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Berlin, 4 September 2014

Dear Françoise,

**DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON
AGRICULTURE: BEARER PLANTS, AMENDMENTS TO IAS 16 AND IAS 41**

On behalf of the Accounting Standards Committee of Germany (ASCG) I am writing to comment on EFRAG's Assessment of the IASB's amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* ('Amendments').

We agree with the views set out in the assessment. As a national standard-setter we are not in a position to answer the questions regarding the costs that will arise for preparers and for users to implement the amendment. We therefore sent your assessment-form to the DAX30 entities and got feedback from one entity, which indicated that they agree to the assessment made by EFRAG.

As attachments to this letter you will find our comments to the above mentioned assessment as well as those received from the DAX30 entity.

If you have any further questions, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr

President

DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON AGRICULTURE: BEARER PLANTS, AMENDMENTS TO IAS 16 AND IAS 41

INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS

Comments should be sent to commentletters@efrag.org by 5 September 2014

EFRAG has been asked by the European Commission to provide it with advice and supporting material on the limited scope amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* entitled *Agriculture: Bearer Plants* ('the Amendments'). In order to do that, EFRAG has been carrying out an assessment of the Amendments against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from its implementation in the European Union (the EU) and European Economic Area.

A summary of the Amendments is set out in Appendix 1.

Before finalising its two assessments, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interest of transparency EFRAG will wish to discuss the responses it receives in a public meeting, so we would prefer to be able to publish all the responses received.

EFRAG initial assessments summarised in this questionnaire will be amended to reflect EFRAG's decisions on Appendix 2 and 3.

1 Please provide the following details about yourself:

- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

Liesel Knorr, ASCG (Accounting Standards Committee

of Germany)

- (b) Are you a:

Preparer User Other (please specify)

National Standard Setter

- (c) Please provide a short description of your activity:

see above (b)

- (d) Country where you are located:

Germany

*Agriculture: Bearer Plants, Amendments to IAS 16 and IAS 41
Invitation to Comment on EFRAG's Initial Assessments*

(e) Contact details including e-mail address:

Liesel Knorr - c/o DRSC e.V.

Zimmerstr. 30; 10969 Berlin

knorr@drsc.de

2 EFRAG's initial assessment of the Amendments is that they meet the technical criteria for endorsement. In other words, they are not contrary to the principle of true and fair view and they meet the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2.

(a) Do you agree with this assessment?

Yes No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

(b) Are there any issues that are not mentioned in Appendix 2 that you believe EFRAG should take into account in its technical evaluation of the Amendments? If there are, what are those issues and why do you believe they are relevant to the evaluation?

none

3 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of the Amendments in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 2 - 15 of Appendix 3. To summarise, EFRAG's initial assessment is that the Amendments are likely to reduce the ongoing costs for preparers and result in only insignificant one-off implementation costs. Additionally the Amendments are likely to result in cost savings that will outweigh any incremental costs incurred by users to incorporate the new requirements in their analysis.

Do you agree with this assessment?

Yes No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

We as a national standard setter are not in a position to comment on this issue.

The constituents responding to this survey agree with EFRAG's

*Agriculture: Bearer Plants, Amendments to IAS 16 and IAS 41
Invitation to Comment on EFRAG's Initial Assessments*

assessment.

- 4 In addition, EFRAG is assessing the benefits that are likely to be derived from implementing the Amendments. The results of the initial assessment of benefits are set out in paragraphs 16 - 18 of Appendix 3. To summarise, EFRAG's initial assessment is that users are likely to benefit from the Amendments, as the information resulting from them will increase comparability between entities and enhance their analysis. Additionally, both users and preparers will likely to benefit from reduction of ongoing measurement or assessment costs.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

We as a national standard setter are not in a position to comment on this issue.

One constituent responding to this survey agrees with EFRAG's assessment.

- 5 EFRAG's initial assessment is that the benefits to be derived from implementing the Amendments in the EU as described in paragraph 4 above are likely to outweigh the costs involved as described in paragraph 3 above.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

We as a national standard setter are not in a position to comment on this issue.

One constituent responding to this survey does agree with EFRAG's assessment.

- 6 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on the Amendments.

Do you agree that there are no other factors?

Yes No

*Agriculture: Bearer Plants, Amendments to IAS 16 and IAS 41
Invitation to Comment on EFRAG's Initial Assessments*

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

The only constituent responding to this survey agrees with EFRAG's assessment.

DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON AGRICULTURE: BEARER PLANTS, AMENDMENTS TO IAS 16 AND IAS 41

INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS

Comments should be sent to commentletters@efrag.org by 5 September 2014

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A summary of the Amendments is set out in Appendix 1.

Before finalising its two assessments, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interest of transparency EFRAG will wish to discuss the responses it receives in a public meeting, so we would prefer to be able to publish all the responses received.

EFRAG initial assessments summarised in this questionnaire will be amended to reflect EFRAG's decisions on Appendix 2 and 3.

- 1 Please provide the following details about yourself:
- (a) Your name or, if you are responding on behalf of an organisation or company, its name:
- XXX
-
- (b) Are you a:
- Preparer User Other (please specify)
-
- (c) Please provide a short description of your activity:
- Healthcare/Cropscience/Materialscience
-
- (d) Country where you are located:
- Germany
-
- (e) Contact details including e-mail address:

xxx

-
- 2 EFRAG's initial assessment of the Amendments is that they meet the technical criteria for endorsement. In other words, they are not contrary to the principle of true and fair view and they meet the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2.

(a) Do you agree with this assessment?

Yes No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

- (b) Are there any issues that are not mentioned in Appendix 2 that you believe EFRAG should take into account in its technical evaluation of the Amendments? If there are, what are those issues and why do you believe they are relevant to the evaluation?

EFRAG notes that, in the case of mature bearer plants, future economic benefits arise from producing agricultural produce rather than from biological transformation. Focussing solely on this issue might not be sufficient. Also in other areas the value creation is not predominantly related to biological transformation but to specific IP. The market value of seeds is highly affected by the inherent IP and not correlated to the "harvested" biological produce. Thus it is questionable whether seed production is in scope of IAS 41. The principle is missing according to which the issue of bearer plants is solved while other important issues and potential inconsistencies (e.g. seed production) is untouched although the topic was raised in several comment letters (e.g. c.f. comment letter of the German Accounting Standard Board.)

- 3 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of the Amendments in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 2 - 15 of Appendix 3. To summarise, EFRAG's initial assessment is that the Amendments are likely to reduce the ongoing costs for preparers and result in only insignificant one-off implementation costs. Additionally the Amendments are likely to result in cost savings that will outweigh any incremental costs incurred by users to incorporate the new requirements in their analysis.

Do you agree with this assessment?

Yes No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

-
- 4 In addition, EFRAG is assessing the benefits that are likely to be derived from implementing the Amendments. The results of the initial assessment of benefits are set out in paragraphs 16 - 18 of Appendix 3. To summarise, EFRAG's initial assessment is that users are likely to benefit from the Amendments, as the information resulting from them will increase comparability between entities and enhance their analysis. Additionally, both users and preparers will likely to benefit from reduction of ongoing measurement or assessment costs.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

-
- 5 EFRAG's initial assessment is that the benefits to be derived from implementing the Amendments in the EU as described in paragraph 4 above are likely to outweigh the costs involved as described in paragraph 3 above.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

-
- 6 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on the Amendments.

Do you agree that there are no other factors?

Yes No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?
