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ACCOUNTING FOR CURRENT BIOLOGICAL ASSETS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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Abstract: Due to their short life cycles and profit-oriented nature, current biological assets require a separate accounting procedure. This article examines the classification of current biological assets by their economic substance, their recognition, and their measurement as assets in accordance with national accounting standards and international financial reporting standards.
Keywords: agricultural products, current biological assets, biotransformation process, actual cost of biological assets, fair value measurement, subsequent measurement.

Introduction. Today, to improve the efficiency of agricultural enterprises, farms are offered a wide range of options for choosing products for cultivation, processing, and sale. A cluster system has been implemented in agriculture, covering all stages—from cultivation to processing, conversion into finished products, and sales, including export.

In his speech at a meeting on the occasion of Agricultural Workers' Day on December 10, 2025, the President of the Republic of Uzbekistan summarized the results of the agricultural sector's work in 2025 as follows: "This year, great successes have been achieved in agriculture, with more than 3.5 million representatives of our people working here.

In cotton production, our hardworking farmers and agriculturalists harvested approximately 4 million tons of cotton from 875,000 hectares of land. For the first time, the average cotton yield reached 46 centners.

Our grain producers harvested 8.4 million tons of grain this year, with an average yield of 85 centners.

This year, our rice farmers planted 268,000 hectares of rice, harvesting 1,340,000 tons with an average yield of 50 centners.

Over the past three years, 155,000 hectares of orchards and vineyards have been planted, and the area of intensive orchards has increased to 150,000 hectares. This year, 3.4 million tons of fruit, 2 million tons of grapes, 19.5 million tons of vegetables, melons, and potatoes, as well as 1 million tons of legumes and oilseeds were grown.

Since the beginning of the year, food exports have grown by 37 percent to reach $3 billion, and by the end of the year, this figure will exceed $3.2 billion for the first time. The number of countries supplying our fruits and vegetables has increased by 18, reaching 83".

For agricultural enterprises, proper valuation, accounting, and documentation of biological assets are essential to ensure the reliability of financial reporting and transparency for international investors. In particular, existing biological assets (e.g., wheat, cotton, and vegetable crops) require a separate accounting procedure due to their short life cycle and focus on yield.

Modern biological resources include agricultural crops that grow, bear fruit, and complete their life cycle within a single growing season. These plants include grain crops (wheat, barley, rice), industrial crops (cotton, flax, sunflower), vegetables and melons (potatoes, tomatoes, cantaloupes), and others.

Short-term biological assets can be characterized by their economic essence (Table 1).

Table 1

Description of short-lived biological assets by their economic essence

№	Economic Group	Brief Description	Examples
1	Food Crops	The primary source of food for human consumption	Wheat, rice, corn, barley, etc.
2	Industrial crops	Provide raw materials for industrial processing	Cotton, sugar beets, sunflowers, soybeans, etc.
3	Forage Crops	Grown as livestock feed	Sudan grass, alfalfa, corn, etc.
4	Vegetables	Eaten fresh or processed	Tomatoes, cucumbers, cabbage, etc.
5	Medicinal Plants	Used in Medicine and Pharmaceutics	Chamomile, mint, hyssop, etc.
6	Ornamental Plants	Grown for decoration and landscaping	Asters, calendula, cosmos, etc.

Current biological assets are recognized as biological assets when the following conditions are met:

- The organization has control over the asset;

- It is probable that the organization will receive economic benefits from it in the future;

- The cost of the asset can be measured reliably.

The main differences in the accounting for current biological assets under International Financial Reporting Standards (IFRS) and National Accounting Standards (NAS) are presented in Table 2.2-jadval.

Key differences in accounting for current biological assets under International Financial Reporting Standards (IFRS) and National Accounting Standards (NAS)

№	Comparison criteria	According to IFRS (IAS 41)	According to NAS
1	Accounting object	Recognized as a biological asset	Primarily as an object of production costs
2	Recognition criteria	There must be control, economic benefit, and reliable measurement	Planting and maintenance costs are calculated based on their actual incurrence
3	Initial measurement	Fair value less costs to sell	At cost (planned or actual)

4	Subsequent measurement	Remeasurement to fair value at each reporting date	No remeasurement
5	Reflection of changes in value	Immediately reflected in profit or loss	No direct impact on financial results
6	At harvest time	Products are valued at fair value	Products are accounted for at cost
7	Next count	IFRS 2 "Inventories" has been transferred to the standard	In accordance with the accounting rules of NAS 4 "Inventories"
8	Disclosure in the report	Detailed information and valuation methods are disclosed	Disclosure is limited
9	Impact on financial statements	Assets and earnings may be volatile	Financial statements are stable
10	Transparency for investors	High	Relatively low

According to the national standard, current biological assets are recognized as production costs regardless of whether they germinate. The costs of planting and maintaining current biological assets are debited to the "Main Production" expense account. This account reflects the following:
1. Quantity of seeds sown during field sowing:
Debit 2010 - "Primary Production",
Credit 1010 - "Raw Materials and Supplies".
2. Amount of fertilizer applied to the sown area:
Debit 2010 - "Primary Production",
Credit 1010 - "Raw Materials and Supplies".
3. Total costs of using agricultural machinery during seed sowing:
Debit 2010 - "Primary Production",
Credit 2310 - "Auxiliary Production (Equipment and Tractor Fleet Costs), etc.
4. The quantity of agricultural produce reflected in the balance sheet during the harvest period (at planned or actual cost):
Debit 2810 - "Finished goods in warehouse,"
Credit 2010 - "Primary production."
According to IFRS, current biological assets are recognized as assets when the following conditions are met:
- There are factors within the entity's control, such as the seeds have been planted and the plant has begun growing on the entity's land.
- It is probable that future economic benefits will flow to the entity, such as the possibility of harvesting, selling, or processing the crop.
- The entity's cost of production can be measured reliably, such as at fair value or, if this cannot be determined, at historical cost.
In practice, current biological assets are recognized as biological assets not at the time of planting, but rather from the moment the plant germinates, begins the biological growth process, and the enterprise establishes effective control over the plant.

The current NAS-21 does not specify accounts for biological assets. In our opinion, the current chart of accounts should be renamed to 1200-"Accounts for recording current biological assets (plants)"- and the following accounts should be included:

1110 - "Food Crops";

1120 - "Industrial Crops";

1130 - "Forage Crops for Livestock";

1140 - "Vegetable Crops";

1150 - "Medicinal Crops";

1160 - "Ornamental Crops";

1190 - "Other Annual Plants".

After germination, production costs are recognized as biological assets. This is reflected as follows:

Debit 1200 - "Accounting for Current Biological Assets (Plants)"

Credit 2010 - "Primary Production."

From this point on, the plants are valued (if fair value can be determined).

Fair value is the price at which an asset could be sold under normal conditions between market participants.

If fair value cannot be measured reliably, biological assets are valued at cost less accumulated depreciation and impairment losses.

A change in the value of current biological assets (plants) during a growth period is recognized if the fair value increases:

Debit 1200 - "Accounting for Current Biological Assets (Plants)",

Credit 9390 - "Other Operating Income (Income from Revaluation of Biological Assets)".

If the fair value decreases:

Debit 9430 - "Other Operating Expenses (Loss from Revaluation of Biological Assets)".

Credit 1200 - "Accounting for Current Biological Assets (Plants)".

When the life cycle of a biological asset (the biotransformation process) is complete and the product is obtained or the harvest is collected:

Debit 2810 - "Finished Goods (Agricultural Products)",

Credit 1200 - "Accounting for Current Biological Assets (Plants)".

From the moment of harvest, the product is considered inventory.

In conclusion, for agricultural enterprises, proper valuation, accounting and documentation of biological assets are essential to ensure the reliability of financial reporting and transparency for international investors.

According to the national accounting standard, current biological assets are recognized as production costs regardless of whether they germinate.

Under IFRS, current biological assets are recognized as biological assets not at the time of planting, but from the moment the enterprise establishes effective control over the plant, beginning with germination and the beginning of the biological growth process.

In our opinion, account 1200 in the current chart of accounts should be renamed "Current Biological Asset (Plant) Accounts" and the following accounts added to it:

1110 - "Food Crops";

1120 - "Industrial Crops";

1130 - "Forage Crops for Livestock";

1140 - "Vegetable Crops";

1150 - "Medicinal Crops";

1160 - "Ornamental Crops";

1190 - "Other Annual Plants".

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