

IMPLEMENTASI STANDAR AKUNTANSI INTERNASIONAL (IAS) 41 PERTANIAN DALAM MENYAJIKAN ASET HAYATI

Oleh:

Havid Sularso,¹⁾ Sully Kemala,¹⁾ Dwiwiyati Astogini¹⁾
¹⁾ Economics and Business Faculty, Universitas Jenderal Soedirman
e-mail: hvd1208@gmail.com

ABSTRACT

This research is an case study in TJS Farm with title “Implementation Of International Accounting Standard (IAS) 41 Agriculture in Presenting of Biological Assets”. The aims of this research are to analyze the differences of presentation and disclosure of biological asset based on accounting treatment in TJS Farm and IAS 41.

The result of this research show that TJS Farm measure biological asset using historical value for DOC and fair value for live bird. There is also differences in recognition, presentation and disclosure of biological asset between TJS Farm and IAS 41 that makes the quality of information in TJS Farm was not reliable. It is better for TJS Farm improving the employee understanding of IFRS and biological asset in order to provide a better quality of presentation and disclosure related to biological asset.

Key Words : biological asset, accounting treatment, IAS 41, fair value, historical cost

INTRODUCTION

A. Research background

Generally, biological assets are living plants or animal owned by the company. Biological asset is a unique and distinctive from others because it is ever growing and the value is ever changing even when it still has produced some outputs for the company. The value of biological asset will keep changing as long as the asset is still productive for the company, in other words, the assets are biologically transforming.

It is, therefore, difficult for entity to measure, recognize and decide the fair value of biological asset itself. Due to the unique characteristics of cattle, livestock companies are facing more risks when releasing information about the fair value of biological asset. We should have standard to manage and organize the measurement, recognition and disclosure of biological assets.

International Accounting standard (IAS) 41 Agriculture is a standard released by International Accounting Standard Committee (ASC) in December 2000. IAS 41 was in effect on January 1, 2003 but on May 22rd 2008 there was a calculation change in discount for fair value and value added in biological assets transformation. The change result in 2008 was officially adapted in January 1, 2009 (Prasetya: 2011)

IAS 41 is different from other standards as other standards only cover measurement on non-biological assets like building, cars, machines and so forth. IAS 41 includes biological assets such as agricultural and livestock products. However, nowadays it is difficult to thoroughly adapt IAS 41 in Indonesia particularly to change the method from historical cost as fundamental measurement and reporting to fair value-based that has been subtracted by point of sale cost. Before IAS 41 adaptation in Indonesia, companies of agricultural industry usually applied Pedoman Penyajian dan Pengungkapan Laporan Keuangan Emiten dan Perusahaan Publik (Directive on Presentation and Recognition of Emitents Financial Report and Public Company) (P3LKEPP) or PSAK 14 on Supply or PSAK 16 on fixed assets to report their financial statement.

In previous study on IAS 41 in fishing industry, Prasetya (2011) stated that the implementation of IAS 41 by Indonesia fishing industry is expected to create new opportunities since Indonesia in fact has a greatly potential fishing industry. Furthermore, Luwia (2011) showed that financial report on Financial Position, Comprehensive Statement of Profit and Loss, Cash Flow Statement, and Statement of Financial Report have relation with biological assets.

TJS Farm is a livestock industry with head quarter in Bogor and farm in Sukabumi. As a newly operating commercial company for less than a year, TJS Farm has not adopted any specific accounting standard related to its biological assets.

Based on the explained background, it is interesting to conduct a research entitled "**Implementation of International Accounting Standard (IAS) 41 Agriculture in Presenting of Biological Assets on TJS Farm**".

B. Research Problem

Based on the background mentioned above, the formulated research problem states "Is there any difference of Presenting Biological Assets between Accounting Standard 41 Agriculture and the standard used by TJS Farm?"

C. Research Objectives

From research question above, the research purpose is concluded as: "To figure out and analyze the difference of Presenting Biological Assets between Accounting Standard 41 Agriculture and the standard used by TJS Farm.

D. Research Benefits

This research is expected to provides some useful information for the users, namely:

1. For the writer, this is as a means to improve knowledge and understanding on IAS 41..
2. For civitasacademica, this is as the contribution to science development and information as reference for future study on IAS 41
3. For company and industry, this is as a fundamental for decision making whether an organization will use IAS 31 as the standard in making and recognizing financial report.

RESEARCH HYPOTHESIS

Based on the previous research, it was obvious that most of agricultural companies still face difficulties in determining fair value of their biological assets. One research demonstrated difference in the use of fair value and others argued that actually there was no significant difference in the use of fair value.

Therefore the hypothesis of this research is:

“There is difference between biological assets presentation based on IAS 41 and the standard accounting used in TJS Farm.”

RESEARCHMETHODOLOGY AND DATA ANALYSIS TECHNIQUE

A. Research Method

1. Type of Research

This research refers to qualitative research. This researchuses descriptive analysis and involves financial report of company specialized in livestock industry at a certain time. Therefore, this research can also be categorized as case study.

2. LocationandTime of Research

The location of the research is in TJS Farm Cibadak, Sukabumi, Jawa Barat. Its headquarters is at Jalan Raya Cilendek No.27, Bogor, Jawa Barat.

3. The Research Object

The analyzed object is an accounting treatment forbiological assets in TJS Farm and also the application of IAS 41 Agriculture for the accounting of biological assets.

4. Type and Data Source

This research uses primary and secondary data. Primary data are taken from observation and interview with the employees in the company about accounting policy for biological assets. Secondary data are the record file in the company. In this research, the secondary data used are financial reports of the company and the other information related to measurement, recognition, and biological assets reporting, and also the other information that can be obtained from literary study and scientific journal.

B. Data Analysis Technique

1. Content Analysis

Content analysis is data collection method through observation and document analysis to identify the characteristic or certain information in document, in order to get objective and systematical description (Indriantoro and Supomo: 2009 in Widiyastuti: 2012). It can be done in some procedures namely:

a. Determining what document to analyze. The data are financial report, management report and all accounts related to biological assets. The purpose is searching some necessary information for the application of IAS 41 in Indonesia, especially in livestock industry.

b. Checking on certain accounts that has to be adjusted with IAS 41. The method needs data collections of information like the application of company accounting method, on how to measure the fair value for biological assets, and how are the recognition and the disclosure of biological assets in the company.

c. Through data collection result, it can observe the application of accounting method, how to measure the fair value of biological assets and how are the recognition and the disclosure of biological assets in the company.

Widiastuti (2012) explain the procedures of data analysis applied in this research that are mentioned below:

1) Identifying format and standard applied to recognize, measure, report, and disclose biological assets in financial report.

2) Classifying biological assets as basic assumption.

3) Analyzing the application in agricultural activities, basically on recognition, measurement, and disclosure of the biological assets of company.

4) Comparing the application in biological assets and accountings related to agricultural activities based on the standard applied by company with IAS 41 Agriculture.

5) Identifying the differences that appear because of the changing in accounting application and treatment for agricultural activities in company that has

not applied IAS 41 in the beginning compared with a company which has been applying IAS 41.

6) Identifying the impacts or influences of the application of IAS 41 Agriculture for elements in company financial reports.

7) Making report in order to be easily recognized whether the result is suitable or not. Research data interpretation is applied through writing report and explanation.

RESULT AND DISCUSSION

1. Description of Presentation and Disclosure of Biological Assets in TJS Farm.

TJS Farm livestock industry is a part of Taman Jasmine Park that produces adult broiler in self-farming. As one of the companies in broiler industry, TJS Farm always follows every dynamic and change in local or international livestock market. After official operation in May 2013, TJS Farm is expected to make and equalize its financial report to the commonly used financial report.

Since established, TJS has been using and applying Financial Accounting Standard published by Ikatan Akuntan Indonesia effective on January 1st 2011.

a. Recognition

Although TJS Farm has applied the common Financial Accounting Standard in Indonesia, it has not applied specific standard dealing with the biological assets. In IAS 41, biological assets are classified into two: mature biological assets and immature biological assets. Biological assets in TJS Farm are classified in two; immature biological assets named Day Old Chicken (DOC) or chicks and mature biological assets named live bird or adult chicken. The DOC is recognized as part of supply in balance sheet while live bird or adult chickens are only recorded if there is selling in Income Statement.

b. Measurement

In order to obtain DOC, TJS Farm cooperate with some big companies such as Charoen Pokphand Jaya or Sierad Produce, so that the value of DOC depends on the price from each companies. In other words, DOC value belongs to historical cost of each company which usually consists of the costs during DOC production and pre-sale maintenance, among which are feed cost, cage worker wage, medicine and many more.

From DOC calculation, it was observed that TJS Park calculated DOC by using historical price from the company where it buys and acquires DOC. Live bird is the product of DOC maintenance or immature biological assets in the form of adult chicken ready for reproduction or sale in market. To date, the company still calculates them based on the sold or out live bird. The detail calculation for DOC and live bird is presented in appendix 2.

Although live birds are sold at recent market price (fair value), company does not record the remaining live birds in the cage that have not been sold. Later, the

total sale of livebirds is subtracted by Cost of Goods Sold consisting of production cost and cage operational cost.

c. Presentation and Disclosure

The thorough presentation and disclosure of company financial report is presented in the appendix. Biological assets in TJS Farm comprise of supply in Balance and sales in Income Statement.

TJS Farm has not made specific financial report disclosure dealing with the biological assets. DOC and Live Bird are still recorded in separate disclosure as supply and sale.

2. Description of Presentation and Disclosure of Biological Assets of TJS Farm If IAS 41 was Implemented

Before conducting presentation and disclosure based on IAS 41, some assumptions are made that later these will be used to uniform understanding of Biological Assets.

- a) There is no mortality in Live Birth of mature biological assets.
- b) Because live bird or mature biological assets are sold based on meat price per kg, the previous unit or by head is converted into kg
- c) The price used as fair value is the actual price of Live Bird and DOC in the Market during October 2013, based on period in financial report and data used in this research.
- d) Considering the economical age of chicken as only 35-49 days, the biological assets will be recorded and classified as current assets because the circulation of chicken biological assets is faster than the common biological assets.

a. Recognition

In IAS 41, Biological Assets are usually classified based on age or quality. If based on age, Biological assets classification in TJS Farm has been already correct, in which the immature biological assets are named Day Old Chicken (DOC) and the mature biological assets are Live Bird. However, the placement and recognition of each asset are still improper.

b. Measurement

Biological assets measurement starts by the time the company buys and acquires DOC from other company. DOC, usually calculated from price given by other company, in IAS 41 is priced based on market price.

The calculation is by multiplying the number of DOC with DOC Fair Value. While the live bird unit must be converted from per head into per kg before calculation because the market price of live bird is calculated from the weight not head.

From calculation in October 2013, there was an increase in DOC final balance as much as Rp 260.382.127,00 with 33% of materiality increase.

The new live bird calculation did not only calculate the out adult bird for sale but also the remaining initial and final stock in company cage. The company did not use to count the number of adult chicken in the cage. From the calculation based on IAS 41 in October 2013, there were 17.710 head of adult chicken remained, worth Rp432.444.772,00. The detail calculation is presented in appendix 3.

c. Presentation and Disclosure

The thorough Financial Report Presentation and Disclosure after IAS 41 implementation is presented in the appendix.6, 7 dan 8.

Biological Assets are presented as current assets in financial position statement with two account, Day Old Chicken (DOC) and live bird. Therefore, the company will report profit or loss in biological assets as a result of increase and decrease of the used of assets fair value after implementation as other expenses in income statement. The company also likely to made notes of financial position which related to biological asset, that presented in appendix 8.

3. Quality of Financial Information of TJS Farm Livestock Industry

Reporting and compilation of financial statement in TJS Farm livestock industry was based on Financial Accounting Standard valid and effective in Indonesia since January 1st 2011. The quality of information of Biological Assets in financial report in TJS Farm can be observed from Relevance and Reliability of the Financial Report itself.

The relevance of financial statement can be seen from the calculation and materiality of biological assets of TJS Farm before and After the Implementation of International Accounting Standard 41 (IAS 41) Agriculture. There are significant difference and high materiality level for biological assets calculation, mainly for DOC. DOC or immature chicks calculated based on historical cost, can actually reflect the actual value of the DOC. It is because DOC are acquired from acquisition with partner company where TJS Farm did not know the detail accumulated cost from eggs maintenance to DOC hatching.

For live bird or adult chicken, the writer cannot calculate the materiality level because the previous company did not count the number of adult living chicken in the company. The company only counted live bird when there was selling. Live Bird calculation should use fair value that better reflects the condition and value of the live bird. It shows that the quality of Financial Statement of TJS Farm is not relevant with the actual condition.

Financial Statement of TJS Farm is poorly reliable because of less thorough information on company's biological assets. Biological assets in the form of DOC and live bird have actually been classified based on age and growth. The company has written and informed in detail about DOC; however, it lacks detail information on live bird except the selling and cost of goods sold (COGS). This is the ultimate weakness in the quality of financial statement of TJS Farm, specifically in biological assets.

CONCLUSION AND IMPLICATION

A. Conclusion

This research is an analysis on presentation and disclosure of biological assets in TJS Farm based on IAS 41 Agriculture. The conclusion taken from this study is categorized into four parts, as follows:

1. Recognition

From biological assets recognition, there is almost no difference. Biological assets have been classified based on mature biological assets named live bird and immature biological assets named day old chicken (DOC).

2. Measurement

The company measures DOC based on historical cost during acquisition and measures live bird at selling based on market price. IAS 41 measures both using market price. Due to the different calculation, in October 2013 there was increase in DOC final balance as much as Rp 260.382.127,00; while live bird in October remained 9.969 heads worth Rp432.444.772,00.

3. Presentation

Company still included DOC as supply in current assets, while live bird was only recorded at selling and put into Income Statement. meanwhile IAS 41 requires Biological Assets to be put in current assets in the Balance.

4. Disclosure

The company has not made specific disclosure on biological assets as required in IAS 41.

The results of this research are Statement of Financial Position, Comprehensive Income Statement, Statement of Changes in Equity, Cash Flow Statement, Notes to the Financial Statement relate to biological statement. There are also differences in value and presenting biological assets for DOC and livebird. The detail difference in biological assets can be observed in reconciliation of biological assets in Notes to the Financial Statement

B. Research Limitation

There are some limitations in this research as follows:

1. The research was only a case study, so that the object was limited to one company, namely Taman Jasmine Sentosa Farm.
2. Secondary data used in this research were Financial Statement and Monthly Management Report in October 2013 because the company ran for commercial operation for less than one year and has not recorded Annual Financial Statement.
3. Biological assets calculation was the calculation based on IAS 41 and the initial calculation was by the company; therefore it may not be made as reference for the next researches.

C. Research Implication

Company should improve the employees' quality and understanding on IFRS, regulation and other standards dealing with biological assets. Lack of understanding on those standards makes the company reluctant to apply standard on biological assets.

Fair value fluctuation in market often causes the fast change in company's profit and loss. The company must be ready with the fluctuation that can cause sudden loss.

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