MEASUREMENT PALM OIL AS BIOLOGICAL ASSETS USING PSAK 69 THAT ADOPT IAS 41

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Abstract.
IAI has just implemented PSAK 69 which is the adoption of IAS 41. Indonesia has a large oil palm plantation, which requires an assessment of reliable biological assets. The use of fair value in accordance with PSAK 69 wants to be seen to be implemented or not. The researcher used a literature study to see how IAS 41 was adopted by PSAK 69 in various countries. Of the 9 journals analyzed only one said that fair value can be relied on compared to historical value. Fair Value is very difficult to use because there are several constraint factors. Therefore, the assessment of FFB which is an agricultural product from oil palm has a variety of acquisition values in accordance with the location of the plantation area.

Keyword*: IAS 41, PSAK 69, Agriculture, Biological Assets, Fair Value*

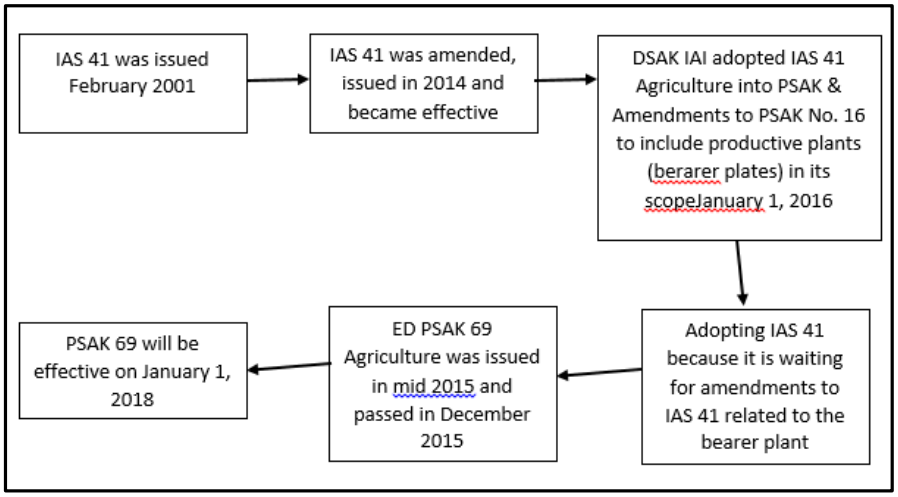
1. INTRODUCTION

Indonesia has a plantation company where the company uses a colonial-style commercial agriculture economic system. This plantation system is carried by foreign capitalist companies which are actually European plantation systems. The European plantation system is very different from the traditional plantation system which is traditional and cultivated on a small scale with a minimum capital investment. Plantation are part of a commercial agricultural economic system that is demonstrated in the form of large-scale and capital-intensive commercial crops, using large areas of land, having labor organizations that use modern technology, specialization, and administrative and bureaucratic systems. According to BPS statistics, 20.93% of land use in Indonesia is used for oil palm plantations, of which 14.42% are on the island of Sumatra and 6.51% are on the island of Kalimantan.

The Indonesian Institute of Accountants (IAI) publishes PSAK 69 "Agriculture" where effective January 1, 2018 is used. This PSAK 69 is regulated in relation to biological assets. PSAK 69 adopted directly from IAS 41 "Agriculture". The following in Figure 1 can be seen the path of adoption of IAS 41 conducted by IAI.

Figure 1

Admission Period IAS 41



Source: IAI, 2018

In Indonesia determine the selling value of biological assets, in this case Fresh Fruit Bunches (FFB) which are agricultural products rather than Oil Palm, the Indonesian Government in this case is regulated through the Minister of Agriculture Regulation No.17 / PERMENTAN / OT.140 / 2/2010 concerning Guidelines Determination of the Price of Purchasing Fresh Fruit Bunches (FFB) for Palm Oil Planter Production. In the regulation, the formula for purchasing FFB is set. In accordance with the ministerial regulation, the procedure for the implementation of pricing is further regulated by the Governor. The regulation must be followed by planters and / or planters' institutions, both in terms of pricing in plantation companies that have gardens and processing plants. The fair value of FFB is determined by the government using the upper and lower limits, and the planters and / or institutional growers will use the data to recognize the value of FFB. The fair value was stated in Rp. When determining the fair value of FFB it depends on the selling price of CPO. The fair value of TBS is determined per month by the Governor, even though the selling price of CPO fluctuates every day. Thus, planters and / or planters' institutions determine different fair values at the same transaction time in different places.

Indonesia has characteristics of plantations that are different from other countries. This is what makes capitalist hegemony strong enough. In Indonesia, those who have oil palm plantations can be individuals or companies. Thus, this creates agricultural activities that only direct the survival of the community around the plantation area.

Oil Palm Plantations owned by individuals will use simple bookkeeping. Sometimes accounting records do not consider how to record according to the Financial Accounting Standards.

The difficulty in determining the fair value of the FFB makes each planter and / or planter institution will recognize different values to determine the acquisition price of an FFB. So this will cause users of financial statements to be multi-interpreted in reading financial statements.

2. LITERATURE REVIEW

In this case the researcher will review the contents of IAS 41 and PSAK 69.

IAS 41

According to IAS 41, agriculture is a small standard with a wide scope and a significant impact on those entities within its scope. It applies to most (but not all) entities that grow or rear biological assets for profit. The principle of standards is that increases in value are recognised as the asset grows and not solely on harvest or sale. Biological assets must be valuated esstentially by the vair value cut by the estimated retail costs as early as the first charge and subsequently at the moment every surcharge done at the balancing day.

IAS 41 has a weakness due to not considering the land used for agricultural activities, and intangible assets in agricultural activities.

PSAK 69

According to PSAK 69, what is said to be an agricultural produce is a product harvested from a biological asset belonging to an entity. What is said to be a productive plant (bearer plant) is a living plant that: (a) is used in the production or supply of agricultural products; (b) is expected to produce products for a period of more than one period; and (c) has a very rare possibility to be sold as an agricultural product, except for the sale of incidental scrap. Gains or losses arising from initial recognition of biological assets at fair value less costs to sell and from changes in fair value less costs to sell biological assets are included in profit or loss in the period in which the gain or loss occurs. Gains or losses arising from initial recognition of agricultural products at fair value less costs to sell are included in profit or loss in the period in which the gain or loss occurs. Gains or losses can arise during the initial recognition of agricultural products as a result of harvest.

Private Interest Theory

This theory describes how a regulation that will generally protect and that regulation will be used for the public interest in terms of allocating an item both individually and collectively. To protect the public interest in a company, a country or the world is currently making regulations in the form of a standard statement that will generally apply where companies must follow these rules at the time of preparing the company's financial statements.

Historical Cost

Historical value can be interpreted as the acquisition price rather than an asset. Because this historical value uses past figures, it will be reliable in determining an asset. However, the historical value of an asset sometimes cannot describe the true value of the asset at the present time.

Fair Value

Fair value is often identical to market value. According to PSAK 68, that fair value is the price that will be received to sell an asset or the price that will be received to sell an asset or the price that will be paid to transfer a liability in a regular transaction between market participants on the measurement date.

When measuring fair value it is not equivalent to the accounting system with inflation, or current costs, or historical costs.

A fee can sometimes be used to determine the fair value of a biological asset, only that it can be done if when the biological asset is transformed there is a change, or, at the beginning of the transformation of the biological asset, the changes that are expected are not too material. The way we determine the fair value of a biological asset can be the value at the start of the transaction or the end of the reporting period; or looking for market prices of a biological asset of the same type after adjusting for different conditions; or benchmarks used by an area such as area per ha.

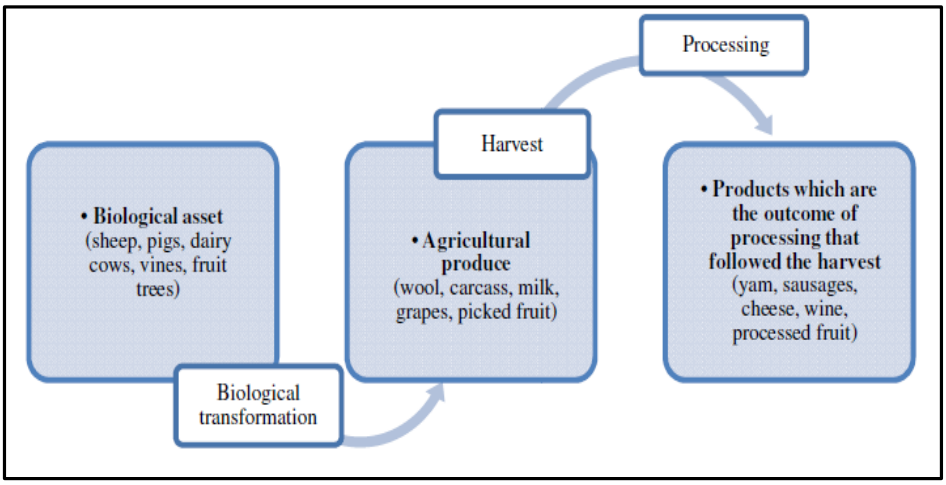
Agriculture Activity

According to PSAK 69 that agricultural activity is the management of biological transformation and harvesting of biological assets by an entity to be sold or to be converted into agricultural products or become an added biological asset.

According to the illustration from Orbán (2015) the process of an agricultural activity can be seen in the picture below.

Figure 2

Process of Agriculture Activity



3. RESEARCH METHOD

Researchers conducted a literature study to find out how the implementation of PSAK 69 is the adoption of IAS 41. Researchers reviewed several journals related to the fair value assessment applied in IAS 41. The researcher wanted to find out whether there were similar problems in other countries in determining fair value which is in accordance with IAS 41. Researchers reviewed nine research journals from several countries where the conditions of biological assets differed.

4. RESULTS AND ANALYSIS

According to (Jana and Marta, 2014) who conducted research on 104 plantation companies in the Chechen Republic that when measuring the value of a biological asset and agricultural yields it would not be consistent with the rules of the draft exposures governing agriculture.

(Orbán and Ta, 2015) conducted research in the country of Hungary, trying to classify agricultural activities based on IAS 41. At the time of grouping, they had difficulties. There are many forms of agricultural activities. So, they hope that the next research will be re-examined by referring to the grouping of agrarian activities they have made.

(Kurniawan, Mulawarman and Kamayanti, 2014) conducted research in Indonesia. At the time of conducting this research, there was no exposure to the draft PSAK 69, so researchers only referred to IAS 41. Plantation companies in Indonesia at that time were only required to use IAS or IFRS. Research from them in reviewing IAS 41 uses 2 dimensions, namely technical-theoretical dimension and meaning dimension. These two dimensions are used simultaneously. The research anticipates that there is a potentially dangerous assessment caused by monetary. (Kurniawan, Mulawarman and Kamayanti, 2014) also included the diverse and diverse cultures of Indonesian people to see the agricultural cycle.

(Kurniawan, Mulawarman and Kamayanti, 2014) interviewed Oil Palm Farmers in the Kotawaringin District, Central Kalimantan. The farmer said that the farmer did not require recording or accounting treatment because he had never assessed performance, because he considered the Oil Palm plantation to be his own. They describe the Concept of Biological Assets and the concept of reporting and evaluating biological assets as shown below.

Figure 3

Biological Asset Concept

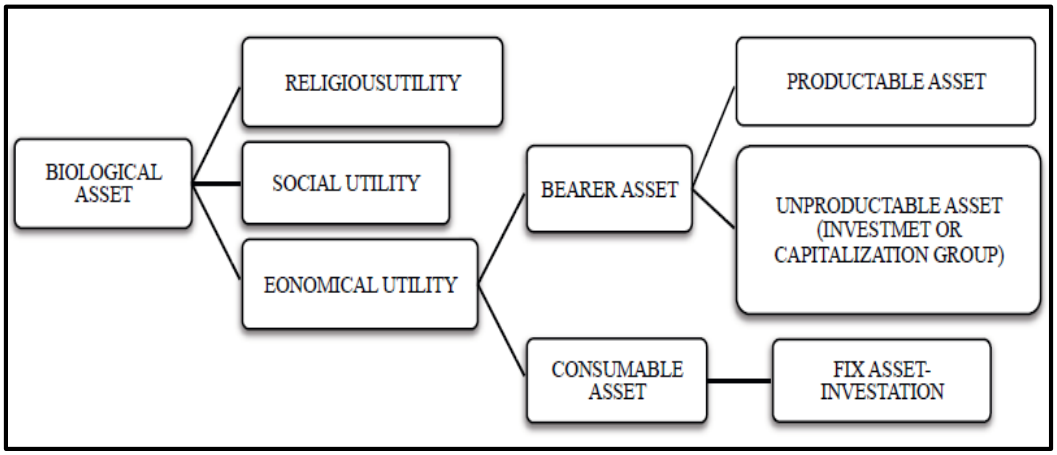
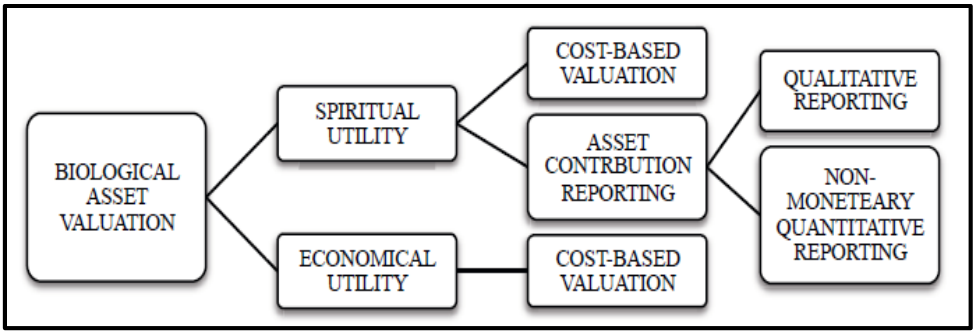


Figure 4

Concept of Reporting and Assessment of Biological Assets



The results of a research that oil palm farmers do not always use money indicators in terms of assessing biological assets or business performance. In addition, they revealed that in the practice of financial accounting without distinguishing social and cultural factors, economic systems, social systems and forms of corporate structure in society is very appropriate for Financial Accounting Standards in Indonesia.

(Creţu, Creţu and Muscănescu, 2014) conducted research in Romania. They said that IAS 41 was used to increase the value of financial statements in plantation companies. The change from historical value to the fair value of biological assets has a major impact on large plantation companies in various countries.

So that raises concerns that the fair value of biological assets is too high, which has an impact on revenue. This is due to a subjective assessment of the fair value of biological assets.

(Herbohn and Herbohn, 2006) conducted research in the State of Australia which compared the experience of Australian reports to identify potential implications in the EU entity report. According to (Elad, 2004) that will experience difficulties when assessing biological assets where biological assets are not in an active market, so that the fair value of these biological assets is considered too high. (Herbohn and Herbohn, 2006) conclude that what is stated in IAS 41 is only seen in terms of academic not in terms of practicality of reporting rather than biological assets, so that it will produce information on biological assets that are misleading especially for developing countries.

They took a sample of research in 13 companies combining timber asset material in Australia. They compared the Australian Accounting Standard Board (AASB) 1037. These 13 companies are 8 private companies and 5 government companies. Table 1 describes the results of their research.

Table 1

Results of Herbohn and Herbohn (2006) Research

Sector	Net market value	Net market value based on amounts other than market prices observed in active and liquid markets			
		Net present value	Net realisable value[1]	Insurance value	Unspecified
Private sector	1	5	---	1	1
Public sector	---	3	2	---	---
Total	1	8	2	1	1

[1] Net realisable valued is based upon standing volumes and current prices less the direct cost of disposing of the timber. Estimates of the standing volume of timber are made using growth simulation models.

They state that IAS 41 has a very broad scope in understanding biological assets. IAS 41 has applied this for four years. Problems arise in various companies in assessing the fair value of biological assets. Companies in terms of measuring the fair value of biological assets on a subjective basis, giving rise to unrealized profits in net income and the emergence of a very large increase in income.

Martin et al in (Gonçalves, Lopes and Craig, 2017), taking a sample of 45 companies in European countries, fair value cannot be relevant to the biological assets which will later be used as sources of accounting information for users of financial statements in terms of decision making. The samples they take are seen from the biological asset classification according to IAS 41, which is a productive biological asset with consumable biological assets. They concluded two things from the results of the study, namely (1) the valuation of biological assets using a lower fair value method would be generally relevant. (2) The disclosure of biological assets recognized lower than fair value would be more relevant than those of biological assets. a company with a high level of disclosure.

(Argilés Bosch, Sabata Aliberch and García Blandón, 2012) conducted research in the State of Spain, they conducted experiments on students, farmers and accountants in the agricultural sector. They match the constraints that occur in terms of measuring the value of biological assets using the method of historical value and fair value. Their results say that fair value can be more reliable and more suitable for accounting information than the historical value of plantation companies.

According to (Argilés, Garcia-Blandon and Monllau, 2011) states that market prices of biological assets show real prices that fluctuate so that accounting in showing fair value is less reliable. The absence of relevant information differences is presented by historical value and fair value, so that fair value does not respond to high uncertainty and votability to predict future earnings and cash flows.

5. CONCLUSION

Plantations have biological assets where agricultural activities vary. This makes measuring the fair value of biological assets different. Likewise with the assessment of Palm Oil in Indonesia. Will predict and interpret differently in terms of oil palm valuation. This is possible because companies experience confusion in determining the fair value measurement in financial reporting with fair value accounting. For the next research, it can be compared with other biological assets besides Palm Oil. In the case of determining the fair value it should be compared with referring to IFRS. Determining the fair value of a biological asset can be done by combining the historical value, net value, market value, and others.

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