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**ACCOUNTING FOR PRE-CROPPING EXPENSES IN  
PLANTATION COMPANIES**

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## ABSTRACT

The author's association with the plantation industry for quite a number of years has given him a compelling reason for attempting this subject for the topic for this project paper.

The research initially was exploratory in nature. As the research progressed new findings set a new direction on the study objectives altogether; from one that is exploratory in nature to one that is prescriptive. The issue now lies with the variety of opinions expressed by the people in the industry regarding the implementation of the Accounting Standard.

Very little is written about the subject of accounting for pre-cropping expenses and probably it was due to this reason that there are variations in the applications of accounting principles in the treatment of these expenses. The problem is of great significance to the users of financial information of these plantation companies especially those that are listed in the KLSE. These companies mainly have big asset holdings in land and plantations.

This project paper is also viewed as an opportunity to look at the subject closer.

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## CHAPTER 1

### ACCOUNTING FOR PRE-CROPPING EXPENSES

#### 1.1 Introduction

Uniformity in accounting practices facilitates better evaluation and meaningful analysis for users of financial statements. Appropriate accounting method ensures compliance with generally accepted accounting principles.

An exposure draft on the Malaysian Accounting Standard, MAS8 was introduced to harmonise the accounting practices of plantation enterprises. However the exposure draft was met with diverse views and comments and as such the exposure period is extended.

The organisation of this paper reflects the above considerations. The paper begins with the history and development of the accounting standard on pre-cropping expenses.

The definitions of terms used in this paper is found in chapter 2. Throughout this paper the terms pre-cropping expenses or costs and development expenditure are used interchangeably, all denoting the same thing.

The literature review takes a closer look at the various accounting methods used by plantation enterprises in reporting the pre-cropping expenses. A theoretical and conceptual argument on the concepts of expenses , assets and depreciation as applied to accounting for pre-cropping expenses is also presented in this chapter.

## CHAPTER 2

### PRE CROPPING EXPENSES

#### 2.1 Definitions

For the purpose of this paper, the following terms are used their meanings are specified as follows:-

***Pre-cropping expenses:*** This term is used interchangeably with pre-cropping costs, development costs or development expenditure. These are expenditure that arise on new planting or replanting of crops prior to their maturity including expenditure on land preparation, roads, drains, plants, planting, fertilization, irrigation and labour. Such expenditure would also include overhead expenditure which can be directly attributed to the development of the rootstock.

***Rootstock:*** refers to a perennial crop bearing tree, shrub or plant from which produce is harvested on a regular basis.

***Plantation operations:*** cultivation and management of rootstock which typically have a long life and long productive period in an estate as a business or part of a business.

***New planting expenses :*** costs which are incurred on planting in an area not previously cultivated as a plantation and the costs as bringing the crops in that area to maturity.