or some combination of the two. In determining a

discount rate, an entity uses assumptions consistent with those used in estimating the expected cash flows, to avoid the effect of some assumptions being double-counted or ignored.

- 24 Cost may sometimes approximate fair value, particularly when:
- (a) little biological transformation has taken place since initial cost incurrence (for example, for fruit tree seedlings planted immediately prior to the end of a reporting period); or
 - (b) the impact of the biological transformation on price is not expected to be material (for example, for the initial growth in a 30-year pine plantation production cycle).
- 25 Biological assets are often physically attached to land (for example, trees in a plantation forest). There may be no separate market for biological assets that are attached to the land but an active market may exist for the combined assets, that is, for the biological assets, raw land, and land improvements, as a package. An entity may use information regarding the combined assets to determine fair value for the biological assets. For example, the fair value of raw land and land improvements may be deducted from the fair value of the combined assets to arrive at the fair value of biological assets.

Gains and losses

- 26 **A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in profit or loss for the period in which it arises.**
- 27 A loss may arise on initial recognition of a biological asset, because costs to sell are deducted in determining fair value less costs to sell of a biological asset. A gain may arise on initial recognition of a biological asset, such as when a calf is born.
- 28 **A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell shall be included in profit or loss for the period in which it arises.**
- 29 A gain or loss may arise on initial recognition of agricultural produce as a result of harvesting.

Inability to measure fair value reliably

- 30** There is a presumption that fair value can be measured reliably for a biological asset. However, that presumption can be rebutted only on initial recognition for a biological asset for which market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such a case, that biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such a biological asset becomes reliably measurable, an entity shall measure it at its fair value less costs to sell. Once a non-current biological asset meets the criteria to be classified as held for sale (or is included in a disposal group that is classified as held for sale) in accordance with SLFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, it is presumed that fair value can be measured reliably.
- 31 The presumption in paragraph 30 can be rebutted only on initial recognition. An entity that has previously measured a biological asset at its fair value less costs to sell continues to measure the biological asset at its fair value less costs to sell until disposal.
- 32 In all cases, an entity measures agricultural produce at the point of harvest at its fair value less costs to sell. This Standard reflects the view that the fair value of agricultural produce at the point of harvest can always be measured reliably.
- 33 In determining cost, accumulated depreciation and accumulated impairment losses, an entity considers LKAS 2 *Inventories*, LKAS 16 *Property, Plant and Equipment* and LKAS 36 *Impairment of Assets*.

Government grants

- 34** An unconditional government grant related to a biological asset measured at its fair value less costs to sell shall be recognised in profit or loss when, and only when, the government grant becomes receivable.
- 35** If a government grant related to a biological asset measured at its fair value less costs to sell is conditional, including when a government grant requires an entity not to engage in specified agricultural activity, an entity shall recognise the government grant

in profit or loss when, and only when, the conditions attaching to the government grant are met.

- 36 Terms and conditions of government grants vary. For example, a grant may require an entity to farm in a particular location for five years and require the entity to return all of the grant if it farms for a period shorter than five years. In this case, the grant is not recognised in profit or loss until the five years have passed. However, if the terms of the grant allow part of it to be retained according to the time that has elapsed, the entity recognises that part in profit or loss as time passes.
- 37 If a government grant relates to a biological asset measured at its cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30), LKAS 20 is applied.
- 38 This Standard requires a different treatment from LKAS 20, if a government grant relates to a biological asset measured at its fair value less costs to sell or a government grant requires an entity not to engage in specified agricultural activity. LKAS 20 is applied only to a government grant related to a biological asset measured at its cost less any accumulated depreciation and any accumulated impairment losses.

Disclosure

- 39 [Deleted]

General

- 40 **An entity shall disclose the aggregate gain or loss arising during the current period on initial recognition of biological assets and agricultural produce and from the change in fair value less costs to sell of biological assets.**
- 41 **An entity shall provide a description of each group of biological assets.**
- 42 The disclosure required by paragraph 41 may take the form of a narrative or quantified description.
- 43 An entity is encouraged to provide a quantified description of each group of biological assets, distinguishing between consumable and bearer biological assets or between mature and immature biological assets, as appropriate. For example, an entity may disclose the carrying

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amounts of consumable biological assets and bearer biological assets by group. An entity may further divide those carrying amounts between mature and immature assets. These distinctions provide information that may be helpful in assessing the timing of future cash flows. An entity discloses the basis for making any such distinctions.

- 44 Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets. Examples of consumable biological assets are livestock intended for the production of meat, livestock held for sale, fish in farms, crops such as maize and wheat, and trees being grown for lumber. Bearer biological assets are those other than consumable biological assets; for example, livestock from which milk is produced, grape vines, fruit trees, and trees from which firewood is harvested while the tree remains. Bearer biological assets are not agricultural produce but, rather, are self-regenerating.
- 45 Biological assets may be classified either as mature biological assets or immature biological assets. Mature biological assets are those that have attained harvestable specifications (for consumable biological assets) or are able to sustain regular harvests (for bearer biological assets).
- 46 If not disclosed elsewhere in information published with the financial statements, an entity shall describe:**
- (a) the nature of its activities involving each group of biological assets; and**
 - (b) non-financial measures or estimates of the physical quantities of:**
 - (i) each group of the entity's biological assets at the end of the period; and**
 - (ii) output of agricultural produce during the period.**
- 47 **An entity shall disclose the methods and significant assumptions applied in determining the fair value of each group of agricultural produce at the point of harvest and each group of biological assets.**
- 48 **An entity shall disclose the fair value less costs to sell of agricultural produce harvested during the period, determined at the point of harvest.**

- 49 An entity shall disclose:**
- (a) the existence and carrying amounts of biological assets whose title is restricted, and the carrying amounts of biological assets pledged as security for liabilities;**
 - (b) the amount of commitments for the development or acquisition of biological assets; and**
 - (c) financial risk management strategies related to agricultural activity.**
- 50 An entity shall present a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period. The reconciliation shall include:**
- (a) the gain or loss arising from changes in fair value less costs to sell;**
 - (b) increases due to purchases;**
 - (c) decreases attributable to sales and biological assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with SLFRS 5;**
 - (d) decreases due to harvest;**
 - (e) increases resulting from business combinations;**
 - (f) net exchange differences arising on the translation of financial statements into a different presentation currency, and on the translation of a foreign operation into the presentation currency of the reporting entity; and**
 - (g) other changes.**
- 51** The fair value less costs to sell of a biological asset can change due to both physical changes and price changes in the market. Separate disclosure of physical and price changes is useful in appraising current period performance and future prospects, particularly when there is a production cycle of more than one year. In such cases, an entity is encouraged to disclose, by group or otherwise, the amount of change in fair value less costs to sell included in profit or loss due to physical changes and due to price changes. This information is generally less

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useful when the production cycle is less than one year (for example, when raising chickens or growing cereal crops).

- 52 Biological transformation results in a number of types of physical change— growth, degeneration, production, and procreation, each of which is observable and measurable. Each of those physical changes has a direct relationship to future economic benefits. A change in fair value of a biological asset due to harvesting is also a physical change.
- 53 Agricultural activity is often exposed to climatic, disease and other natural risks. If an event occurs that gives rise to a material item of income or expense, the nature and amount of that item are disclosed in accordance with LKAS 1 *Presentation of Financial Statements*. Examples of such an event include an outbreak of a virulent disease, a flood, a severe drought or frost, and a plague of insects.

Additional disclosures for biological assets where fair value cannot be measured reliably

- 54 **If an entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30) at the end of the period, the entity shall disclose for such biological assets:**
- (a) a description of the biological assets;**
 - (b) an explanation of why fair value cannot be measured reliably;**
 - (c) if possible, the range of estimates within which fair value is highly likely to lie;**
 - (d) the depreciation method used;**
 - (e) the useful lives or the depreciation rates used; and**
 - (f) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.**
- 55 **If, during the current period, an entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30), an entity shall disclose any gain or loss recognised on disposal of such biological assets and the reconciliation required by paragraph 50 shall disclose amounts**

related to such biological assets separately. In addition, the reconciliation shall include the following amounts included in profit or loss related to those biological assets:

- (a) impairment losses;
- (b) reversals of impairment losses; and
- (c) depreciation.

56 If the fair value of biological assets previously measured at their cost less any accumulated depreciation and any accumulated impairment losses becomes reliably measurable during the current period, an entity shall disclose for those biological assets:

- (a) a description of the biological assets;
- (b) an explanation of why fair value has become reliably measurable; and
- (c) the effect of the change.

Government grants

57 An entity shall disclose the following related to agricultural activity covered by this Standard:

- (a) the nature and extent of government grants recognised in the financial statements;
- (b) unfulfilled conditions and other contingencies attaching to government grants; and
- (c) significant decreases expected in the level of government grants.

Effective date and transition

58 This Standard becomes operative for annual financial statements covering periods beginning on or after 1 January 2012. Earlier application is encouraged. If an entity applies this Standard for periods beginning before 1 January 2012, it shall disclose that fact.

59 [Deleted]

60 [Deleted]

Appendix

Illustrative examples

This appendix accompanies, but is not part of, LKAS 41.

- A1 Example 1 illustrates how the disclosure requirements of this Standard might be put into practice for a dairy farming entity. This Standard encourages the separation of the change in fair value less costs to sell of an entity's biological assets into physical change and price change. That separation is reflected in Example 1. Example 2 illustrates how to separate physical change and price change.
- A2 The financial statements in Example 1 do not conform to all of the disclosure and presentation requirements of other Standards. Other approaches to presentation and disclosure may also be appropriate.

Example 1 XYZ Dairy Ltd

Statement of financial position

XYZ Dairy Ltd Statement of financial position	Notes	31 December 20X1	31 December 20X0
ASSETS			
Non-current assets			
Dairy livestock – immature ^(a)		52,060	47,730
Dairy livestock – mature ^(a)		372,990	411,840
Subtotal – biological assets	3	425,050	459,570
Property, plant and equipment		1,462,650	1,409,800
Total non-current assets		1,887,700	1,869,370
Current assets			
Inventories		82,950	70,650
Trade and other receivables		88,000	65,000
Cash		10,000	10,000
Total current assets		180,950	145,650
Total assets		2,068,650	2,015,020
EQUITY AND LIABILITIES			
Equity			
Issued capital		1,000,000	1,000,000
Retained earnings		902,828	865,000
Total equity		1,902,828	1,865,000
Current liabilities			
Trade and other payables		165,822	150,020
Total current liabilities		165,822	150,020
Total equity and liabilities		2,068,650	2,015,020

[a] An entity is encouraged, but not required, to provide a quantified description of each group of biological assets, distinguishing between consumable and bearer biological assets or between mature and immature biological assets, as appropriate. An entity discloses the basis for making any such distinctions.

Statement of comprehensive income *

XYZ Dairy Ltd Statement of comprehensive income	Notes	Year ended 31 December 20X1
Fair value of milk produced		518,240
Gains arising from changes in fair value less costs to sell of dairy livestock	3	39,930
		558,170
Inventories used		(137,523)
Staff costs		(127,283)
Depreciation expense		(15,250)
Other operating expenses		(197,092)
		(477,148)
Profit from operations		81,022
Income tax expense		(43,194)
Profit/comprehensive income for the year		37,828

* This statement of comprehensive income presents an analysis of expenses using a classification based on the nature of expenses. LKAS 1 *Presentation of Financial Statements* requires that an entity present, either in the statement of comprehensive income or in the notes, an analysis of expenses using a classification based on either the nature of expenses or their function within the entity. LKAS 1 encourages presentation of an analysis of expenses in the statement of comprehensive income.

Statement of changes in equity

XYZ Dairy Ltd Year ended 31 December 20X1
Statement of changes in equity

	Share capital	Retained earnings	Total
Balance at 1 January 20X1	1,000,000	865,000	1,865,000
Profit/comprehensive income for the year		37,828	37,828
Balance at 31 December 20X1	<u>1,000,000</u>	<u>902,828</u>	<u>1,902,828</u>

Statement of cash flows*

XYZ Dairy Ltd Notes
Statement of cash flows Year ended
31 December 20X1

Cash flows from operating activities		
Cash receipts from sales of milk		498,027
Cash receipts from sales of livestock		97,913
Cash paid for supplies and to employees		(460,831)
Cash paid for purchases of livestock		(23,815)
		111,294
Income taxes paid		(43,194)
Net cash from operating activities		<u>68,100</u>
Cash flows from investing activities		
Purchase of property, plant and equipment		(68,100)
Net cash used in investing activities		<u>(68,100)</u>
Net increase in cash		0
Cash at beginning of the year		<u>10,000</u>
Cash at end of the year		<u><u>10,000</u></u>

* This statement of cash flows reports cash flows from operating activities using the direct method. LKAS 7 *Statement of Cash Flows* requires that an entity report cash flows from operating activities using either the direct method or the indirect method. LKAS 7 encourages use of the direct method.

Notes

1 Operations and principal activities

XYZ Dairy Ltd ('the Company') is engaged in milk production for supply to various customers. At 31 December 20X1, the Company held 419 cows able to produce milk (mature assets) and 137 heifers being raised to produce milk in the future (immature assets). The Company produced 157,584kg of milk with a fair value less costs to sell of 518,240 (that is determined at the time of milking) in the year ended 31 December 20X1.

2 Accounting policies

Livestock and milk

Livestock are measured at their fair value less costs to sell. The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit. Milk is initially measured at its fair value less costs to sell at the time of milking. The fair value of milk is determined based on market prices in the local area.

3 Biological assets

Reconciliation of carrying amounts of dairy livestock	20X1
Carrying amount at 1 January 20X1	459,570
Increases due to purchases	26,250
Gain arising from changes in fair value less costs to sell attributable to physical changes*	15,350
Gain arising from changes in fair value less costs to sell attributable to price changes*	24,580
Decreases due to sales	(100,700)
Carrying amount at 31 December 20X1	425,050

* Separating the increase in fair value less costs to sell between the portion attributable to physical changes and the portion attributable to price changes is encouraged but not required by this Standard.

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4 Financial risk management strategies

The Company is exposed to financial risks arising from changes in milk prices. The Company does not anticipate that milk prices will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in milk prices. The Company reviews its outlook for milk prices regularly in considering the need for active financial risk management.

Example 2 Physical change and price change

The following example illustrates how to separate physical change and price change. Separating the change in fair value less costs to sell between the portion attributable to physical changes and the portion attributable to price changes is encouraged but not required by this Standard.

A herd of 10 2 year old animals was held at 1 January 20X1. One animal aged 2.5 years was purchased on 1 July 20X1 for 108, and one animal was born on 1 July 20X1. No animals were sold or disposed of during the period. Per-unit fair values less costs to sell were as follows:

2 year old animal at 1 January 20X1	100	
Newborn animal at 1 July 20X1	70	
2.5 year old animal at 1 July 20X1	108	
Newborn animal at 31 December 20X1	72	
0.5 year old animal at 31 December 20X1	80	
2 year old animal at 31 December 20X1	105	
2.5 year old animal at 31 December 20X1	111	
3 year old animal at 31 December 20X1	120	
Fair value less costs to sell of herd at 1 January 20X1 (10 x 100)		1,000
Purchase on 1 July 20X1 (1 x 108)		108
Increase in fair value less costs to sell due to price change:		
$10 \times (105 - 100)$	50	
$1 \times (111 - 108)$	3	
$1 \times (72 - 70)$	2	55
		<hr/>
Increase in fair value less costs to sell due to physical change:		
$10 \times (120 - 105)$	150	
$1 \times (120 - 111)$	9	
$1 \times (80 - 72)$	8	
1×70	70	237
		<hr/>
Fair value less costs to sell of herd at 31 December 20X1		
11×120	1,320	
1×80	80	1,400
		<hr/>