

Analysis of Accounting Treatment of Biological Assets Based on PSAK No. 69 at Latonang Farm Parepare City

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ABSTRACT

This research aims to determine the accounting treatment of biological assets based on PSAK No. 69 at Latonang Farm and to determine the accounting treatment of biological assets at Latonang Farm from a sharia perspective as well as the implications of implementing PSAK No. 69 to the financial statements of Latonang Farm's biological assets. This was done to analyze the suitability of the accounting treatment for Latonang Farm's biological assets with PSAK No. 69. This research uses qualitative methods with a case study approach and field research. The data collection and data processing techniques use observation, interview and documentation methods. The research results show that the accounting treatment of biological assets is based on PSAK No. 69 at Latonang Farm is generally in line with the provisions of PSAK No. 69. However, there are differences regarding the measurement of fair value. Latonang Farm does not reevaluate the value of biological assets, but instead uses the acquisition price with adjustments at the end of each period. This approach was chosen because of the difficulty of measuring the value of biological assets precisely. This action is permitted in accordance with the provisions of PSAK No. 69 paragraph 30. Apart from that, the accounting treatment of biological assets at Latonang Farm is also in accordance with the sharia perspective, where the principles of honesty, trust and benefit are applied.

Keywords: Accounting Treatment, Biological Assets, PSAK No.69

INTRODUCTION

Animal husbandry is one of the businesses that is growing in society. Various types of livestock are bred in various regions in Indonesia, one of which is various types of poultry. The increasing demand for livestock products has made livestock development soar in the market. The high demand for livestock products has encouraged the development of the livestock sector, one of which is in South Sulawesi. Livestock farming in South Sulawesi does not focus on just one type

of animal. Various livestock animals are bred by breeders to meet market needs. One type of livestock that is widely bred in South Sulawesi is chickens.

Livestock is one part of the agricultural sector. Agriculture itself refers to the business sector responsible for the production of food, food, fiber and other products from agriculture, including various types of local plants and animals. For companies operating in the plantation or livestock sector, they will report specific types of assets in their asset classification. One type of asset that is characteristic is biological assets, which include animals and/or plants.¹ The special characteristic of biological assets is the biological transformation that occurs to them, where the asset undergoes changes until it reaches a stage where it can be consumed or managed further by the company. The harvest results from these biological assets are then referred to as agricultural products.

Financial Accounting Standards (SAK) consist of Statements of Financial Accounting Standards (PSAK) and Interpretations of Financial Accounting Standards (ISAK) issued by the Financial Accounting Standards Board of the Indonesian Accountants Association (DSAK IAI). The purpose of this SAK is to facilitate auditors in reading financial reports and enable comparisons between the financial reports of certain entities and the financial reports of other entities.² In Financial Accounting Standards (SAK), there are several statements that serve as guidelines for preparing financial reports, including PSAK No. 69 which relates to agriculture. PSAK No.69, which was approved by the Financial Accounting Standards Board of the Indonesian Accountants Association (DSAK IAI) in early 2018, regulates accounting procedures for biological assets related to agricultural activities, where the value of these assets is measured at fair value minus sales costs.

Implementation of PSAK No. 69 is crucial to ensuring that the measurement and recognition of biological assets can be carried out accurately. This standard allows recognition of biological assets and unharvested agricultural products at fair value, unless their fair value cannot be measured reliably. By using fair value, companies can record profits and losses from these assets in each reporting period. Prior to the adoption of this standard, there were no official guidelines regarding methods for recording biological assets. As a result, these assets are generally recorded at cost. Biological assets can be recognized as inventory or fixed assets, but agricultural products that have not been harvested are usually not recognized, and profits are recognized when sold, while losses are recognized when they are impaired.

The presence of PSAK No. 69 introduces two approaches to biological asset recognition. The first approach is the fair value approach, which involves measurement at initial recognition and at the end of each reporting period, at fair value less costs to sell. However, if the fair value cannot be measured reliably, for example because market data is not available, then a second approach is used, namely the cost approach. The cost method involves reducing the cost by the amount of accumulated depreciation. Therefore, when using this method, an entity needs to calculate the depreciation of the biological value it owns.

From the results of research conducted by M. Hidayat, around 87.5% of companies in the agricultural sector have not implemented PSAK 69 in their financial reports, which requires measuring biological assets using fair value minus selling costs.³ Another study conducted by Meilansari and colleagues regarding PSAK 69 in evaluating the treatment of biological assets showed that there was a discrepancy. They found that PSAK 69 mandates the measurement of biological assets using fair value less costs to sell, but in practice, some Companies measure biological assets by combining the cost of the asset with its accumulated cost. This is not in

¹ Ministry of Finance, 'Directorate General of Treasury (DJPb)'.

² IAI, 'FINANCIAL ACCOUNTING STANDARDS (SAK)', Institute Of Indonesia Chartered Accountants, 2023 <<http://iaiglobal.or.id/v03/standard-akuntansi-keuangan/sak>>.

³ Muhammad Hidayat, 'Analysis of the Accounting Treatment of Agricultural Activities in Plantation Sector Companies Listed on the IDX Before the Implementation of PSAK 69', Accounting Journal Measurement, 12.1 (2018), 36–44.

accordance with the provisions of PSAK 69.⁴

In accordance with the explanation and situation that occurs in the agricultural sector regarding the disclosure of biological assets, it is recommended that agricultural companies comply with the applicable provisions of PSAK 69. This is important so that the information provided can be utilized by external and internal parties of the company, which in turn helps the company in making strategic decisions for the development of agricultural companies in Indonesia. This is an important phenomenon for agricultural companies to disclose, measure and present biological assets that comply with PSAK 69.

Regulations regarding accounting for biological assets are still relatively new, so companies operating in the agricultural sector still have too little knowledge about financial recording based on PSAK No. 69. The object of this research was carried out at the Latonang Farm chicken farm in Parepare City. Latonang Farm is a trading company operating in the agricultural sector, specifically selling chicken eggs (egg farmers). Latonang Farm purchases chicken seeds from suppliers so that the entity does not measure its biological assets using fair value. This occurs because the fair value of a biological asset is determined by the price of that asset in an active market. An active market refers to a market where the goods traded are the same, where buyers and sellers can meet at any time under normal conditions, and prices are affordable. This causes Latonang Farm to still use historical costs in measuring its biological assets. Different measurement approaches will affect two other aspects of accounting treatment, namely the presentation and disclosure of biological assets. The implementation of presentation and disclosure of biological assets is reflected in the final results of financial statements that include biological assets.

The objectives of this research are as follows:

- 1) To find out the accounting treatment of biological assets regulated in PSAK No. 69 at Latonang Farm.
- 2) To find out the accounting treatment of PSAK No. 69 in measuring and recognizing biological assets at Latonang Farm from a sharia perspective.
- 3) To find out the implications of implementing PSAK No. 69 to the financial statements of biological assets at Latonang Farm.

METHOD

This research uses qualitative research methods, which is a scientific approach generally chosen by a number of researchers. Qualitative methods are carried out with the aim of expanding understanding and discovering new knowledge through a process of in-depth understanding and exploration.⁵ This research method applies a case study approach (case study research).

This research is a type of field research, which focuses on direct observation of phenomena in their natural context.⁶ Therefore, the primary data used is data obtained directly from the field, ensuring that the information collected reflects the reality of the phenomena observed at the research location. By using the Field Research type of research, this research aims to explore data in detail and in depth by observing various aspects of phenomena, from the smallest to the largest, as well as finding solutions to existing problems for the common good. The focus of this research is on the accounting treatment of biological assets, using PSAK No. 69 as a guideline in determining the value of biological assets at Latonang Farm, Parepare City. The primary data source in this research is the results of interviews with the Owners and Employees of Latonang Farm. Secondary data

⁴ Adelia Yohana Meilansari, Maslichah Maslichah, and Muhammad Cholid Mawardi, 'Evaluation of the Application of PSAK-69 Agriculture to Biological Assets (Study of Agricultural Plantation Companies Listed on the Indonesian Stock Exchange 2012-2017)', *E_Jurnal Scientific Accounting Research*, 8.04 (2019).

⁵ Iskandar, *Qualitative Research Methods* (Jakarta: Gaung Persada, 2009), p. 11.

⁶ Dedy Mulyana, *New Paradigm in Communication Sciences and Other Social Sciences* (Bandung: Teen Rodaskarya, 2004), p. 160.

sources in this research are books related to PSAK No.69.

RESULTS

Accounting treatment of biological asset regulated in PSAK No. 69 at Latonang Farm Parepare City

Latonang Farm is a trading company that focuses on the livestock sector. The main activities include caring for DOC (Day Old Chicken) chickens from 1 day to 6 weeks of age, grower chickens in the growth phase aged 6 to 20 weeks, and laying hens in the layer phase aged 20 weeks until culling. The main product is eggs. Currently, Latonang Farm has 11 cages for laying hens, 2 cages for DOC chickens, and 1 cage for grower chickens. Peak egg production from chickens usually occurs between 20 weeks and 70 weeks of age. Pullet chickens are chickens that reach the age of 18 weeks and are ready to start their productive period. The purchase price per pullet chicken is Rp. 58,500,-, while DOC chickens are chickens that are less than 10 days old after hatching and used as seeds to be raised until they reach pullet age. The purchase price for DOC chicken is Rp. 15,000,-. The size of the cage intended for DOC chickens is 7 meters × 20 meters, for grower chickens it is 7 meters × 16 meters, and for laying hens it is 5 meters × 40 meters. Accounting treatment of biological assets based on PSAK No. 69 consists of several indicators, namely:

a) Latonang Farm Biological Asset Classification

Based on the results of an interview with Pak Muslimin as the owner of Latonang Farm, the livestock owned are classified based on the age of the livestock itself. Latonang Farm classifies its biological assets into 2 types, namely:

- 1) Biological assets that have not yet produced, namely DOC chickens (Day Old Chicken) aged 1 day - 6 weeks and grower chickens (Immature), namely chickens in the growing period aged 6 weeks - 20 weeks.

"We have 2 cages for DOC/Starter chickens and 1 cage for grower chickens, the first cage has a population of 1,800 birds aged 1 day - 3 weeks, the second cage has a population of 2,000 birds aged 4 weeks - 6 weeks." Meanwhile, 1,000 grower chickens are 15 weeks old".⁷

- 2) Biological assets that produce, namely layer (Mature) chickens that are ready to produce, namely chickens aged 20 weeks to 70 weeks.

"For layer chickens/laying chickens, we have 11 cages with a population of 2,000 birds per cage and have an age difference of 5 weeks in each cage".⁸

Number of Biological Assets owned by Latonang Farm as of March 1 2024

Pen	Population	Age	Information
Starter 1	1,800 Head	1 day- 3 weeks	Immature biological assets
Starter 2	2,000 Head	4 weeks- 6 weeks	Immature biological assets
Growers	1,000 Heads	15 weeks	Biological assets produce
Layer 1	2,000 Head	20 weeks	Biological assets produce
Layer 2	2,000 Head	25 weeks	Biological assets produce
Layer 3	2,000 Head	30 weeks	Biological assets produce
Layer 4	2,000 Head	35 weeks	Biological assets produce
Layer 5	2,000 Head	40 weeks	Biological assets produce
Layer 6	2,000 Head	45 weeks	Biological assets produce
Layer 7	2,000 Head	50 weeks	Biological assets produce
Layer 8	2,000 Head	55 weeks	Biological assets produce
Layer 9	2,000 Head	60 weeks	Biological assets produce
Layer 10	2,000 Head	65 weeks	Biological assets produce
Layer 11	2,000 Head	70 weeks	Biological assets produce

⁷ Ikbal, Cage Operator, Interview at Latonang Farm, Parepare City, April 2 2024.

⁸ Ikbal, Cage Operator, Interview at Latonang Farm, Parepare City, April 2 2024.

Source: Latonang Farm, Parepare City

b) Recognition of Latonang Farm Biological Assets

An entity recognizes a biological asset or agricultural product when, and only when the entity controls the biological asset as a result of a past event, it is probable that the future economic benefits associated with the biological asset will flow to the entity, and the fair value or cost of the biological asset can be measured reliably.⁹

Latonang Farm purchases chicken seeds from suppliers, so the entity does not measure its biological assets using fair value. So Latonang Farm measures its biological assets by calculating the acquisition price of the biological assets. The acquisition price is the price of the chicken seeds plus the costs incurred by Latonang Farm to obtain the biological assets. The formula is as follows:

Acquisition cost :

Chicken seeds Rp. XXX

Costs:

Cage preparation

Rp. XXX

Spraying

Rp. XXX

The amount of costs

Rp. XXX

Chicken Acquisition Price

Rp. XXX

To find out the price of acquiring biological assets at Latonang Farm, an interview was conducted with Mr Muslimin:

"We bought pullet chickens for Rp. 4,500 per bird multiplied by 13 weeks, because pullet chickens are sold when they are 13 weeks old and we buy DOC chickens for Rp. 15,000 per person".¹⁰

Next, the author asked Mr. Rahim, as the cage operator, what things were done when preparing the cage:

"To prepare the cage, we spray it twice a week on Mondays and Thursdays with Neo Anti Septic medicine for IDR. 150,000,- per liter. And Deosel medication once a month costs Rp. 35,000".¹¹

Based on the results of interviews that have been conducted, the calculation to determine the initial recognition of biological assets owned is as follows:

Acquisition Price of Latonang Farm's Biological Assets as of March 1, 2024

Acquisition Price of Producing Chickens

Pullet Chicken Seeds 22,000 x Rp. 58,500 = Rp. 1,287,000,000

Costs:

The cost of Neo Anti Septic Medicine is Rp. 13,200,000

8 x in a month (Rp. 150,000/l x 11 cages)

⁹ Indonesian Accounting Association, PSAK No. 69 Agrikulutur (Jakarta: Indonesian Accounting Standards Board, 2015), p. 69.5.

¹⁰ H. Muslimin, Owner of Latonang Farm, Interview at Latonang Farm, Parepare City, April 2 2024.

¹¹ Womb, Cage Operator, Interview at Latonang Farm, Parepare City, April 2 2024.

Deosel Spraying Cost Rp. 385,000
(Rp. 35,000 × 11 cages)

Total Cost Rp. 13,585,000

Chicken Acquisition Price Yield Rp. 1,300,585,000

Acquisition Price of Immature Chickens

DOC Chicken Seeds	3,800 head × Rp. 15,000 =	Rp. 57,000,000
Grower Chicken Seeds	1,000 heads × Rp. 58,500 =	Rp. 58,500,000

Costs:

The cost of Neo Anti Septic Medicine is Rp. 28,800,000
8 × in a month (Rp. 150,000/l × 3 cages)

Deosel Spraying Cost Rp. 105,000
(Rp. 35,000 × 3 cages)

Total Cost Rp. 28,905,000

The acquisition price of chickens that have not yet produced Rp. 144,405,000

Source: Latonang Farm, Parepare City

Based on Table it is known that the acquisition price at the time of initial recognition of the chicken produced was IDR. 1,300,585,000,- and the value of immature chickens is IDR. 144,405,000,-. The initial recognition journal for biological assets is as follows:

Dr. Biological Assets Produce	Rp. 1,300,585,000	
Dr. Immature Biological Assets	Rp. 144,405,000	
Cr. Cash		Rp. 1,444,990,000

c) Measurement of Latonang Farm's Biological Assets

The measurement of biological assets at Latonang Farm is calculated based on historical costs, expressed at the acquisition price which comes from the costs incurred at initial recognition (seed purchase costs plus cage preparation costs) plus maintenance costs such as feed costs, medicines, vaccines and vitamins or in other words Other than that, all costs incurred by Latonang Farm during the growth process of biological assets minus depreciation, as well as losses from chicken deaths will produce the actual value of the biological assets of the chickens owned.

To find out the measurements of Latonang Farm's biological assets, an interview was conducted with Mr. Rahim as the cage operator as follows:

"For feed, we produce it ourselves at a total cost of IDR 7,500 per kilo of corn and bran. And every month we give each chicken medicine, vaccines and vitamins or what is called OVK at a price of Rp. 500/ml per chicken".¹²

Next, the author asked about the costs incurred by Latonang Farm when breeding its biological assets, such as labor costs and electricity and water costs.

¹² Rahim, Cage Operator, Interview at Latonang Farm, Parepare City Date. April 02, 2024.

"I have 7 workers with 5 operators for layer cages and 2 operators for DOC and grower cages. For workers' salaries, because there are 5 operators looking after 11 layer cages, the salary is IDR. 2,100,000,- per month and DOC and grower cage operators Rp. 1,200,000,- per month for 1 person. And the problem of electricity and water, for water I use drilled water and for electricity I pay Rp. 4,500,000".¹³

To measure the value of the biological assets owned by Latonang Farm, a calculation will be carried out based on the results of the interview.

d) Disclosure and Presentation in the Statement of Financial Position

An entity needs to provide a quantitative description of each group of biological assets that the entity owns. Latonang Farm needs to disclose the biological assets they own according to the group or classification of biological assets, namely mature and immature chickens.¹⁴

Entities need to present a reconciliation of changes in the recorded amounts of biological assets at the beginning and end of the current period. Because Latonang Farm measures biological assets at cost, the reconciliation contained is acquisition cost minus accumulated depreciation and accumulated impairment losses.¹⁵

Reconciliation of Biological Asset Balances in March 2024

The Biological Assets Chickens Have Produced	
Beginning balance	Rp. 1,329,060,000
I. Shrinking Chicken Yield	(Rp. 760,104,000)
Biological Asset Write-Off Losses Result	(Rp. 27,185,318)
Ending Balance of Yielding Biological Assets	Rp. 541,770,682
Biological Assets of Immature Chickens	
Beginning balance	Rp. 154,380,750
Biological Asset Write-Off Losses have not Produced	(Rp. 1,929,750)
Ending Balance of Biological Assets yet to Produce	Rp. 152,451,000

Source: Latonang Farm, Parepare City

Based on the table above, it can be seen that the balance as of March 31 2024 for chickens produced by Latonang Farm is IDR. 541,770,682,-, and for immature chickens Rp. 152,451,000,-. The following is the Latonang Farm Financial Position Report based on PSAK No. 69

Financial Position Report

Latonang Farm

Financial Position Report

As of March 31, 2024

ASSET	March 1, 2024	March 31, 2024
Current assets		
Cash	Rp. XXX	Rp. XXX
Receivables	Rp. XXX	Rp. XXX
Supply	Rp. XXX	Rp. XXX
Total Current Assets		
	Rp. XXX	Rp. XXX
Non-Current Assets		

¹³ H. Muslimin, Owner of Latonang Farm, Interview at Latonang Farm, Parepare City, April 2 2024.

¹⁴ Indonesian Accounting, PSAK No. 69 Agriculture, p. 69.9-69. 10.

¹⁵ Indonesian Accounting, PSAK No. 69 Agriculture, p. 69.12.

Immature Biological Assets	Rp. 144,405,000	Rp. 152,451,000
Biological Assets Produce	Rp. 1,300,585,000	Rp. 541,770,682
Subtotal – Biological Assets		
	Rp. 1,444,990,000	Rp. 694,221,682
Fixed assets		
Total Non-Fixed Assets	Rp. XXX	Rp. XXX
Total Assets	Rp. XXX	Rp. XXX
EQUITY AND LIABILITIES		
Short-term liabilities		
Accounts payable	Rp. XXX	Rp. XXX
Other Debts	Rp. XXX	Rp. XXX
Total Short Term Liabilities		
	Rp. XXX	Rp. XXX
Equity	Rp. XXX	Rp. XXX
Capital stock	Rp. XXX	Rp. XXX
Retain earning	Rp. XXX	Rp. XXX
Total Equity	Rp. XXX	Rp. XXX
Total Equity and Liabilities	Rp. XXX	Rp. XXX

Source: Latonang Farm, Parepare City

Accounting Treatment of PSAK No. 69 in measuring and recognizing biological assets at Latonang Farm from a sharia perspective

Latonang Farm is the name of a business that operates in the pullet chicken farming sector, located in Lompoe, Bacukiki District, Parepare City. The name of the business owner of Latonang Farm is Mr. H Muslimin. Latonang Farm was founded in 2012 and has been running for 14 years. Latonang Farm buys chicken seeds from agribusiness actors starting from pre-production, production, to marketing.

Raising animals by farming is one of the profitable businesses, one of which is raising chickens. Islam allows humans to raise livestock and even encourages it. At the time of the Prophet Muhammad SAW, raising livestock existed at that time, such as cattle, goats, sheep, poultry, horses, camels and bees. Livestock have many benefits and high nutritional content which is really needed by humans. Mr. Muslimin founded a chicken farming business called Latonang Farm so that in carrying out his business Mr. Muslimin has carried out in accordance with Islamic law, starting from purchasing chicken seeds to selling biological assets, namely agricultural products in the form of eggs, to consumers.

A person's economic activity ('amal al-Iqtishadi) must conform to the rules of the Koran and hadith. It must be admitted that the Qur'an does not present detailed rules regarding norms in carrying out economic activities. But it only mandates His values or principles. The Hadith of the Prophet Muhammad SAW only explains some of the details of its operationalization, while economic activity in all its forms always develops following the times and the level of progress of human culture.¹⁶

The accounting information provided is useful for interested parties in making economic decisions. The problem that arises is how economic decisions do not deviate from Islamic sharia or can be accepted by Islam. Likewise, the profits obtained by companies are not due to economic assets, but also assets originating from the soul, mental and spiritual.¹⁷ For this reason, accounting

¹⁶ Mursal and Suhadi, 'Implementation of Islamic Principles in Economic Activities: Alternatives for Creating Balance in Life', Research Journal, 9.1 (2015), 67–92.

¹⁷ Nur Rafikah Kadir, Andi Yuliana, and M Wahyuddin Abdullah, 'Recognition of Human Resource Assets in Achieving Profit in View of Feminine Religious Characteristics', Assets: Journal of Economics, Management and Accounting, 7.1 (2017), 133–51.

should be discussed from an Islamic perspective, such as in terms of recognizing, measuring and disclosing the biological assets of the Latonang Farm chicken farm, Parepare City.

1) Recognition of Latonang Farm Biological Assets

Something that is entrusted to someone, including property, knowledge, and confidential matters that must be conveyed to those entitled to receive them, must be conveyed as is, without being reduced or exaggerated.¹⁸ Honesty in managing biological assets, which are unique assets because of the transformation process starting from seeding, growth to harvest, requires caution, and in the initial recognition process where seeds are first obtained, correct records must be used.

To find out the recognition of the biological assets of the Latonang Farm Chicken Farm, an interview was conducted with Mr Muslimin.

"I admit that when the DOC (Day Old Chicken) or chicks have arrived at the coop with proof of signature of the crew (cage crew) on the travel document from the driver, as well as the feed and OVK (Chemical Vaccine Medicine)".¹⁹

Mr. Muslimin admitted that when the chicks, which were still in the form of DOC (Day Old Chicken), arrived at the coop and saw proof of the travel document that the driver had brought. Recognition of the Biological Assets owned by Latonang Farm when obtaining chicken seeds is in accordance with the principles of truth. Proof of the signature of the ABK (Cage Crew) on the waybill when the chickens arrive is proof that the recognition of the biological assets owned by Latonang Farm is in accordance with Islamic sharia.

2) Measurement of Latonang Farm's Biological Assets

To find out the measurements of Latonang Farm's biological assets, an interview was conducted with Mr. Burhan as the cage operator. "At Latonang Farm, we measure chickens when they are brought in from 1 day old and kept until the chickens are ready to lay eggs at 20 weeks of age. "The expenses while we breed chickens, such as cage maintenance costs, OVK costs, feed costs and labor costs, are definitely recorded according to the costs incurred".²⁰

Latonang Farm measures its biological assets from chickens that are 1 day old until chickens are ready to lay eggs at 20 weeks of age and expenses during the breeding process are recorded according to the costs incurred without any deductions or additions to costs. When measuring the value of assets, the amount of costs incurred is calculated without making additions that could result in usury. Usury is something that is prohibited in Islam.

Mr. Muslimin forbids usury transactions in the livestock business he owns. The agricultural products in the biological assets at Latonang Farm are eggs which will be sold to consumers. In Mr. Herman's interview about his agricultural products

"The eggs we sell to consumers must be in good condition without any defects, we adjust the size of the eggs, and we sell eggs at a predetermined price. Eggs that have been sold are ensured to be in clear condition during the process of being handed over to consumers".²¹

Latonang Farm sells its agricultural products in clear conditions to consumers, so that in practice Latonang Farm carries out its business in accordance with Islamic law from maintenance to selling its agricultural products, namely eggs, for sale to consumers.

3) Disclosure and Presentation of Latonang Farm Biological Assets

In life, the three words, namely trust, faith, and security have a close relationship. One proof of faith is trust, the nature of trust will lead to security, and security will be stronger if it starts from

¹⁸ Kuat Ismanto, 'Mutual Fund Prospectus as a Principle of Sharia Business Honesty', Islamic Law Journal, 10.2 (2012), 277–86.

¹⁹ H. Muslimin, Owner of Latonang Farm, Interview at Latonang Farm, Parepare City, March 2 2024.

²⁰ Burhan, Cage Operator, Interview at Latonang Farm, Parepare City, June 8 2024.

²¹ Herman, Cage Operator, Interview at Latonang Farm, Parepare City, June 8 2024.

the nature of trust which is based on faith.²² The implication in accounting is that individuals involved in business practices must always be accountable for what has been mandated and done to the parties involved. The form of accountability is usually in the form of accounting financial reports.

The two aspects of Islamic accountability, namely measuring disclosure and presenting financial reports are to fulfill obligations in accordance with Islamic sharia.²³ In an interview conducted by researchers with Mr. Mansyur regarding the disclosure and presentation of Latonang Farm's biological assets.

"I record expenses and income in a notebook, and profits and losses from eggs are recorded at their actual value. Calculated from sales proceeds minus total expenses during the breeding process".²⁴

Disclosure and presentation of biologist assetsThe activities carried out by Latonang Farm have fulfilled the principles of trust, honesty in terms of responsibility in recording profits and losses according to the actual value without manipulation.

Implications of Implementing PSAK No. 69 Regarding the Financial Reporty on Biological Assets at Latonang Farm Parepare City

Based on PSAK 69, agricultural activities include various activities, one of which is animal husbandry, as stated in paragraph 6. Latonang Farm is an entity whose business activities are engaged in raising pullet chickens. Therefore, the accounting treatment carried out by Latonang Farm is recommended in accordance with PSAK 69 concerning agriculture. Accounting treatment of agricultural activities takes the form of recognition, measurement, recording, presentation and disclosure. Recognition of agricultural activities includes the classification of an item in the form of numbers and words in the company's financial reports. Measurement is a calculation of the value of an item. Recording consists of recording activities carried out as costs according to the value that has been measured. Presentation means presenting information from all financial components in a financial report. Disclosure is a description and explanation of the components listed in the financial report.

- a) *Recognition of biological assets.* PSAK 69 regulates the recognition that needs to be made for biological assets or agricultural products in every entity that controls biological assets, receives benefits from biological assets or agricultural products, and biological assets or agricultural products that can be reliably measured at fair value or acquisition cost. So it can be said that Latonang Farm has implemented recognition in accordance with the rules in PSAK 69, as can be seen from the entity that has recognized the chickens it owns and manages as biological assets, namely in the form of DOC chickens, grower chickens and layer chickens. Meanwhile, biological assets that have benefits for more than 48 weeks can provide benefits in the future in the form of eggs sold to consumers who use eggs as an agricultural product. In addition, PSAK 69 also recommends that entities classify their biological assets as mature biological assets and immature biological assets. In its application, Latonang Farm has classified its biological assets, chickens aged 1 day to 15 weeks are still considered immature biological assets because the biological assets are not yet ready to lay eggs, while chickens aged 20 weeks are biological assets that have produced because of that age ready to lay eggs.
- b) *Measurement of biological assets.* PSAK No. 69 in terms of measurement using fair value less costs of sales. However, Latonang Farm purchases its biological assets from suppliers so the entity does not use fair value in measuring its biological assets. In PSAK No. 69 paragraph 30 states that all costs incurred to raise the asset to its productive age are added to the acquisition price. PSAK No. 69 allows assets to be measured at cost if the fair value of the asset cannot be measured reliably. So in this case Latonang Farm has implemented PSAK No. 69 in

²² Suhadi, p. 45.

²³ Galuh Nasrullah Kartika Mr and Hasni Noor, 'The Concept of Maqashid Al-Syari'ah in Determining Islamic Law (Perspective of Al-Syatibi and Jasser Auda)', *Al-Iqtishadiyah: Sharia Economics and Sharia Economic Law*, 1.1 (2014), 50–69.

²⁴ Mansyur, Accounting Staff, Interview at Latonang Farm, Parepare City, June 8 2024.

the measurement of biological assets even though they do not use fair value. PSAK No. 69 paragraph 54 states that entities that use cost are required to use depreciation on their biological assets. Latonang Farm has depreciated its biological assets which produce agricultural products. Meanwhile, if there is a risk of death due to climate, disease and other natural risks, it creates an income and expense item and is disclosed in accordance with PSAK No. 1. Latonang Farm continues to record the death of its biological assets, this is in accordance with PSAK No. 69 paragraph 53.

- c) *Presentation and disclosure of biological assets.* The process of presenting and disclosing agricultural activities in financial reports in the form of the value of biological assets and the productive age of chickens. This is because the activities carried out by the company are steps to provide benefits to the biological assets and productive age of chickens. Apart from that, agricultural activities are costs incurred and as previously explained the amount of these costs is allocated to the value of the biological assets and the productive age of the chickens. Latonang Farm has implemented presentation and disclosure of agricultural activities in accordance with those regulated in PSAK 69. This can be seen in table and figure. Description and Reconciliation of Biological Assets, which shows that the biological assets owned by Latonang Farm are described either in the form of narrative or quantitative descriptions which are grouped based on the type of biological asset in the financial statements. This application is in accordance with the instructions in PSAK 69 to provide a description of each group of biological assets entity. In addition, PSAK 69 also regulates the presentation of a reconciliation of changes in the carrying amount of biological assets between the beginning of the period and the end of the current period. Latonang Farm has carried out this regulation by presenting the mutation of its biological assets, which reveals changes in the value of the number of biological assets recorded between the beginning and end of the current period. And biological assets presented in financial reports are classified as non-current assets.

The application of biological assets according to Latonang Farm has similarities and differences with PSAK No. 69 concerning Agriculture, presented in the following table:

Application of Latonang Farm Biological Assets with PSAK No. 69

No.	Indicator	According to Latonang Farm	According to PSAK No. 69	Analysis
1.	Confession	Biological assets come from purchases when they are still DOC from other suppliers	An entity controls a biological asset as a result of a past event	In general, the initial recognition of biological assets is the same as the recognition of assets in general. Therefore, both are the same both according to the entity and according to PSAK No. 69
		Biological assets have a useful life of more than 48 weeks or the same as 12 months and provide future economic benefits in the form of eggs that can be sold to consumers.	There is a high probability that future economic benefits related to the biological asset will flow to the entity.	Both are the same, both according to entity and according to PSAK No. 69 because both of them carry out initial recognition of biological assets the same as fixed assets in general.
		The fair value of biological	The fair value of	Basically both are the

		assets can be measured reliably, because the entity's assets are measured at cost.	biological assets can be measured reasonably.	same both according to the entity and according to PSAK No. 69, because the value of biological assets can be measured reliably.
		An entity classifies its biological assets into two, namely mature biological assets and immature biological assets.	Entities are advised to distinguish between mature biological assets and immature biological assets.	Generally the same, both by entity and PSAK No. 69.
2.	Measurement	Biological assets purchased from outside parties are valued based on the agreed acquisition price.	Biological assets are measured based on fair value or market value at purchase.	Both are the same, because in PSAK No. 69 states that assets can be measured based on acquisition price.
		Biological assets at Latonang Farm are assessed on the assets by adding all costs to grow the assets to the acquisition price.	Assets are measured at fair value less costs to sell	In general, both are the same, only the level of fairness is assessed based on all costs that have been incurred to raise the asset to its productive age plus the acquisition price. PSAK No. 69 allows assets to be measured at cost if the fair value of the asset cannot be measured reliably (paragraph 30).
		Latonang Farm recognizes profits and losses from the sale of agricultural products when producing biological assets	Gains and losses can arise at the time of initial recognition of agricultural products as a result of harvest	In general, both are the same, because profits and losses arising from the initial recognition of agricultural products at fair value less costs to sell are included in profit or loss in the period in which the profit or loss occurs.
		Latonang Farm depreciates biological assets for biological assets that produce agricultural products	PSAK No. 69 which uses the acquisition price is required to use depreciation on biological assets	In accordance between entities with PSAK No. 69 (paragraph 30 and paragraph 54)
		Latonang Farm records the death of biological assets	If there is a risk of death due to climate, disease and other natural risks, it creates an income and expense item and is disclosed in accordance with PSAK No. 1	In accordance with PSAK No. 69 (paragraph 53)
3.	Disclosure	The entity details the	There are details of	In accordance with

		number of biological assets it owns	biological assets	PSAK No. 69
		Latonang Farm differentiates the types of biological assets in the statement of financial position	Details of the number of assets by type	In accordance with PSAK No. 69
		Reconciliation of carrying amounts at the beginning and end of the period	Reconciliation of carrying amounts at the beginning and end of the period	In general, both are the same according to the entity and PSAK No. 69
4.	Presentation	Biological assets presented in the statement of financial position are classified as non-current assets	Biological assets presented in the statement of financial position are classified as non-current assets	In general, in accordance with PSAK No. 69
		Biological assets are presented in the accounts of mature biological assets and immature biological assets	In the statement of financial position of biological assets, mature biological assets and immature biological assets must be separated	In accordance with PSAK No. 69

DISCUSSION

Treatment Accounting treatment of biological assets as regulated in PSAK No. 69 at Latonang Farm Parepare City

Biological assets, such as plants, trees and live animals, are a type of asset regulated in PSAK No. 69 concerning Agriculture. This statement aims to establish accounting and disclosure standards related to agricultural activities, including livestock. PSAK No. 69 explains that agricultural activities include various activities in this sector. However, agricultural activities funded through grant funds are not included in the scope of PSAK No. 69. Rules relating to agricultural activities supported by grant funds are regulated by PSAK No. 61 concerning the management of grant funds provided to entities.

Latonang Farm is an entity whose business activities are in the livestock sector. Therefore, the accounting treatment carried out is recommended in accordance with PSAK No. 69 concerning agriculture. Accounting treatment contains recognition, measurement, presentation and disclosure of biological assets in the form of chickens.

An entity recognizes a biological asset or agricultural product when, and only when the entity controls the biological asset as a result of a past event, it is probable that the future economic benefits associated with the biological asset will flow to the entity, and the fair value or cost of the biological asset can be measured reliably.²⁵ Latonang Farm purchases chicken seeds from suppliers, so the entity does not measure its biological assets using fair value. So Latonang Farm measures its biological assets by calculating the acquisition price of the biological assets. The acquisition price is the price of the chicken seeds plus the costs incurred by Latonang Farm to obtain the biological assets. In this case, because the fair value cannot be measured reliably, the initial recognition calculation for Latonang Farm's biological assets uses the acquisition price. The acquisition price is obtained from the costs incurred by Latonang Farm during the process of breeding its biological assets.

Based on Statement of Financial Accounting Standards (PSAK) No. 69 paragraph 12 explains

²⁵ Indonesian Accounting, Statement of Financial Accounting Standards No. 69, p. 69.5.

that biological assets are measured at initial recognition and at the end of each reporting period. At initial recognition, biological assets are recognized at cost. Based on Statement of Financial Accounting Standards (PSAK) No. 69 paragraph 30 explains that companies are allowed to measure biological assets based on cost less accumulated impairment losses and accumulated depreciation, if the fair value of the biological assets cannot be measured reliably. If biological assets are measured based on their acquisition price, then the company depreciates the biological assets. Latonang Farm depreciates its biological assets. The productive age of laying hens is 20 weeks. However, immature biological assets should not be depreciated.

Companies operating in the livestock sector will experience the risk of degeneration or death. The degeneration experienced by biological assets will cause losses to the company. PSAK No. 69 explains that if a producing biological asset dies, it can be measured at its acquisition value minus accumulated depreciation. Meanwhile, biological assets that experience death are biological assets that have not produced yet, so the loss experienced by the company is measured at the purchase price of DOC (Day Old Chicken). Latonang Farm records when a biological asset dies. This causes losses experienced by the company when its biological assets die.

Based on the presentation of the Latonang Farm Financial Position Report, it is in accordance with PSAK No. 69 where the company presents its biological assets separately and presented in a non-current asset account. Research conducted by Muhamaad Hidayat shows that 87.5% or 7 companies on the IDX have not implemented PSAK 69, because the average level of implementation of PSAK 69 in company financial reports only reached 57%. Almost all plantation companies do not use the fair value method to measure their biological assets.²⁶ In research conducted by Yayang Rochmatun Nafila stated that in general, PT. Tabassam Jaya has implemented accounting treatment for biological assets in accordance with PSAK No. 69. However, there are differences regarding fair value measurements that were not carried out, so that PT. Tabassam Jaya Farm uses the acquisition price minus accumulated impairment and minus accumulated depreciation.²⁷

At Latonang Farm, the classification, recognition, disclosure and presentation of financial reports are in accordance with PSAK No. 69 but from the measurement of biological assets, the entity does not use fair value less costs to sell so the entity uses cost less accumulated impairment and accumulated depreciation. In PSAK No. 69 paragraph 30 states that, there is an assumption that the fair value of biological assets can be measured reliably. However, this assumption can be rebutted only upon initial recognition of a biological asset for which a quoted market price is not available and alternative fair value measurements are clearly unreliable. In this case, biological assets are measured at cost less accumulated depreciation and accumulated impairment losses.²⁸

In Behavioral Accounting theory which refers to business management tools including control systems and budgeting systems which study the relationship between human behavior and the accounting system. The purpose of this information is to provide guidance in choosing the best steps in allocating resources for business and economic activities including decision making. Thus, accounting cannot be separated from aspects of human behavior.

The relationship between biological assets and behavioral accounting is how agricultural companies can make decisions between external parties and internal parties in order to develop agricultural companies and disclosure of agricultural accounting information is part of the method intended to fulfill decision making for companies.

Accounting Treatment of PSAK No. 69 in measuring and recognizing biological assets at Latonang Farm from a sharia perspective

Raising animals by farming is one of the profitable businesses, one of which is raising chickens. Islam allows humans to raise livestock and even encourages it. At the time of the Prophet

²⁶ Hidayat.

²⁷ Yayang Rochmatun Nafila, 'Accounting Treatment of Biological Assets Based on PSAK No. 69 At PT. Tabassam Jaya Farm' (Maulana Malik Ibrahim State Islamic University, 2018).

²⁸ Indonesian Accounting, PSAK No. 69 Agriculture, p. 69.7.

Muhammad SAW, raising livestock existed at that time, such as cattle, goats, sheep, poultry, horses, camels and bees. Livestock have many benefits and high nutritional content which is really needed by humans. Mr. Muslimin founded a chicken farming business called Latonang Farm so that in carrying out his business Mr. Muslimin has carried out in accordance with Islamic law, starting from purchasing chicken seeds to selling biological assets, namely agricultural products in the form of eggs, to consumers.

A person's economic activity ('amal al-Iqtishadi) must conform to the rules of the Koran and hadith. It must be admitted that the Qur'an does not present detailed rules regarding norms in carrying out economic activities. But it only mandates His values or principles. The Hadith of the Prophet Muhammad SAW only explains some of the details of its operationalization, while economic activity in all its forms always develops following the times and the level of progress of human culture.²⁹

The accounting information provided is useful for interested parties in making economic decisions. The problem that arises is how economic decisions do not deviate from Islamic sharia or can be accepted by Islam. Likewise, the profits obtained by companies are not due to economic assets, but also assets originating from the soul, mental and spiritual.³⁰ For this reason, accounting should be discussed from an Islamic perspective, such as in terms of recognizing, measuring and disclosing the biological assets of the Latonang Farm chicken farm, Parepare City.

In accounting treatment from a sharia perspective, it can be concluded that the biological assets owned by Latonang Farm are in their transformation by recognizing, measuring and disclosing biological assets fairly and are not only used as a means to gain profit for one party but prioritize welfare and benefit or good benefits either originally or through a process.³¹ The process of obtaining chicken seeds from 1 day old until they become chickens that are ready to lay eggs and be sold is in accordance with Islamic principles of keeping records so that there are no mistakes between the parties concerned, such as traders selling the seeds, workers involved in the rearing process, everyone gets a profit.

Implications of Implementing PSAK No. 69 Regarding the Financial Report on Biological Assets at Latonang Farm Parepare City

In IAS 41, a biological asset is recognized if, the entity controls the biological asset as a result of past transactions, control can be proven by legal ownership of the livestock and branding or marking of the livestock at birth, there are future economic benefits that will flow to the entity and has the fair value or cost of the asset can be measured reliably. Biological assets are measured at fair value.

The fair value of a biological asset is obtained from the price of the biological asset in an active market. What is meant by an active market is a market where the items being traded are homogeneous, at any time buyers and sellers can meet under normal conditions and at affordable prices. Market prices in active markets for biological assets or agricultural products are the most reliable basis for determining the fair value of assets. In research conducted by Fathi Maurits Muhamada "Analysis of the Accounting Treatment of Agricultural Activities in the Presentation of Financial Reports Based on PSAK 69 at PT. IJ" stated that the accounting treatment is in accordance with PSAK 69 but in measuring biological assets using acquisition cost minus accumulated depreciation and accumulated impairment.³²

²⁹ Sohadi.

³⁰ Kadir, Yuliana, and Abdullah.

³¹ Sakirman Sakirman, 'The Urgency of Maslahah in the Concept of Sharia Economics', Palita: Journal of Social Religion Research, 1.1 (2016), 17–28.

³² Muhamada, Fathi Maurits, 'Analysis of the Accounting Treatment of Agricultural Activities in the Presentation of Financial Reports Based on PSAK 69 at PT IJ', JAK (Accounting Journal): Scientific Accounting Review, 7.1 (2020).

At the Latonang Farm chicken farm, buying chicken seeds from suppliers so that the entity does not use fair value. However, when measuring its biological assets, Latonang Farm uses the acquisition price of the biological assets. The acquisition price is the price of the chicken seeds plus the costs incurred by Latonang Farm to obtain the biological assets. According to PSAK No. 69 both are the same, this is assessed based on all costs that have been incurred to raise the asset to its productive age plus the acquisition price. PSAK No. 69 allows assets to be measured at cost if the fair value of the asset cannot be measured reliably (paragraph 30).

Thus, the accounting treatment of biological assets at Latonang Farm is in line with PSAK No. 69. However, there are several differences that differentiate Latonang Farm from the provisions of PSAK No. 69. One of the main differences lies in the lack of fair value measurements by Latonang Farm. Instead, these entities use cost less accumulated impairment and accumulated depreciation. However, this action is in accordance with PSAK No. 69, so that in general the entity has implemented the measurement of biological assets in accordance with the provisions of PSAK No.69.

CONCLUSION

From the results of research and discussion regarding the Analysis of Accounting Treatment of Biological Assets Based on PSAK No. 69 At Latonang Farm, the following conclusions can be drawn:

- 1) The accounting treatment at Latonang Farm regarding the classification of biological assets is divided into two categories, namely chickens that have produced and those that have not yet produced. Measurement of the value of biological assets at Latonang Farm uses cost after deducting depreciation and impairment. In addition, Latonang Farm also presents a reconciliation of the value of its biological assets, which includes acquisition costs minus depreciation and impairment, as non-current assets in the Statement of Financial Position, in accordance with the format stipulated in PSAK No. 69 Agricultural sector.
- 2) From a sharia perspective, in the accounting treatment at Latonang Farm, they have carried out the commands of Allah SWT by applying the principle of benefit. This principle covers all aspects of the treatment of biological assets, because *maslahah* is the main concept in Islamic economic development. This is not only interpreted as a way to gain profit, but prioritizes collective welfare and benefit.

Overall, the accounting treatment of biological assets at Latonang Farm is in line with PSAK No. 69. However, there are several differences that differentiate Latonang Farm from the provisions of PSAK No. 69. One of the main differences lies in the lack of fair value measurements by Latonang Farm. Instead, these entities use cost less accumulated impairment and accumulated depreciation. However, this action is in accordance with PSAK No. 69, so that in general the entity has implemented the measurement of biological assets in accordance with the provisions of PSAK No. 69.

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