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Current Issues in Biological Assets Accounting in Russia

Key words: *agriculture, biological assets, fair value.*

Annotation: *The article indicates the urgency of the Russian enterprises transition to international financial reporting standards, according to the practical significance of IFRS (IAS) 41 "Agriculture" for the agricultural sector, examines the benefits of a fair price, taking into account the biological assets.*

Agriculture is one of the basic branches of the economy, ensuring the population's need in food. Development of market relations in the agricultural sector involves the formation of an effective system of management in agricultural organizations. The company's financial resources, active Russian's cooperation with foreign companies, the prospects for the development and improvement of the state of the sphere of agriculture in general and the most effective implementation of new technologies in production depends on the right decisions. Therefore, financial reporting plays a huge role in the development of the enterprise.

Sustainable agricultural production is the basis for sustainable development of food production, all of which ensures food security of the country. (3)

The problems which Russian companies faced in agricultural sector are: a small degree of motivation and confidence of foreign investors; low levels of funding, the level of financial support for Russian farmers is much lower than in Europe; inefficient use of funds managers; information secrecy and lack of transparency in reporting and closed informativeness reporting for management decision.

The credit's access in low profitability has led to the fact that governments spending on the agriculture's debt service to the banks become the main article of state support.

Need to balance the availability of credit enhancement tools to ensure profitability of production activities.

One of the mechanisms to solve this problem is the formation of financial's reporting transparent that really reflects the true financial position of the company.

International experience shows that the statements have been prepared by the to International Financial Reporting Standards (IFRS) has a positive effect on the image of the company, to the same level of trust increases.

Transition of enterprises to international financial reporting standards increases the transparency of business, which in turn helps to improve the quality of corporate governance and the investment climate. Such a transition is needed, not only for investors willing to invest their funds in the agricultural sector, but also the management of the enterprises, and the state as a whole. This is important to state because the use of IFRS will revive the Russian economy and will increase revenue.

As the EV. Fastova, RA. Alborov, SM. Kontsevaya, the reform of the Russian Federation's accounting financial statements in the agricultural enterprises achieved using IFRS or using them as a basis for constructing a national system of accounting and reporting (2).

The reporting's disadvantage in the agricultural sector is the absence of the concepts and criteria in respect of agricultural products.

Adoption of IFRS will eliminate this drawback, as the system has an industry standard IFRS (IAS) 41, which presents the basic definitions related to agriculture.

The purpose of this standard is to establish rules excluding agricultural activities and its disclosure in the financial statements.

The practical significance of IFRS (IAS) 41 is principle, evaluation of biological assets and agricultural produce at a fair price.

However, the Russian accounting practices used and the actual cost of routine that map at the end of the reporting period, and the resulting difference is written off. It does not reflect their actual ratings.

According to IFRS (IAS) 41 biological assets and agricultural products are accepted for accounting at fair value less estimated costs to sell, except in cases when the fair value can not be estimated.

Fair value in IFRS (IAS) 41 is the amount for which an asset could be exchanged, or which can be a liability in a transaction between knowledgeable, independent, willing parties in an arm (1).

The asset's fair value is determined based on its location and condition at any given time.

For example, the fair value of cattle at a farm is the price in the relevant market less the transport and other costs for the delivery of the cattle to a specified market.

The carrying amount of biological assets can be calculated by subtracting from the market value of the costs of transportation and distribution. For its calculation can be used the circuit in Figure 1.

The scheme shows that one of the main problems in the transition to international accounting standards in agriculture is to determine the market prices of assets. (4)

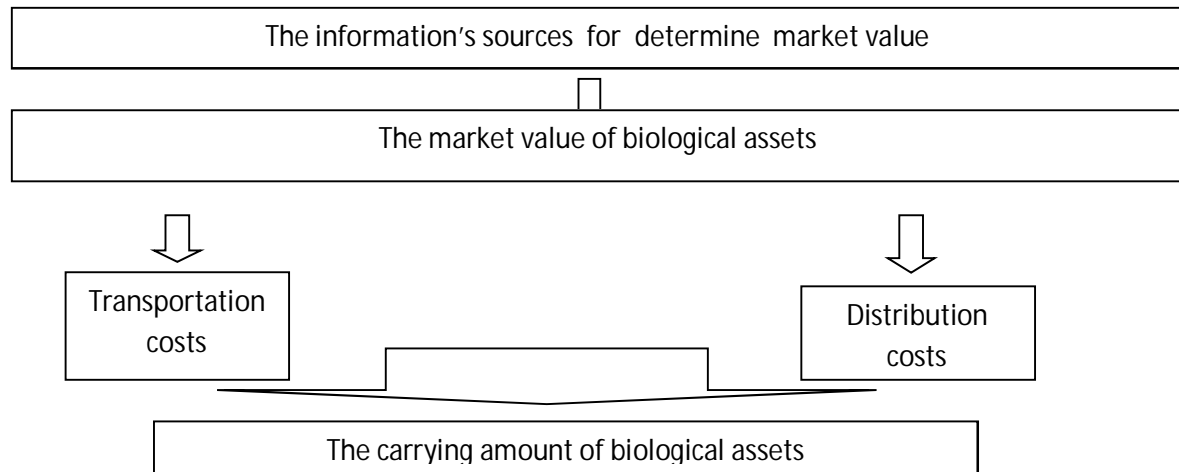


Fig. 1 Scheme determining the carrying value of biological assets.

The advantage of evaluating biological assets in the financial statements at fair value contributes to a realistic assessment of the financial condition and agricultural enterprises solvency.

According to IFRS (IAS) 41 biological assets are reported in articles separately, and all assets in the Russian practice are divided strictly on non-current and current.

This separation in the context of IFRS (IAS) 41 does not apply. Biological assets in the financial statements need to be subdivided into groups according to their biological properties. This problem can be solved by additional ordering and grouping of information on biological assets by changing the Russian reporting in accordance with IFRS.

Abandonment of the planned cost, which has been used for decades in the account should not be an exceptional measure, because the market price may be cyclical and volatile. Therefore, studies must be conducted, as a result of which it will be possible to bring the accounting rules of biological assets in Russia in accordance with IFRS.

Russian farmers transition to IFRS and in particular IFRS (IAS) 41 "Agriculture" will not solve all the problems of the agricultural sector, but will increase the information provision of enterprises, will allow more to consolidate its position on the Russian and internationally market.

It can be concluded that the inclusion of biological assets and agricultural produce in the agricultural sector needs to improve the entire system of regulatory accounting and financial reporting and helps to adapt IFRS to the Russian economy.

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