Conference Paper

Accounting of Biological Assets in Indonesian Plantation Companies

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Abstract

The purpose of this study is to analyse the recognition, measurement, disclosure and presentation of biological assets in Indonesian plantation companies. The population of this study is all plantation companies registered in Indonesia Stock Exchange which amounts to 12 companies. This study involved the entire population as a sample. Further, this study uses descriptive-qualitative method through secondary data in the form of company financial report. The results of the study present that Indonesian plantation companies comply with PSAK (Indonesian Accounting Standards) in the application of biological asset records. The biological assets were measured at the acquisition cost by accumulating all expenditures from planting until the assets were ready to produce and were presented in the report of financial position with the classification of yielding and not yet yielding crops. The biological assets were depreciated on a straight-line method with an average economic life of 20-25 years.

Keywords: Biological assets, accounting, Indonesia, yielding crop

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1. Introduction

Agriculture companies have specific characteristics, whicharevery different from other types of companies. A service, manufacture, and commerce company usually apply fair value in the acquisition and the records of assets owned. Agricultural companies have unique characteristics that make it difficult to apply this measurement model.

The unique characteristics of this company include the increase in assets through a growth process, in which it will have different value each year and it is irrelevant if continuously measured by historical cost. The second characteristic is the revenue attributed to asset growth at the time of the sale, which will also be inconsistent with this historical value measurement model.

International Accounting Standards Committee (IASC) has published International Accounting Standard (IAS) 41 on agriculture that regulates the accounting treatment

during the period of growth, degeneration, production, and procreation as well as for the initial measurement of agricultural produce at the point of harvest.

In line with this, Indonesian Institute of Accountants (IAI) has issued PSAK 16 Revision 2015 which mentions that the productive crop (bearer plants) are live crops used in the production or supply of agricultural products, are expected to produce the products which are over a period of time and have the possibility which is rarely for sale as an agricultural product, except for the sale of incidental scraps.

In addition, PSAK 16 which was implemented on 1 January 2017 resulted in some changes to be made by the company. An entity may choose to measure bearer plants assets at their fair value in the earliest presentation period in the financial statements for the reporting period and use the fair value as acquisition cost on such date.

Meanwhile, PSAK 69effectively implemented from January 1, 2016, explores the accounting treatment for agricultural products starting from the recognition, measurement, and disclosure of agricultural activities. This PSAK adopted IAS 41 Agriculture which became effectively used on January 1, 2016.

Several previous studies related to accounting of biological assets were conducted including by Ridwan (2011) and Safitri (2012) who found that the measurement of biological assets in plantation companies using the acquisition cost (PSAK 14 and 16) was deemed incapable of providing relevant information for stakeholders. In contrast, Widyastuti (2012) found no significant difference in the recognition, measurement, and assessment of biological assets before and after the application of IAS 41 for PT Sampoerna Agro, Tbk. Simanjorang (2015) also stated that PTPN has recorded biological assets in accordance with Indonesian accounting standards (PSAK 14 and 16) which are slightly different from IAS 41 in terms of measurement, PTPN is based on acquisition cost and IAS 41 is measured according to fair value less to the cost of point of sell.

2. Theoretical Framework

According to Indonesian Accounting Standards (PSAK), assets are the resources controlled by the company as a result of the past events and from which the future economic benefits are expected to be obtained by the company. According to Kieso (2007), assets can be classified into several groups, such as tangible and intangible assets, fixed and non-fixed assets. In general, asset classification on the balance sheet is classified into current assets and noncurrent assets.

Biological assets are a type of asset in the form of animals and living plants, as defined in IAS 41: "Biological asset is a living animal or plant." When it is associated

with the characteristics possessed by assets, biological assets can be described as agricultural crops or livestock owned by companies acquired from past activities.

In PSAK 14 (2008), it is mentioned that inventory is an asset which is available for sale in ordinary course of business, in the production process for the sale or in the form of material or equipment for being used in the production or service process (PSAK 14 paragraph 5). Meanwhile, the definition of fixed assets in PSAK 16 paragraph 6, is tangible assets that are (a) held for being used in the production or supply of goods or services, to be directed to other parties, or for administrative purposes; and (b) are expected to be used for more than one period (PSAK 16 paragraph 6).

3. Research Method

This research is a survey research where the total population of 12 companies was sampled. This research uses a descriptive-qualitative method with the content analysis of company financial statements audited and published on company website and Indonesia Stock Exchange website. The analysis is conducted to explain the data obtained in order to get a clear and comprehensive description of all the data which is presented in the financial statements.

This research uses the financial statements of 12 companies in 2017 as both population and sample. The companies are as follows:

Table 1

No	Abbreviation	Company Name
1	AALI	PT Astra Agro Lestari, Tbk
2	ANJT	PT Austindo Nusantara Jaya, Tbk
3	DSNG	PT Dharma Satya Nusantara, Tbk
4	GZCO	PT Gozco Plantation, Tbk
5	JAWA	PT Jaya Agra Wattie, Tbk
6	LSIP	PT PP London Sumatera Indonesia, Tbk
7	PALM	PT Provident Agro, Tbk
8	SGRO	PT Sampoerna Agro, Tbk
9	SIMP	PT Salim Ivomas Pratam, Tbk
10	SMAR	PT Sinar Mas Agro Resources and Technology, Tbk
11	SSMS	PT Sawit Sumbermas Sarana, Tbk
12	TBLA	PT Tunas Baru Lampug, Tbk

Source: The processed data of 2018

4. Results and Discussion

4.1. The initial recognition of biological assets

The initial recognition of biological assets at 11 companies was revealed at acquisition cost, only PT Provident Agro, Tbk, which made initial recognition based on fair value. This was in accordance with PSAK 69 paragraph 12 stating that biological assets were measured at initial recognition and at the end of each reporting period at fair value less to cost to sell.It also conformed to the basis of the measurement of biological assets in IAS 41 which determined the fair value of the biological assets was based on fair value after being less to cost of point of sell. The measurement of biological assets was carried out at the time of initial recognition and at the balance sheet date. At the time of the initial recognition, the difference between the fair value and acquisition cost was recognized as gain or loss on the valuation of biological assets.

4.2. The disclosure of biological assets

The entire sample companies disclosed the biological assets in the statements of financial position in the classification of yielding and not yet yielding crop. The yielding plantswere measured based on the reclassified value of the not yet yielding crop. The capitalization of direct costs and indirect costs associated with plantation crops were no longer conducted to measure the crops that had produced. This was to distinguish crop yields according to the age and the characteristic of the plant. According to PSAK 69 paragraph 45 which stating that biological assets could be classified as yielding and not yet producing.

The entity had also provided a description of the classification made in the notes to the existing financial statements. As being mandated by PSAK 69 paragraph 15 which revealed that the measurement of the fair value of biological assets or agricultural products could be supported by classifying biological assets or agricultural products according to their characteristics.

4.3. The presentation of biological assets

All of the sample companies present biological assets as the plantation crops, except PT Austindo Nusantara Jaya, Tbk which presented as oil palm crops in the statement of financial position. This proves that agricultural companies have complied with the

latest regulations through PSAK 69. All companies haddistinguished their biological assets from the classification of fixed assets and inventories with a more appropriate asset classification.

4.4. The depreciation of biological assets

The depreciation of biological assets was carried on a straight-line method, with an average economic life of 20 and 25 years. The depreciation was conducted to acknowledge the benefits of the yielding crop at each period. The depreciation wasmeasured based on the estimation of the useful life of the plant. The re-measurement made at the balance sheet date requires a revaluation of the value of the biological asset if there was a discrepancy between the fair value that has been recorded and the fair value at the balance sheet date. The difference between the fair value at balance sheet date and the fair value recorded as gain or loss on revaluation. The revaluation journal of biological assets and inventories in the form of agricultural products.

5. Conclusion and Suggestions

5.1. Conclusion

1. Indonesian agricultural companies performed accounting records in accordance with the existing accounting standards (PSAK 69) on agriculture.

2. PSAK 69 adopted IAS 41 for standard accounting of biological assets.

5.2. Suggestions

Suggestions that can be recommended include:

1. For further research, to examine more deeply related to biological accounting treatment with quantitative data through company financial statement, to differentiate before and after the application of PSAK 69 on agriculture.

2. For the company, to always review the latest rules related to the company's accounting records and always update with the changes.

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