



Standards in Focus

Accounting Standards for Private Enterprises (ASPE)

Amendments to Section 3041, *Agriculture*

Background

The Accounting Standards Board (AcSB) issued clarifying amendments to Section 3041, *Agriculture*, in November 2025. Section 3041 was first released in November 2019 and became effective for fiscal years beginning on or after January 1, 2022, with early application permitted.

When are the amendments effective?

Amendments issued in November 2025 are effective for annual reporting periods beginning on or after January 1, 2027, with early application permitted¹. It is also important to note that not-for-profit organizations (NFPOs) that are agricultural producers would be required to follow these amendments.

Why amend Section 3041?

The amendments were introduced to address two key issues:

1. Agricultural producers have faced practical challenges in reliably disclosing certain information about agricultural inventories.
2. Clarification was needed on the accounting for productive biological assets, particularly those that are managed on a collective basis.

What are the key changes?

The amendments to Section 3041 introduce the following key changes:

1. Agricultural Inventories

The amendments remove the requirement to disclose²:

- The aggregate of gains and losses arising during the current period from changes in the carrying amount when applying the net realizable value (NRV) model.
- The amount of inventories recognized as an expense during the period when applying the NRV model or the cost model.

Due to related amendments to Section 1520, *Income Statement*, agricultural producers are no longer required to separately present or disclose the specific amounts noted above related to agricultural inventories in the income statement or notes.

What does this mean in practice?

Previously, producers managing multiple agricultural inventory types (e.g. grain, livestock feed, harvested crops) were required to track and disclose the aggregate gains and losses due to NRV changes during the period, when applying the NRV model. This included identifying aggregate changes in the NRV, for example due to significant price fluctuations or at the point the inventory first qualifies for the NRV model, at each reporting date or immediately prior to sale.

Additionally, producers were also required to disclose the amount of inventories recognized as an expense during the period, regardless of whether they applied the NRV model or cost model.

The AcSB removed these disclosure requirements to reduce the cost of preparing financial statements for agricultural producers as stakeholder feedback noted that the operational complexities of tracking such data outweighed the benefits to financial statement users.

It is important to note that while the disclosure requirements have been changed, the underlying accounting treatment remains unchanged. Under the NRV model, producers are still required to record valuation gains or losses from the NRV changes at each reporting date or just before the inventory is sold. They must also continue to expense the carrying amount of inventories when sold.

¹ Amendments to paragraphs 3041.66, 3041.86 and 3041.88 apply retrospectively unless paragraph 3041.68A applies, while new paragraphs 3041.67A and 3041.68A apply prospectively.

² The AcSB removed the disclosure requirements in paragraphs 3041.86(d) and 3041.88(c)-(d).

Read the Amended Section 3041, *Agriculture*, which is available for CPAs via **Knotia.ca**.

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2. Productive Biological Assets

The amendments clarify that the guidance for productive biological assets managed on a collective basis can be applied to any type of productive biological asset³. They also clarify the appropriate accounting treatment when the useful life of a productive biological asset changes⁴.

The key clarifications include:

a. Accounting for productive biological assets managed on a collective basis:

The amendments clarify that productive biological assets managed collectively to maintain productive capacity indefinitely are considered to have an indefinite useful life as a group, even if individual components' capacity varies over time or assets are managed without the production quotas. To support this, the standard now includes examples such as animals in a herd or fruit trees in an orchard and removes reference to production quotas.

These clarifications are intended to improve the consistency in application and enhance comparability of financial information across agricultural operations.

What does this mean in practice?

Many agricultural operations manage productive biological assets collectively rather than individually. In these cases, determining a precise useful life for each asset can be impractical or misleading.

For example:

An orchard may contain thousands of fruit trees of varying ages and productivity levels. The orchard is typically managed as a single productive unit, making it difficult to determine a finite useful life for each tree.

Additionally, an asset group's service potential can be considered indefinite when ongoing management practices allow the productive biological assets to maintain output over time, even though individual components are replaced. For example, a dairy herd in which less productive cows are regularly replaced to sustain overall herd productivity, or an orchard where trees are replanted as needed to maintain long-term yields, can continue producing indefinitely as a collective unit.

In these situations, it is the group, not the individual animals or trees, that generates service potential without a foreseeable limit, supporting an assessment of an indefinite useful life.

By clarifying that such assets can have an indefinite useful life, the amendments reduce unnecessary amortization and better align accounting with operational realities.

³ The AcSB clarifies this in amended paragraph 3041.66.

⁴ The AcSB clarifies this through newly added paragraphs 3041.67A and 3041.68A. Applying these paragraphs is a change in accounting estimate per Section 1506.

b. When there is a change in useful life of productive biological assets:

The amendments also provide guidance for situations where the useful life of productive biological assets changes. For example, when an asset previously assessed as having an indefinite useful life is later determined to have a finite useful life or vice versa.

Productive biological assets with an indefinite useful life are not subject to amortization until their life is determined to be no longer indefinite. Once it is determined that productive biological assets no longer have an indefinite useful life, they must be tested for impairment⁵. Any impairment loss recognized would be included in earnings for the current period and the productive biological asset is then amortized over its estimated remaining useful life.

Additionally, a productive biological asset that is being amortized is tested for impairment⁵ when it is subsequently determined to have an indefinite useful life. Any impairment loss recognized would be included in earnings for the current period and the productive biological asset ceases to be amortized. Productive biological assets that are not subject to amortization shall be tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Agricultural producers need to consider concepts like betterment and impairment and whether productive biological assets are still managed in a way that gives them an unlimited useful life in determining if their cost should change. For clarity, the cost incurred to enhance the service potential of such assets is a betterment and should be included in the cost of the productive biological asset. Whereas the cost incurred in maintaining their service potential is a maintenance expenditure, not a betterment, and should be expensed as incurred.

What does this mean in practice?

Changes in management practices, such as change in use, or physical condition may require reassessing the useful life of biological assets.

For example:

A livestock operation may invest in improved practices to be able to manage the herd collectively to maintain the herd's overall productive capacity at an expected level or range indefinitely. This results in the useful life of such assets to change from finite to indefinite.

These clarifications help ensure that useful life assessments remain aligned with actual operating conditions.

⁵ In accordance with paragraphs 3041.74-.78.

What Can You Do?

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Read the Amended Section 3041, *Agriculture*, which is available for CPAs via [Knotia.ca](https://www.knotia.ca).

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02

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03

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