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ANALYSIS OF ACCOUNTING TREATMENT FOR AGRICULTURAL ACTIVITIES IN FINANCIAL STATEMENT PRESENTATION BASED ON PSAK 69; Literature Review

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ABSTRACT

Indonesia, known as an archipelagic nation rich in natural resources, holds various high-value raw materials. As of February 2018, approximately 38.7 million Indonesians worked in the forestry, fisheries and agriculture sectors, representing 30.45% of the country's labor force, according to data from the Central Statistics Agency (BPS). This study aims to analyze entities within the agricultural sector implement PSAK 69 in their financial statement preparation. The research employs a qualitative descriptive method with a case study approach. The analysis reveals that several companies have not fully complied with PSAK 69 requirements, indicating a need for improved understanding and accounting practices within the agricultural industry.

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INTRODUCTION

Indonesia as an archipelagic country abundant in natural resources and various valuable raw materials, is widely recognized. Consequently, a large portion of Indonesia's population works in the agriculture sector. As of February 2018, around 38.7 million Indonesians were employed in forestry, fisheries, and agriculture, accounting for approximately 30.45% of the national workforce, according to the Central Statistics Agency (BPS). Furthermore, the agriculture sector significantly contributes to Indonesia's GDP, growing by 9.93% in the second quarter of 2018. These statistics demonstrate agriculture's pivotal role in Indonesia's economy (Urip Wardoyo et al., n.d.).

According to Muhamada (2020a), agriculture has seen rapid development, driven by factors such as technological advancements, increasing demand for agricultural products, the emergence of a new economy through the ASEAN free market, and regional autonomy impacting agricultural management and products. Additionally, demands for transparency and accountability have increased alongside advancements in communication and information technology, which facilitate ease of information access.

Consequently, the agriculture sector requires effective management tools to support decision-making.

An accounting system capable of accurately recording all transactions and complying with applicable standards is essential to produce reliable financial statements. Accounting policies are also necessary for businesses to ensure their processes remain relevant. Through Financial Accounting Standards (PSAK), the Indonesian Accounting Association (IAI) sets these accounting guidelines. PSAK encompasses various transactions and events, including those related to biological assets and agricultural products within the agriculture sector.

In 2001, the International Accounting Standards Board (IASB) issued IAS 41, which regulates agricultural activities and transformed agricultural accounting globally. However, this standard faced criticism from certain countries, such as Malaysia, regarding accounting for holding assets. Consequently, IASB amended IAS 41, effective January 1, 2016. As a G20 member, Indonesia agreed to adopt international accounting standards but was considered slow to adopt IAS 41, as PSAK 69 was only ratified in late 2015 and took effect on January 1, 2018. PSAK 69 defines biological assets as living animals or plants, such as rice, palm oil, animals, and fish, while agricultural products are defined as the harvested output of an entity's biological assets, like milk and fruit. Before PSAK 69, fair value assessment of biological assets was unreliable, impacting the quality of financial statement information (Urip Wardoyo et al., n.d.).

In the literature on the implementation of PSAK 69, the regulatory change effective from January 1, 2018, has posed significant challenges for companies as they adapt their accounting practices to comply with the new standard. This adjustment requires companies not only to recognize and measure biological assets and agricultural products accurately but also to ensure that the information presented and disclosed is reliable, relevant, understandable, and comparable across periods (Aisyah, 2023).

This phenomenon is evident in the case of PT. IJ, which faced difficulties in applying PSAK 69, particularly in the recognition and measurement of agricultural products such as rubber sap. As a product derived from productive plants, rubber sap presents a unique challenge in valuation due to the complexities involved in determining fair value for items not yet harvested. Additional challenges arise from the requirement to measure fair value based on active market values. For agricultural products like rubber sap, active markets are often not available, leading to uncertainty in accurately recording the fair value of such products (Ilmiah & Semarang, 2023; Sadewa et al., 2023).

Another research gap arises from the variability in the implementation of PSAK 69 among agricultural companies in Indonesia. As a mandatory standard for accounting biological assets, PSAK 69 regulates the recognition and fair value measurement of biological assets; however, its field application varies significantly, with most companies still using the historical cost method (Aisyah, 2023; Ilmiah & Semarang, 2023). This variation in applying the standard creates inconsistency in the reporting of biological assets, making it challenging to comprehensively assess the quality of financial information presented (Sadewa

et al., 2023). This inconsistency also highlights the need for further training and outreach to improve PSAK 69 compliance among agricultural companies.

With increasing attention on international accounting standards, recent studies are focusing more on the importance of fair value application in the recording of biological assets in Indonesia. This application enables financial reports to better reflect the accurate and relevant values of assets (Financial Accounting Standards Board, 2020). However, a major barrier to full adoption of the fair value method is limited access to accurate market data, especially in the plantation and livestock sectors (Aisyah, 2023; Tanjung et al., 2024). This limited data accessibility indicates a significant gap in understanding how government support measures could facilitate or hinder the effective implementation of PSAK 69.

Furthermore, the impact of PSAK 69 on the financial performance of agricultural companies is often moderated by external variables, such as corporate governance practices. Studies suggest that good corporate governance can strengthen the relationship between PSAK 69 application and profitability by ensuring that biological assets are effectively managed (Sadewa et al., 2023). While these findings exist, much of the previous research has yet to fully explore the role of governance as a moderating factor, presenting an opportunity for future studies to address this gap and better understand how corporate governance influences the success of PSAK 69 implementation (Dewi Nur Aisyah, 2023).

This research aims to bridge these gaps by reviewing existing literature on PSAK 69 application and examining how it affects financial performance and biological asset management across various agricultural sectors. Through a systematic review, this study aims to consolidate findings from prior research, highlight key challenges and benefits, and identify gaps that need further exploration. By doing so, this research contributes to a broader understanding of how PSAK 69 practices can be enhanced to support financial reporting transparency and accuracy within the agricultural sector.

Thus, the research problem can be summarized as: "How is the accounting treatment of biological assets in agricultural activities according to PSAK 69?" This study will analyze how agricultural sector entities apply PSAK 69 in financial statement preparation, hoping to enhance understanding of agricultural accounting and provide a more representative financial statement presentation.

LITERATURE REVIEW

PSAK 69

The accounting standard known as PSAK 69 (Statement of Financial Accounting Standards) regulates agricultural activities. The Financial Accounting Standards Board ratified this statement on December 16, 2015, and it took effect on January 1, 2018. PSAK 69 provides standards for the accounting, measurement, and disclosure of agricultural activities. According to PSAK 69, assets categorized as agricultural products or biological assets are generally recognized if they meet the same requirements as other assets. Productive assets

classified as fixed assets, governed by PSAK 16 for fixed assets, are excluded from this standard. Additionally, PSAK 69 provides guidelines for accounting for government subsidies related to biological assets. However, this standard does not apply to agricultural products that have undergone processing or have been produced after harvest. IAS 41 Agriculture, published in 2000 and effective from 2016, regulated biological assets before PSAK 69. PSAK 69 incorporates all provisions from IAS 41 Agriculture (Ilmiah & Semarang, 2023a).

Biological Assets

Biological assets refer to living plants or animals owned and managed by an entity to produce agricultural output, such as food, fiber, or other products (Urip Wardoyo et al., n.d.). Agricultural businesses possess various assets, including biological assets. According to International Accounting Standard 41, biological assets are a company's property, consisting of plants or animals. Examples include rubber latex from rubber trees, fresh palm oil fruit bunches, tea leaves from tea plants, and trees in timber forests. PSAK 69 defines biological assets as plants and animals. Biological assets are living organisms, such as plants or animals, that undergo biological transformations and produce outputs that change over time, such as agricultural products and assets. Assets may change due to growth, degeneration, or proliferation. While agricultural products harvested are measured at fair value less selling costs at the point of harvest, an entity's biological assets are measured at initial recognition and at the end of each financial reporting period (Tanjung et al., 2024).

Agricultural Accounting

Agricultural accounting involves recording, measuring, and reporting transactions related to agricultural activities, including managing biological assets such as plants and live animals and the agricultural products produced. Agricultural accounting standards are governed by PSAK 69, which provides guidelines on the recognition, measurement, and disclosure of biological assets and agricultural outputs (Muhamada, 2020a).

RESEARCH METHODS

This study employs a literature review method, focusing on the collection and critical analysis of various literature and documents related to the application of PSAK 69 in the agricultural sector. Through a systematic review of journal articles, books, and other academic sources, this research aims to identify challenges, gaps, and issues arising in the implementation of the accounting standard. This method enables the researcher to gain an in-depth understanding of the context and impact of PSAK 69 based on existing literature.

RESEARCH RESULTS AND DISCUSSION

Accounting Treatment for Biological Assets in Agricultural Activities According to PSAK 69

The accounting treatment of biological assets in agricultural activities under PSAK 69 requires recognizing and measuring biological assets, such as crops and livestock, at fair value less costs to sell (Ilmiah & Semarang, 2023b). If fair value cannot be reliably determined, biological assets are measured at cost minus accumulated depreciation. Since the income statement documents each change in the fair value of biological assets over time, an entity's financial performance is impacted by gains or losses arising from these changes (Muhamada, 2020b). Harvested biological assets are also measured at fair value at the point of harvest and are treated as inventory in line with PSAK 14.

Additionally, PSAK 69 mandates the disclosure of important information related to biological assets, such as the assumptions used to determine fair value and details of any changes in value. This approach ensures transparency and accurately reflects the economic value of agricultural activities in financial statements.

Recognition

Agricultural entities recognize biological assets when certain criteria are met:

- Control: The entity must have control over the biological assets as a result of past events.
- Economic Benefits: It is expected that economic benefits will flow to the entity.
- Reliable Measurement: The fair value or acquisition cost of the assets must be reliably measurable.

For example, PT IJ operating in the industrial plantation sector, has implemented the recognition of biological assets according to PSAK 69, including in the recording and presentation of its financial statements.

Measurement

PSAK 69 requires that biological assets be measured at fair value less costs to sell. If fair value cannot be measured accurately, entities are permitted to use acquisition cost as an alternative (PSAK 69, 2020). An example of this can be seen with PT Sampoerna Agro Tbk, where the measurement of biological assets is based on market value as well as associated costs (Muhamada, 2020b).

Below is a comparison of companies that have implemented each indicator using a table of assessment indicators related to the implementation of PSAK 69. Table 1 shows that after the implementation of PSAK 69, effective January 1, 2018, plantation companies listed on the Indonesia Stock Exchange in 2018 were required to adopt this standard. However, research indicates that there are still four companies that have not fully implemented PSAK 69, with an implementation rate of 53.3%. Meanwhile, another four companies have begun to implement it, although it has not yet been fully outlined in their financial statements.

Several points missing from the financial statements of these eight companies include information about the nature of activities involving biological assets and non-financial estimates related to physical quantities. While physical

quantity measurements are disclosed according to requirements, this point was omitted due to not aligning with disclosure standards. Additionally, there is no explanation regarding the inability to reliably measure fair value, as the financial statements of these eight companies do not mention this, and their biological assets are intended for sale, not for grant or donation (Urip Wardoyo et al., n.d.).

Table 1. Sample Data of Selected Companies

No	Code	Name of Issuer	Date of IPO
1	AALI	PT. Astra Agro Lestari Tbk.	9 Desember 1997
2	JAWA	PT. Jaya Agra Wattie Tbk.	30 Maret 2011
3	LSIP	PT. London Sumatra Indonesia Tbk.	5 Juli 1996
4	SIMP	PT. Salim Ivomas Pratama Tbk.	9 Juni 2011
5	SGRO	PT. Sampoerna Agro Tbk.	18 Juni 2007
6	TBLA	PT Tunas Baru Lampung Tbk.	14 Februari 2000
7	UNSP	PT. Bakrie Sumatera Plantations Tbk.	6 Maret 1990
8	SMAR	PT Sinar Mas Agro Resources and Techonology Tbk.	20 Maret 1992

Table 2: Assessment Indicators for PSAK 69 Implementation

Indicators of Assessment		**Company Codes**							
PSAK 69 Agricultural		A A L I	J A W A	L S I P	S I M P	S G R O	T B L A	U N S P	S M A R
A. Recognition									
An entity recognizes biological assets/agricultural products when and only when:									
1	Fair value/cost of biological assets can be measured reliably	1	1	1	1	1	1	1	1
2	It is probable that the future economic benefits associated with the biological asset will flow to the entity.	1	1	1	1	1	1	1	1
3	An entity controls a biological asset as a result of past events.	1	1	1	1	1	1	1	1
B. Measurement									
1	Biological assets are measured on initial recognition and at the end of each reporting period at fair value less costs to sell,	0	0	0	0	1	1	1	1

	except for cases depreciated under paragraph 30 where fair value cannot be measured reliably.								
2	Agricultural products harvested from the entity's biological assets are measured at fair value less costs to sell at the point of harvest. Measurement as at that date when applying PSAK 14: Inventories/other applicable statements	0	0	0	0	1	1	1	1
C. Disclosure									
1	An entity shall disclose the aggregate loss or gain arising during the period on initial recognition of biological assets and agricultural products and from changes in fair value less costs to sell biological assets.	0	0	0	0	1	1	1	1
2	Entities describe each group of biological assets. Entities are encouraged to provide a quantitative description of each group of biological assets, distinguishing between consumable biological assets and productive biological assets/ between producing and immature biological assets, according to the state of the biological assets.	1	1	1	1	1	1	1	1
3	If not disclosed elsewhere in the information published with the financial statements, the entity describes:								
	A. The nature of the activity involving each group of biological assets.	0	0	0	0	0	0	0	0
	B. Non-financial measure/estimate of physical quantity: each group of biological assets	0	0	0	0	0	0	0	0

	belonging to the entity at the end of the period, entry and exit of agricultural products during the period.								
4	Entity discloses financial risk management strategies related to agricultural activities	0	0	0	0	0	1	1	1
5	The entity presents a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period	1	1	1	1	1	1	1	1
6	If an entity measures biological assets at cost less accumulated depreciation and accumulated impairment losses at the end of the period, it shall disclose for such biological assets								
	description of the biological assets	1	1	1	1	1	1	1	1
	an explanation of why fair value cannot be measured reliably	0	0	0	0	0	0	0	0
	useful life / depreciation rates used	1	1	1	1	1	1	0	0
	gross amounts and accumulated depreciation are combined with accumulated impairment losses at inception	1	1	1	1	1	1	1	1
Implementation (%)		53,3 %	53,3 %	53,3 %	53,3 %	73,3 %	80,0 %	73,3 %	73,3 %

This table maps each company based on its compliance with the key components of PSAK 69, which consists of three categories of indicators: Recognition, Measurement, and Disclosure. In the recognition category, all companies meet the criteria for recognizing biological assets, meaning these assets are expected to provide future economic benefits, can be measured reliably, and are controlled by the entity.

A score of (1) indicates that the company has fulfilled the assessed criteria, demonstrating that it has applied accounting practices in accordance with the requirements of PSAK 69 for specific indicators. Conversely, a score of (0) signifies that the company has not met the assessed criteria, indicating a misalignment between the company's accounting practices and the provisions of PSAK 69.

However, in the measurement category, it is evident that only four companies measure their biological assets at fair value less costs to sell upon initial recognition and at the end of the reporting period. This limitation arises from several challenges, such as the lack of reliable active market data. Meanwhile, in the disclosure category, many companies have yet to provide complete information regarding agricultural activities involving biological assets, including asset activity descriptions and physical quantity estimates. The absence of such disclosures indicates a continued misalignment between PSAK 69 standards and the accounting practices employed by several companies.

Overall, the data presented in this table provides an overview of the extent to which agricultural companies in Indonesia have implemented PSAK 69. The level of compliance highlights the challenges associated with fair value measurement, the limitations in agricultural information disclosure, and the necessity for further efforts to enhance adherence to the new accounting standards.

CONCLUSION

The implementation of PSAK 69 enables companies in the agricultural sector to transparently and accurately reflect the economic value of biological assets. The analysis shows that some companies have not fully complied with PSAK 69 requirements, indicating the need for improved understanding and accounting practices among agricultural industry players. With stronger commitment to PSAK 69, it is expected that companies' financial statements will provide a clearer and more accurate representation of their financial performance and position, supporting better decision-making for all stakeholders.

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