

Loose Ends

Readers' planning points, pitfalls and other correspondence.

IAS41 – Will the Revenue be fair?

The due date for International Accounting Standard 41 on agriculture to be applied is fast approaching, i.e. for accounting periods starting 1 January 2003. With much talk in the press about the 2005 deadline for applying international accounting standards, the question of valuing certain agricultural stocks as set out in the standard on a fair value is becoming of more importance.

The standard states that biological assets should be measured at fair value less estimated point of sale costs with the change in the carrying amount reported as part of the profit and loss from operating activities. This is clearly not in accordance with the Revenue's Business Economic Note 19, the guide for the valuation of stock for tax practitioners.

Under the current rules it would seem to be possible for a practitioner to include the accounts figure at, say, a value as indicated by the international accounting standard and apply Business Economic Note 19 on the tax computation. This would make the balance sheet stronger and the tax computation more beneficial with regard to an earlier claim for losses or a reduction in reported profitability. Obviously tax computations should follow the accounting profit but until the Revenue's published guidance is withdrawn it would seem in order to continue to apply it for tax purposes.

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