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THE CASE OF ACCOUNTING TREATMENT OF OPTIONS IN THE SOUTH AFRICAN AGRICULTURAL SECTOR

Sanlie MIDDELBERG, Paul STYGER, Pieter BUYS *
North-West University, South Africa

Abstract. The main objective of the study is to investigate the accounting treatment of commodity options in the South African agricultural sector. Option contracts fall within the definition of a derivative as defined by IAS 39. The interpretation of IAS 39 by agribusinesses is different and therefore a standard methodology was provided for the accounting treatment of SAFEX option contracts traded by agribusinesses on behalf of producers. The main findings include that option contracts entered into on behalf of the producer by the agribusiness should be fair valued with the fair value movement recorded in the accounting records of the agribusiness. This fair value movement should be transferred to the relevant producer's loan account and not recorded as a profit or loss of the agribusiness.

JEL Classification: M410, Q130

Keywords: Options, IAS 39, SAFEX, agriculture

* Corresponding author. Address: School of Accounting Sciences, North-West University, Potchefstroom Campus, Private Bag X 6001, Potchefstroom, 2520, Tel: + 27 (018) 299 1435, E-mail: pieter.buys@nwu.ac.za