Comparison and Reflection of China's Biological Assets Standard and International Accounting Standard

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Abstract

As a large agricultural country,China has extremely rich biological assets.With the development of bio-asset-related industries, more and more corporate stakeholders are beginning to pay attention to the authenticity and reliability of bio-asset value information. This paper will compare the similarities and differences between China's Biological Assets standard and International Accounting standard, focus on analyzing the causes of differences and thinking about differences.

Keywords

Comparison, Reflection, Biological assets, Accounting standard.

1. Introduction

As biological assets generally have a longer growth cycle, they not only have the common characteristics of general assets, but also the biological characteristics that other assets do not have,Such as natural value-added attributes, which make the accounting measurement, confirmation and information disclosure of biological assets different from general assets, How to calculate and disclose biological assets scientifically andreasonably has been a worldwide accounting problem.[1-7] In order to standardize the accounting confirmation, measurement and related information disclosure of biological assets, and to achieve the international convergence of China's accounting standard, the Ministry of Finance issued the*"Enterprise Accounting standard No. 5 -Biological Assets"* in February 2006 (hereinafter referred to as "China's biological Asset standard").[8-13] The standard proposes that biological assets should be initially measured at cost. If there is conclusive evidence that the fair value of biological assets can be obtained continuously and reliably, the biological assets should be measured at fair value. The introduction of fair value measurement attributes to biological assets makes this standardan important indicator of the convergence of China's accountingstandard and international financial reporting standard. On 30 June2014, the International Accounting standard Board (IASB) issued *the International Accounting standard No. 16 - Real Estate, Plant and Equipment* (hereinafter referred to as *IAS16)* and *International Accounting standard No. 41 - Agriculture (*below) Referred to as *IAS 41*) revision draft to include productive plants in the scope of *IAS16*.Undoubtedly, the formulation of *China's Biological Assets standard* fully draws on the *IAS41* issued by the International Accounting standard Committee in February 2001. However, due to the unique accounting environment in China, there are still many differences between the two. This paper will compare the similarities and differences between *China's Biological Assets standard*and *International Accounting standard*,focus on analyzing the causes of differences and thinking about differences.

2. Comparison of the Standard Range of China'S Biological Assets Standard and International Accounting Standard

The *IAS41* criterion is to regulate the accounting treatment of agricultural activities and the presentation and disclosure of financial statements. It involves the following contents: (1) biological

assets, except for productive plants; (2) agricultural products at the harvest; (3) government subsidies involving agricultural activities. At the same time, some cases that the criterion does not apply are listed: (1) land related to agricultural activities; (2) productive plants related to agricultural activities. However, this criterion applies to products produced by these productive plants; (3) government subsidies related to productive plants; (4) intangible assets related to agricultural activities. IAS16 stipulates that the subject shall apply the principles set forth in this criterion toproductive plants and real estate, plant and equipment projects used for the development or maintenance of assets: (1) biological assets; (2) mineral propertyrights and mineral reserves such as oil, natural gas and similar non-renewable resources. Article 1 of China's Biological Assets standard clearly stipulates that its purpose is to regulate the confirmation, measurement and disclosure of biological assets related to agricultural production; Article 2 clearly stipulates that biological assets refer to living animals or plants; Article 4 stipulates that the agricultural products after receipt of goods shall be subject to the Accounting standard for Enterprises No. 1 - Inventory, and the government subsidies related to biological assets shall apply to the Accounting standard for *Business Enterprises No. 16 - Government Subsidy*.

Through comparison, it can be seen that *IAS16* separately includes the productive plant assets in biological assets, which is different from the provisions of China. In addition, the scope of China's Biological Assets standard is narrower than *IAS41*. For example, in addition to biological assets, *IAS41* also stipulates the method of calculating the income of the government subsidy of biological assets based on the fair value minus the expenditure expected to occur until the sale. However, China's Biological Assets standard do not regulate this, but stipulate that the government subsidies related to biological assets apply to the Accounting standard for *Enterprises. No.sixteenth – governmentsubsidy*. The main reason for the difference in government subsidy is that the international norms and China's norms have different logical perspectives.

3. The Confirmed Comparison Between China’S Biological Asset Standard and International Accounting Standard

The conditions for confirming biological assets as defined by *IAS41* are: (1) the enterprise controls the asset as a result of past transactions; (2) the economic benefits associated with the asset are likely to flow into the enterprise; and (3) the fair value or cost of the asset can be reliably Ground measurement. The conditions for the recognition of China's biological assets guidelines are: (1) the enterprise owns or controls the biological assets due to past transactions or events; (2) the economic benefits or service potentials associated with the biological assets are likely to flow into the enterprise; (3) The cost of biological assets can be reliably measured.

By comparison, it is not difficult to find that both criteria emphasize the confirmation conditions of biological assets from the attributes of assets. Although biological assets are a special asset, they must also conform to the essential meaning of the asset. The first confirmation condition of biological assets emphasizes the “realization principle” of accounting, that is, the biological assets that the enterprise can confirm must be formed by the transactions already completed by the enterprise or the events that have already occurred. The enterprise must have legal ownership or substance to the assets. Control on. the second the conditions clarify that biological assets must be able to generate economic benefits that the firm can control. That is, an enterprise can only show that the enterprise has control over the economic benefits generated by the asset if it has the right to obtain the economic benefits of a biological asset and at the same time restrain the others from obtaining these economic benefits. The third condition is a basic requirement for operational aspects in the identification of biological assets. Because if the cost or value of a biological asset cannot be reliably measured, even if it meets the first two conditions completely, it cannot be recorded and reflected in the accounting books, and it cannot be reflected in the assets listed in the balance sheet

4. The Comparison of Measurement Between China'S Biological Assets Standard and International Accounting Standard

Althoughboth China's Biological Assets standard and International Accounting standard have introduced historical costs and fair value, they are obviously different in the priority of choosing measurement attribute between them, both initial and subsequent measurement should regard fair value as the primary measurement attribute of biological assets in the world, and the cost is only a supplementary measurement attribute when fair value cannot be determined.As for the initial measurement of biological assets in China, article 6of the standard stipulates that "biological assets shall be initially measured in accordance with the cost at the time of acquisition" and stipulates the method of determining the initial cost of expendable biological assets, productive biological assets and public welfare biological assets.As for follow-up measurement, the criteria mainly involve three aspects: (1) the depreciation of productive biological assets is calculated on schedule;(2) depreciation preparation for consumption biological assets and productive biological assets at the end of each year;(3) conditions for fair value measurement.

Through comparison, it is found that the preferred method of measuring biological assets in the world is the fair value method, while China allows enterprises to use the fair value measurement attribute to conduct subsequent measurement of biological assets, but the attitude toward the use of fair value is very cautious. For example, in the guidelines, special emphasis is placed on the existence of "conclusive evidence" that the fair value of biological assets can be continuously and reliably obtained, and that two conditions must be met when using fair value measurement: one is that biological assets have an active trading market; Market prices and other relevant information for similar or similar biological assets required to obtain a reasonable estimate of the fair value of biological assets from the trading market. Chinese scholars believe that the choice of agricultural accounting standards measurement attributes should be subject to the requirements of accounting objectives, subject to the constraints of the accounting environment (especially the agricultural accounting environment) and the entire accounting standards system on the choice of measurement attributes, and it is impossible to separate from these factors. . Although the measurement of biological assets at fair value can better reflect the changes in the value of biological assets caused by bio-transformation, and can better measure the expected future economy of the enterprise, making biological assets more relevant, comparable and understandable in reflecting future economic benefits. . However, its reliability and objectivity have been questioned by many people.

Faced with the trend of international convergence of accounting, China's biological assets guidelines have chosen to use historical cost measurement as the main reason, mainly because China does not fully have the full application conditions of fair value. These conditions mainly include: (1) Active organisms Asset market. Fair value is generated based on market transactions. In the case of active market transactions, the market price is fair value; (2) the enterprise can use fair value objectively rather than subjectively. This is because, compared with historical cost, fair value requires accountants to use professional judgment more. If corporate accountants cannot correctly use such judgments and estimates, fair value may become a result of earnings management or even malicious manipulation by some enterprises. Tools; (3) The higher level of fair value of non-living assets or fair value has become the dominant measurement attribute has become mainstream. Whether accounting information is relevant or not has a lot to do with comparability. However, in China as a whole, historical cost is still the main accounting measurement attribute, and fair value is only an auxiliary measurement attribute.

5. Comparison of Information Disclosure China'S Biological Assets Standard and International Accounting Standard

International accounting standards divide biological assets into two categories, namely consumable biological assets and productive biological assets; China's corporate accounting standards divide them into three categories, namely consumable biological assets, productive biological assets and public

welfare biological assets, among which The consumable biological assets are listed in the balance sheet inventory, the productive biological assets are separately listed, and the public welfare biological assets are listed in the productive biological assets. Compared with the norms of international accounting standards, China's biological assets guidelines have much simpler requirements for disclosure of biological assets, and the norms of disclosure are poor. Only two of the 28 provisions of the biological assets guidelines specifically regulate biological assets. Information disclosure. These two clauses mainly require information on the types of biological assets disclosed by the company and the physical quantity and book value of various biological assets, depreciation, preparation and changes in biological assets. There are many reasons for this gap: (1) It is related to the measurement attributes adopted by the guidelines. China's biological assets standard adopts a historical cost-based measurement model, and does not provide detailed disclosure requirements for related matters related to fair value; (2) is related to the scope of the normative norms. China's biological assets guidelines do not regulate the relevant government subsidies, so there is no need to disclose the disclosure of related matters, and the international accounting standards regulate the accounting treatment of agricultural subsidies related to agriculture, and therefore related information. The disclosure of the requirements; (3) the cost-benefit principle constraints. Because the provision of information is costly, there is no incentive to provide sufficient information when the benefits of providing information are less than the cost.

6. Conclusion

As biological assets generally have a longer growth cycle, they not only have the common characteristics of general assets, but also the biological characteristics that other assets do not have,Such as natural value-added attributes, which make the accounting measurement, confirmation and information disclosure of biological assets different from general assets, How to calculate and disclose biological assets scientifically andreasonably has been a worldwide accounting problem.As a traditional agricultural country, China has extremely rich biological assets. Therefore, cross-level confirmation, measurement and information disclosure of biological assets is very important. This paper compares the differences between China's biological assets guidelines and international accounting standards, and analyzes the causes of differences, and considers the differences.

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