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FAIR VALUE AND COST APPROACHES IN ACCRETION ACCRETION OF SHEEP BIOLOGICAL ASSETS (CASE STUDY AT KENDAL OPEN PRIVATE FARM)

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Abstract: The purpose of this study is to analyze and describe the measurement of the biological assets of sheep using the fair value and cost approach in accordance with the concept of accretion to the measurement of biological assets contained in PSAK 69. PSAK 69 which refers to IAS 41 emphasizes that biological assets are measured fairly and if the difference is included in profit or loss in the financial statements. However, in the context of the application of commodity agribusiness in Indonesia, discrepancies are still found, therefore more studies are needed to discuss the application of PSAK 69 to agricultural commodities in Indonesia, especially in sheep farming. The focus of the research was carried out at the Kendal Open Prison Farm. The research method is qualitative descriptive research by obtaining data through interviews and observation at the research location. The results are that the recognition of the biological assets of sheep using the fair value approach is less relevant than the cost approach in agribusiness commodities in Indonesia during the transformation of the development of biological assets.

Keywords: biological assets, accretion accounting, sheep, agribusiness, Indonesia

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INTRODUCTION

Improving the quality of an entity is an aspect that influences the survival of a business. This increase can be achieved if an entity is able to present economic information related to economic activities or activities related to commodity management within the entity. Indonesia, which is known as an agricultural country, has great potential to develop natural resources through agricultural economic commodities. Thus,

of sale based on fair value guidelines without taking into account the cost value.

Conditions for the development of biological assets during the transformation process in Indonesia are different from conditions for the development of biological assets in European countries which require disclosure of assets at fair value, or adapt to market conditions. One example is research conducted by (Murtianingsih & Setiawan, 2016) who found material differences in the measurement of biological assets in chicken farming business activities at PT. Malindo Feedmill refers to fair value, which tends to adjust to market prices but ignores the category of biological assets involved. So that Malaysia, as an agricultural country that has characteristics like Indonesia, still divides the reporting method for biological assets into two accounting methods, namely the amortization method for treating process cost systems or percoping costs and the capital maintenance method for calculating process costs in agricultural activities to avoid material differences. in disclosing financial reports in agricultural businesses.

Several researches from (Kurniawan et al., 2014), for example, also found that the application of biological asset information presentation implemented on livestock according to PSAK 69 raises the risk of uncertainty. This uncertainty cannot be predicted or anticipated, for example livestock assets suddenly disappear, death due to disease, the development process (fertilization) is unsuccessful, or livestock assets fail to reproduce successfully, or the transformation of asset growth does not match the entity owner's expectations. Kurniawan et al. (2014) argue that countries such as Indonesia, Malaysia, or India have many problems in the process of developing assets in the agricultural sector, unlike developed countries that initiate information standards relating to economic information related to agricultural activities in European, American, or developed countries. Therefore, a separate problem arises regarding the implementation of the fair value adopted by PSAK 69 in presenting economic information relating to agribusiness activities, especially for sheep commodities in this region of Indonesia.

The next problem, according to Achmad and Raharjo (2023) in PSAK 69, which fully adopts IAS 41, still cannot be applied in Indonesia because the implementation of PSAK 69 requires that biological assets be measured fairly and any differences are included in profit or loss in the financial statements. Meanwhile, the practice in the field of assessing biological assets is a person's subjective, can be manipulated, and is not visible in the process of improving or developing the related biological assets. Strengthened by findings from Rizaldy (2012) and Kurniawan et al. (2014), adoption of PSAK 69 tends to favor the market assessment dimension, because it uses the market price structure in presenting economic information. And far from siding with the principles of agribusiness which must prioritize socio-economics which sees farmers from the side of homo socius or social creatures.

The concept of accretion is a concept that states that assets are increasingly growing through a phase of economic value growth. The concept of accretion in biological asset accounting in the livestock sector emphasizes that asset measurement uses a fair value and cost approach. So that income from sales of biological assets continues to grow. Therefore, with the accretion concept, biological assets can be sold at any time, at various levels of growth at any time according to the company's wishes with a certain market value (Achmad & Raharjo, 2023). The older the biological asset, the higher the selling price. This is different from the concept of fair value in other assets, as the age increases, the economic value decreases (Gonçalves et al., 2017). On the basis of several problems that arose, the researcher's motivation arose to further explore the implementation of accretion accounting related to the application of accounting standards in presenting the appropriate value of sheep's biological assets to be applied in Indonesia as relevant information in producing decisions.

PSAK 69 concerning Biological Assets

Biological assets are known as unique assets because biological assets always experience growth even though they have produced products. Biological assets have different characteristics from other assets so that companies or business entities that own biological assets are expected to apply appropriate accounting recording methods in determining the value of these biological assets (Kodriyah & Monica, 2018). PSAK 69, which was issued starting January 1 2018, regulates

the presentation and disclosure of agricultural activities as a guideline in presenting management of the transformation of agricultural products from the sales process, producing other products, as well as disclosures in the transformation of increasing the number of biological assets, consisting of the categories growth, degeneration, production , and procreation. With the existence of PSAK 69 guidelines which regulate information related to the adoption of IAS 41 standards, disclosure and presentation models must adjust fair value to make it easier for information users to increase the effectiveness of decision making (Gonçalves et al., 2017).

METHODS

Research Method

The approach used in the research is a descriptive qualitative approach. This type of research is qualitative research because it observes and identifies problem phenomena from the results of observations at the research location. As the results of research must be concluded in detail and validly according to the results of interviews and observations. The qualitative descriptive research method is a research method that describes data in written or spoken sentences from people who have the same views to be processed and analyzed. The aim of descriptive qualitative is to understand phenomena regarding what is ongoing and happening, which has been produced by a number of informants (Cresswell, 2018).

Object of research

The research object is at the Kendal Open Prison which is located at Sopoyono, Wonosari, Kec. Patebon, Kab. Kendal. The Kendal Open Penitentiary is one of the Open Prisons in Central Java which prioritizes developing field skills through agricultural, animal husbandry and animal husbandry activities. The activities are carried out with the aim of providing the inmates (WB) with skills and entrepreneurship to develop independence, as a provision to obtain a decent income after serving a prison sentence. Sheep, as one of the commodities developed by LPT Kendal, is one of the assets managed and developed by LPT, maintained and managed by the Correctional Institution through the hands of inmates as a means for inmates to learn and develop entrepreneurial skills. Even though there are other commodities besides sheep, researchers are interested in researching sheep because of their profitable commercial value compared to other commodities managed by the Kendal Open Correctional Institution UPT.

FINDING AND DISCUSSIONS

Kendal Open Prison Farm which is located at Sopoyono, Wonosari, Kec. Patebon, Kab. Kendal is one of the open prisons in Central Java which prioritizes developing field skills through agricultural, livestock and animal husbandry activities. Sheep, as one of the commodities developed by LPT Kendal, is one of the assets managed and developed by LPT, maintained and managed by the Correctional Institution through the hands of inmates as a means for inmates to learn and develop entrepreneurial skills. Kendal Open Prison Farm practices recording and assessing assets in accordance with financial accounting standards in Indonesia or PSAK 69, however due to lack of knowledge from internal parties and the absence of external parties who have an interest, improvements are still needed in recording assets in accordance with the needs of Open Prison Farm.

Table 1. Types of Sheep Assets at the Beginning of 2022

Type	Female	Male	Number
Baby sheep/cempe (1-3 months old)	2	2	4
Juvenile Sheep (3-6 months old)	4	4	8
Adult Sheep (18-24 months old)	0	2	2
Sheep Ready to Mate (18-24 months old)	0	0	0
Sheep Ready to Mate (34 months old)	0	0	0
Pregnant Sheep	0	0	0
Sheep are rejected	0	0	0
Texel sheep/cross sheep	1	1	2
Total	7	9	16

Tabel 2. Types of Sheep Assets End of 2022

Type	Female	Male	Number
Baby sheep/cempe (1-3 months old)	0	0	0
Juvenile Sheep (3-6 months old)	0	0	0
Adult Sheep (18-24 months old)	0	0	0
Sheep Ready to Mate (18-24 months old)	6	6	12
Sheep Ready to Mate (34 months old)	0	2	2
Pregnant Sheep	0	0	0
Sheep are rejected	0	0	0
Texel sheep/cross sheep	1	1	2
Total	7	9	16

The management of sheep farming at the Kendal Open Prison Farm has developed criteria for grouping sheep based on the sex and age of the sheep. However, during the observation period at the research location, the sheep pens managed by the farm were still found to be in conditions, sometimes they were combined, sometimes they were separated, this was for the reason that the cempe sheep could interact with the ewe that had given birth to them for the milking process. After the lamb is released from milk, it will be separated.

The price of sheep's biological assets always changes according to market conditions. The sales price of sheep can be influenced based on quality level, age, gender, weight, and moment of need. However, prices can also be determined based on an agreement between the seller and the buyer. The following is the latest sheep price range.

Table 3. Sheep Asset Measurement Based on Fair Value

Type	Number	Early Year Prices 2022 (IDR)	End of Year Prices 2022 (IDR)
Baby sheep/cempe - female	2	1.000.000	1.150.000
Baby sheep/cempe - male	2	1.100.000	1.200.000
Juvenile Sheep - female	4	1.250.000	1.400.000
Juvenile Sheep - male	4	1.400.000	1.600.000
Female adult sheep	0	1.500.000	1.900.000
Male adult sheep	2	2.850.000	3.000.000
Texel sheep/cross sheep female	1	2.000.000	2.250.000
Texel sheep/cross sheep male	1	3.400.000	3.500.000

Table 4. Comparison of Sheep Transformation Measurements

Information	IDR	Fair Value Approach (IDR)	Cost Value Approach (IDR)
1. Recognition of sheep assets at the beginning of the year 2022		14.500.000	
2. Recognition of sheep assets at the end of the year 2022		16.000.000	
3. Periodic costs of care and feeding (lawn)			7.300.000
4. Other maintenance costs			628.000
5. Purchase of sheep (cempe)			
Male 8 @Rp.1.100.000	8.800.000		
Female 6 @Rp.800.000	4.800.000		
Texel 2 @1.500.000	3.000.000		
Total initial acquisition of assets	**16.600.000**		

The definition of PSAK 69 regarding the measurement of biological assets is that assets are measured at the initial measurement, and at the end of the period are measured based on fair value less estimated sales costs. So, from the results of information from resource persons at the research location, there is a match between theory and practice in the field in measuring fair value

related to recording the biological assets of sheep at the Kendal Open Prison farm. Apart from that, from the results of the interviews the sheep have been divided into their respective pens according to the conditions of the sheep's age. To maintain the quality of the sheep and avoid fighting between one sheep and another.

Based on observations at the research location, the calculation of costs for raising sheep reached a total cost of IDR 628,000 incurred by the open prison farm during one period. Next, the researchers carried out calculations based on information data related to the costs of sheep's food needs and the costs of caring for sheep every day during the transformation process for one period, such as the cost range for searching for grass for animal feed per day is approximately IDR 20,000 multiplied by 365 days, namely IDR. 7,300,000,- .

From the comparison results obtained during the transformation period, the fair value approach in recognizing the value of sheep biological assets using the fair or market value approach actually resulted in losses for managers of sheep biological assets. Although in general the comparative value of assets from the beginning of the year to the end of the year has increased, maintenance costs during the transformation of assets from the initial acquisition or purchase of the asset to the current value have experienced a loss due to periodic maintenance costs that must be incurred during the maintenance period. Therefore, recognizing asset value using a fair or market value approach is less relevant when applied to agricultural conditions for livestock commodities in Indonesia.

CONCLUSION

The fair value approach in accounting for accretion of sheep biological assets compared to the cost value approach is actually detrimental to commodity asset owners for livestock in Indonesia. This happens because of the costs that must be incurred during the biological asset transformation process. Although in general the comparative value of assets from the beginning of the year to the end of the year has increased, this is not commensurate with the cost of acquiring the asset at the start of ownership and the costs incurred during maintenance. Therefore, recognizing the value of assets using a fair or market value approach is less relevant if applied in agricultural conditions for livestock commodities in Indonesia and requires more study so that business actors in livestock commodities in Indonesia do not experience losses in their business processes if they record asset recognition. in accordance with PSAK 69 standards.

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