

The Negligence of IFRS Adoption: Accounting Treatment on Biological Accretion of Sugarcane

Singgih Setya Zenanda^a, Mohamad Suyunus^{b*}, ^{a,b}Department of Accounting,
Faculty of Economics and Business, Airlangga University, Email:
^{b*}suyunusm@yahoo.com

Biological assets will undergo a transformation called biological transformation. This transformation causes change both qualitatively and quantitatively. IASC has set the IAS 41 standard of biological assets on Agriculture, which is not yet available on Financial Accounting Standards of Indonesia. The biological transformation causes an accretion, which is an additional value due to physical growth or other natural processes. This research was conducted in PG Pesantren Baru PT Perkebunan Nusantara X which is engaged in the sugar industry that perform the sugarcane production. The purpose of this research is to understand and know the management of the phenomenon of sugarcane accretion, accounting policies related to sugarcane, the comparison with IAS 41, and also the fairness in presenting the sugarcane asset in financial statements. The company carries out the management of the sugarcane accretion since it is one of the indicators that bring the success of sugarcane production. The company recognizes the cost of sugarcane production as an accrued production expense and compares its cost to historical cost.

Key words: *Accretion, accounting treatment, biological assets, fairness of presentation, IAS 41.*

Preface

The Government's seriousness in increasing investment in total capital during the period of January - December 2017 issued by the Indonesia Investment Coordinating Board [1] amounting to 692.8 trillion Rupiah, which exceeded the target of 678.8 trillion Rupiah (Huda, Mardiyanta and Setijaningrum, 2018). Building infrastructure, is a vital part of development, contributes to economic performance proxied by technical efficiency (Purwono, Mubin and Yasin, 2018). One of the keys to Indonesia's economic growth is from the plantation sector.

Production of sugarcane in Indonesia is the second largest production of large plantations after palm products (Central Bureau of Statistics, 2015). In 2013, sugarcane production reached 2,554,800 tons, whereas the area of sugarcane plantations in Indonesia reached 472,900 hectares divided into large plantations with a total area of 209,800 hectares and public owned plantations with an area of 263,100 hectares (Badan Pusat Statistik, 2015). In 2014, there are 97 large sugarcane plantation companies in Indonesia that manage about 209,800 hectares of sugarcane plantation (Statistics Indonesia, 2015).

Sugarcane is a major crop cultivated in tropical and subtropical fields for sugar production (Darsono *et al.*, 2018). This plantation is an annually cropped plant, in other words, sugarcane is only cropped once a year. In accounting, sugarcane is categorized as a biological asset, which means it will experience a process called accretion. In this case, the seeds of the sugarcane plants that will be planted, newly planted, and when harvested must have different values.

Currently, Indonesia still does not have accounting standards for biological assets or forestry accounting in general. IAI has not been able to convert PSAK to IFRS fully, especially for International Accounting Standard (IAS) 41 which regulates Agriculture. The adoption process of IAS 41 in PSAK is experiencing obstacles due to the debate over the application of fair value method in IAS 41 as a method of recognition and measurement of biological assets. The inability to adopt IAS 41 is not only related to the discrepancy in the use of fair value for the accounting treatment of biological assets, but also because of the assumption in IAS 41 that all biological assets undergo transformation, yet in fact, not all biological assets undergo transformation of biological assets (Rukmalasari, 2011).

Currently, plantation companies in Indonesia use the financial accounting standard of Indonesia namely Statement of Financial Accounting Standard (PSAK) 16 concerning Fixed Assets as the basis for the treatment of biological assets, which is using the method of cost less accumulated depreciation. The use of PSAK 16 is not fully applicable to biological assets because not all of the biological assets are depreciated. Plantation companies in Indonesia use the basis of PSAK 16 assuming that biological assets have many similar characteristics with the other fixed assets, such as land, buildings, etc., especially in terms of useful lives of more than one accounting period, physical substantive, and material value (Subandi, 2011).

PT Perkebunan Nusantara X (PTPN X) is one of the plantation companies in Indonesia that do the production of sugar with raw materials of sugarcane. PTPN X itself produces some of sugarcane which will be used as raw materials in the sugar production. PTPN X has 11 business units spread in East Java and Central Java, one of which is PG Pesantren Baru. PG Pesantren Baru is one of the largest business units in PTPN X. PG Pesantren Baru also manages the Land Cultivation Rights Title (Hak Guna Usaha - HGU) area to self-produce the sugarcane.

Ridwan Abd. (2011), in his research entitled "Biological Assets Accounting Treatment of PT. Perkebunan Nusantara XIV Makassar", stated that the company measures its biological assets based on the acquisition value. Biological assets are measured at cost and presented on the balance sheet at their book value (acquisition value less accumulated depreciation) (Abd, 2011). Amanah and Fitriasaki (2014) in their research, "Comparative Analysis of Accounting Treatment of Biological Asset on Plantation Industry (Case Study at PT Sampoerna Agro Tbk and PT Dharma Satya Nusantara Tbk)", stated that PT Sampoerna Agro Tbk and PT Dharma Satya Nusantara have a similar method of reporting biological assets, starting from recognizing their biological assets up to the inventory. The two companies have not used fair value in measuring their assets (Amanah and Fitriasaki, 2014).

This research is conducted to know the phenomenon of sugarcane accretion that happened in PG Pesantren Baru, and how the accounting was applied by management and to ensure the fairness of the presentation of its financial statements. This research will continue with the presentation of literature reviews, research method, results and discussion, and conclusions that will complete this article.

Literature Reviews

Accounting Treatment

There are four activities related to accounting treatment, namely recognition, measurement, presentation, and disclosure. Recognition is the process of forming a post that meets the definition of elements of financial statements and recognition criteria. Measurement, according to Ghazali and Chariri (2007: 183), is the process of determining the amount of rupiah to recognize and enter each element of financial statements into the balance sheet or income statement. The measurement bases used are historical cost, current costs, settlement realizable value, and present value (par 100). Presentation is an attempt to put the company's accounts appropriately in the financial statements. According to Ghazali and Chariri (2007: 378), associated with the financial statements, disclosure implies that the financial statements should provide sufficient information and explanation of the activities of a business unit. Three commonly proposed disclosure concepts are adequate, fair, and complete disclosure (Ghazali and Chariri, 2007).

Biological Assets

International Accounting Standard (IAS) 41 mentions that biological assets are the lives of animals and plants controlled by the company as a result of past events. In practice, biological assets will undergo a transformation or change called biological transformation.

Under IAS 41, paragraph 10, the company have to recognize the biological assets or agricultural products owned when the company controls the biological assets as a result of past events, there is a possibility of future economic benefits from assets that will flow to the company, and the fair value or cost of assets can be measured reliably.

Measurement of fixed assets under IAS 41 Agriculture is regulated in the paragraphs 12 to 33. Basically, the measurement of biological assets is based on fair value. Whereas based on PSAK 68, fair value is the price to be received when selling an asset or the price to be paid; to transfer a liability in a routine transaction between market participants on the date of measurement.

Based on paragraphs 12 and 13 of IAS 41, the biological assets should be measured at initial recognition and at the end of each reporting period at fair value less the cost to sell, unless the fair value cannot be measured reliably. While agricultural products harvested from biological assets should be measured at fair value less the cost to sell at the point of harvest.

The paragraph 30 of IAS 41 explains that when fair value cannot be measured reliably, biological assets should be measured at the cost less accumulated depreciation and accumulated impairment loss. But if the fair value of a biological assets can be measured reliably, the firm should measure at the fair value less the cost to sell.

In the financial statements, biological assets are presented in the non-current assets section of the statement of financial position (balance sheet). However, if the useful life or biological transformation of such biological assets is less than or up to one year, then the biological assets are presented in the current assets section. IAS 41 paragraph 28 sets about the gain or loss that may arise from the initial recognition of agricultural products. Gain or loss arises from the initial recognition of agricultural products at fair value less the cost to sell should be included in the income statement for the period the gain or loss occurs.

The disclosure of biological assets is regulated in paragraphs 46 to 49 of IAS 41. It states that the company should disclose methods and significant assumptions applied in determining the fair value of each group of agricultural products at harvest point and biological assets classes. The company also have to disclose fair value less the cost to sell agricultural products harvested during the period at the point of harvest. Subsequently, the company must disclose the existence and carrying amount of the restricted biological assets and the carrying amount of the biological assets that pledged for the debt, the amount of commitment to develop or acquire the biological assets, and the management strategy of financial risk associated with agricultural activities. The company shall also provide additional disclosure of the biological assets when the fair value cannot be measured reliably as regulated in paragraph 54 to 56.

The biological assets will experience the accretion. In his book entitled *Theory of Accounting: Financial Reporting Engineering*, Suwardjono (2008) states that accretion is one of the problems of recognition during the production process (Suwardjono, 2008). Tuanakotta (1984: 160) defines accretion as reporting an income that occurs during production by recognising an increase in value due to natural growth or aging (Tuanakotta, 2013).

Accounting Standards for Biological Assets

Statement of Revocation of Financial Accounting Standards (PPSAK) 1 regulates the revocation of PSAK 32: Accounting for Forestry, PSAK 35: Accounting for Revenue of Telecommunications Services, and PSAK 37: Accounting for Toll Road Operations. PSAK 32: Forestry Accounting regulates forestry accounting that is developed and applied to entities that carrying out one or more forest authorisation activities. Currently, plantation companies in Indonesia use PSAK 16, which uses fixed assets as the basis for recognition, measurement, presentation, and disclosure of biological assets, by subtracting accumulated depreciation from acquisition cost. PSAK 16 regulates the recognition of fixed assets, the determination of the carrying amount, the depreciation expenses, and the impairment loss. The assumption used is that biological assets are considered to have many characteristics similar to those of other fixed assets, such as land, buildings, etc., especially in terms of useful lives of more than one accounting period, physical substantive, and material (Subandi, 2011).

The accounting standard that also regulates the treatment of biological assets is IAS 41. IAS 41 regulates the accounting treatment associated with biological assets and agricultural products at the time of harvest as long as related to agricultural activities. This standard applies when it comes to biological assets, agricultural products at harvest time, and government grants. While this standard does not apply to land related to agricultural activities as well as intangible assets related to agricultural activities (IAS 38).

Fairness of Financial Report

International Standards on Auditing (ISA) 700.7 states that general-purpose financial statements are financial statements that are prepared in accordance with the general-purpose framework. General-purpose framework is a financial reporting framework designed to meet the needs of general financial information for a wide range of report users. The financial reporting framework may be a fair presentation framework or a compliance framework.

Research Methods

The approach of this research is descriptive qualitative approach. In this study, the authors found a phenomenon associated with the negligence of IFRS adoption in Indonesia, where

Indonesia currently has no accounting standards related to accounting treatment of biological assets. So far, the Indonesian Institute of Accountants (IAI) is still trying to converge the IFRS, therefore the phenomenology research method is highly appropriate to be used in this research. The scope of this study includes four matters. First, the biological asset under study is the sugarcane biological asset of PT Perkebunan Nusantara X especially in the Land Cultivation Rights Title (Hak Guna Usaha – HGU) area of Djengkol PG Pesantren Baru PT Perkebunan Nusantara X. Second, the phenomenon of sugarcane accretion on Land Cultivation Rights Title (Hak Guna Usaha - HGU) area of Djengkol PG Pesantren Baru PT Perkebunan Nusantara X, where this accretion specialises on the accretion of sugarcane plants in HGU area of Djengkol PG Pesantren Baru PT Perkebunan Nusantara X. Third, the accounting treatment involves the recognition, measurement, presentation, and disclosure of sugarcane biological asset applied to PT Perkebunan Nusantara X and its relation to IAS 41 of Agriculture. Fourth, historical data or documents used are data and documents of PT Perkebunan Nusantara X, especially from PG Pesantren Baru, between the years of 2012 and 2015.

Results and Discussion

General Description of the Company

Pesantren Baru Sugar Factory is one of 11 sugar factories located within the PT Perkebunan Nusantara X. PG Pesantren Baru has a plant area located approximately 12 km to the east of Pesantren or 18 km to the east of Kediri. This area is called Land Cultivation Rights Title (Hak Guna Usaha - HGU), which is located in Djengkol Hamlet, Plosokidul Village, Plosoklaten Subdistrict, Kediri Regency.

Table 1: Cultivation Rights Title (Hak Guna Usaha - HGU) Division

Division	Area (Ha)				
	Milled Sugarcane	Seedlings	RH	Others	Total
HGU Djengkol	1.087,15	163,21	772,78	286,86	2.310
HGU Sumberlumbu	850	112,5	412,57	245,93	1.621
Total	1.937,15	275,71	1.185,35	532,79	3.931

Source: processed company's internal data

In addition, PG Pesantren Baru also has HGU Sumberlumbu located in Margourip Village, Ngancar District, Kediri Regency. HGU Djengkol has an area of 2,310 Hectares (Ha), while HGU Sumberlumbu has an area of 1,621 Hectares (Ha).

The location of PG Pesantren Baru is quite strategic due to the influence of several factors. The first factor, PG Pesantren Baru is located in an area close to the raw materials, which is

sugarcane. The sugarcane can be obtained from Kediri, Pesantren, Wates, Pagu, Ngasem, and several other areas. The second factor, the need for water for the production process and other activities can be met by using the flow of river water and underground water sources. The third factor is that the workforces of Pesantren PG are mostly from the area around the factory. However, the staff employees are not from the area around the factory since the acceptance and appointment of staffs are determined by the Board of Directors of PT Perkebunan Nusantara X. Lastly, PG Pesantren Baru is located in the east of Kediri Regency, thereby facilitating both transportation of raw materials and transportation of employees.

Sugarcane Accretion in the PG Pesantren Baru

The most significant accretion occurs at the milled sugarcane stage because at this stage the sugarcane seeds begin to be planted and the maintenance process occurs until the sugarcane is ready to be harvested. The company carries out the management of sugar cane produced by PG Pesantren Baru PTPN X but does not manage it based on the concept of accretion. Management monitor the development and growth of sugarcane in the PG Pesantren PTPN X area. Later, the results of sugarcane growth until harvested can be used for evaluation and analysis in assessing the success of milled sugar cane production.

Table 2: Accretion of Sugarcane per Hectare in HGU Djengkol PG Pesantren Baru

Types of Cultivation	Seedlings (Ku/Ha)	Yields (Ku/Ha)	Price of Seedlings (Rp)	Price of Sugar (Rp)
Plant Cane (PC)	100	900	550/kg	9.500/kg
Ratoon (RT)	10	700	550/kg	9.500/kg

Source: processed company's internal data

In PC cultivation, the seeds used for sugarcane planting are 100 quintals, but the harvested sugarcane reaches 900 quintals. In this case there is an accretion of 800 quintals of sugarcane at the milled sugarcane stage. While in the cultivation of RT, only 10% of sugarcane seedlings are used in the planting process because this cultivation utilises the former sugarcane crops. The accretion of sugar cane is 690 quintals. The company does not provide the value of sugar cane accretion (in rupiah) because the price of sugar cane after its harvested is not known exactly. The company also does not measure or assess the market value of sugarcane after the sugarcane is harvested, and only records the costs incurred during the process of milled sugarcane. The accretion serves as one of the benchmarks in assessing the success of sugarcane cultivation and for the purposes of analysis and evaluation, but not for financial reporting purposes.



Sugarcane Recognition

Recognition of sugarcane plants is using the accrual basis. Sugarcane production expenses that are deferred for more than one year will be credited to the Annual Plants Asset account, while those deferred within one year will be included in the Milled Sugarcane Production Prepaid Expense. Furthermore, when sugarcane is used as raw material for sugar production, it will be transferred to Cost of Goods Sold of Sugar account.

The biological asset of sugar cane plants is started to be recognized at the stage of KBN seeding. The cost will be recognized in the Sugarcane Plants Asset account due to the suspension period of more than one year. At the seeding stage, costs will be recognized in each nursery. The costs that have been incurred will be the production expense of sugarcane plants in the next two years or more, therefore it will be recognized and included in the accounts of Annual Plants Asset. The post of KBD costs will be recognized and put into the account of Milled Sugarcane Production Prepaid Expense, because the costs are the costs incurred to develop sugarcane seedlings to be planted in KTG.

Table 3: Details of Recognized Costs in the Flat Nursery (Kebun Bibit Datar-KBD) Post per Hectare of Area

Job Descriptions / Components	Total Unit per Hectare	Cost per Unit (Rp)	Costs per Hectare (Rp)			Total
			Wages	Materials	Others	
Plow I					900.000	900.000
Plow II					850.000	850.000
Planting Mechanization					2.600.000	2.600.000
Seeds from KBI	100 Ku	60.000			6.000.000	6.000.000
Application and Compost Transport			400.000			400.000
Compost	100 Ku	25.000		2.500.000		2.500.000
Pre-Emergence/ Herbicide I					550.000	550.000
Materials: Amexon	2.5 Lt	95.865		239.663		239.663
Sidamin	1.5 Lt	55.000		82.500		82.500
Fertilization I						
Materials: SP 36	2 Ku	440.600		881.200		881.200
Urea	1 Ku	480.000		480.000		480.000
Subsoiler					770.000	770.000
Fertilisation II					615.000	615.000
Bahan: SP 36	1 Ku	440.600		440.600		440.600
Materials	1 Ku	480.000		480.000		480.000
Total Cost of Nursery			400.000	5.103.963	12.285.000	17.788.963

Source: processed company's internal data

In the event of a force majeure resulting in the development of sugarcane varieties seedlings failing at any stage of the nursery, the cost incurred will be directly charged to the production expense or COGS of Sugar account at the time of the incident.

Milled sugarcane will be recognized during the land preparation phase. Milled sugarcane costs post is recognized and included in the Milled Sugarcane Production Prepaid Expense account, as it will become the production expense for the next year milling. When milled sugarcane crops have been used as raw materials in the production of sugar, it will be transferred to the COGS of Sugar account.

Table 4: Details of Recognized Costs in the Milled Sugarcane Post per Hectare of Area

Stage	Total Cost of Each Stage (Rp)
Milled Sugarcane Plant Cane (PC)	
Land Preparation	2.625.000
Planting Preparation	7.250.000
Planting	2.600.000
Maintenance	10.495.525
Total Cost of Milled Sugarcane PC	22.970.525
Milled Sugarcane Ratoon Cane (RC)	
Planting Preparation and Planting	360.000
Maintenance	11.660.525
Total Cost of Milled Sugarcane RC	12.020.525

Source: processed company's internal data

Measurement of Sugarcane

The measurement policy on sugarcane at PT Perkebunan Nusantara X uses the concept of acquisition cost. Milled Sugarcane Production Prepaid Expense account is measured or recorded at the costs incurred during the nursery process in the KBD, milled sugarcane stage, and harvest-load-transport stage. Annual Plants Asset account is measured or recorded at the costs incurred during the nursery stage in KBP managed by Puslit Djengkol, and KBN and KBI managed by PG Pesantren Baru. The sugarcane seeds, sugarcane plants, and the sugarcane harvested are not measured at fair value because the company classifies sugarcane as a deferred production expense.

Presentation of Sugarcane

In 2013, sugarcane plants are presented in the Plants Production Prepaid Expense account along with the biological assets of tobacco plants. In 2014, Milled Sugarcane Production Prepaid Expense account is included in Other Current Assets accounts, so there is no account of Milled

Sugarcane Production Prepaid Expense in the balance sheet, and the account is disclosed in the Notes of Financial Statements.

The Milled Sugarcane Production Prepaid Expense account is presented in the balance sheet in the current assets section, while the Annual Plants Asset accounting the non-current assets section. If the sugarcane raw materials are included in the production process, then the Milled Sugarcane Production Prepaid Expense account will be closed to the COGS account. Thus, the amount of value or cost of the sugarcane will increase the COGS of the sugar product, which is the final product of the production process.

Disclosure of Sugarcane

The disclosure of sugar cane plants is included in the Notes of Financial Statements of PT Perkebunan Nusantara X. The five main disclosures exist during the period 2012 to 2014 are disclosure of accounting policies related to sugarcane biological asset, disclosure of Milled Sugarcane Production Prepaid Expense account in 2012, Disclosure of Plants Production Prepaid Expense account in 2014, Disclosure of Other Current Assets account in 2014, and disclosure of Annual Plants Asset account.

Fairness of Financial Statement

The accounting policies applied by PTPN X may affect the fairness of the company's financial statements. The accounting policies may also result in accounting adjustments filed by external auditors due to inconsistencies in terms of account classifications or the number of rupiahs recorded. In 2012, 2013 and 2014, the opinion on the consolidated financial statements received by PTPN X is fair in all material respects, although external auditors who audit PTPN X are different from time to time. This proves that the accounting policies are well applied by PTPN X, including the policies related to the accounting treatment of sugarcane biological assets that are in accordance with the conceptual framework of Financial Accounting Standards (SAK).

Accretion of Sugarcane Biological Asset

Based on the data, the accretion of PC cultivation plants is higher than the cultivation of RT, either at the price level of Rp 400 / kg (above the price of seeds) or Rp 250 / kg (below the price of seeds). Both price levels indicate significant value increase and the growth of this value is caused by the biological transformation experienced by sugarcane. Thus, although sugarcane stem price is below the price of sugarcane seeds, the company does not experience the loss of accretion value because the sugar cane amount has increased significantly. HGU PG Pesantren

makes this value of accretion as a tool of internal evaluation and analysis, especially related to the amount of sugarcane quintal changes from the seeds planting to harvesting.

Accounting Treatment of Sugarcane Biological Asset Based on IAS41

There are several important points related to the accounting policy regarding the recognition of sugarcane at PTPN X. First, Based on IAS 41, sugarcane production costs should be recognized as the cost of acquiring biological asset of sugarcane, not as deferred production costs. Although in the end the sugarcane will not be sold and used as raw materials for sugar production.

Second, the Milled Sugarcane Production Prepaid Expense account should only contain the costs of the nursery process, the costs of milled sugarcane, and the costs of harvest-load-transport, without factory expenses. The factory expenses here is the factory expenses associated with the production of sugar and molasses, therefore it must be separated so that the company will be able to present the value of the biological asset of the sugarcane in a fairly.

Third, the company must rename the account. The Milled Sugarcane Production Prepaid Expense account is irrelevant when the company recognises sugarcane as a biological asset, while the Annual Plants Asset account is still relevant to use. For example, Annual Plants Asset-Nursery account (for recording sugarcane that still unable to produce), and Annual Plants Asset-Milled Sugarcane account (for recording productive sugarcane). However, the costs occurred in the KBD should be included in the Annual Plants Asset-Nursery account, because at the stage of KBD, sugarcane is still in form of seeds and considered unable to produce. Similarly, in the Annual Plants Asset-Milled Sugarcane account, it should be only including the cost components incurred at the stage of milled sugarcane and harvest-load-transport. Measurements of the value of sugarcane seeds that in discontinued development, dead sugarcane seeds, and dead milled sugarcane, should be recognized and recorded as losses on biological assets (Annual Plants Asset).

Fourth, based on IAS 41 paragraphs 26 to 29, the company must record gains or losses on the biological asset of sugarcane. The company does not disclose any profits or losses on sugarcane because the company does not record the profits or losses of sugarcane. However, the company has disclosed and provided a description of the asset of sugarcane expressed in a narrative or measurable description. The company provides a description of the Milled Sugarcane Production Prepaid Expense account and the Annual Plants Asset account. The company also disclosed the book value of sugarcane asset during that period, including details of the cost items that build the value of the sugarcane. In addition, the company also disclosed details of costs incurred from each business units related to sugarcane and provides additional disclosure of biological assets when fair value cannot be measured reliably.

In Indonesia, fair value is still difficult to apply to measure the value of sugarcane plants because sugarcane plants are not traded on the market. Sugarcane plants owned by the company are not for sale but will be processed again and used as raw materials of sugar. Actually, in the process of providing raw materials, which is the sugar cane plants, the company also purchased sugarcane from Sugar Cane Farmer (Petani Tebu Rakyat - PTR). However, the payment system does not use the fair value of sugarcane as the basis for the transaction but uses the fair value of sugar. It is also because there is no special standard that regulate biological assets in Indonesia.

Therefore, it can be concluded that the sugarcane of PG Pesantren Baru is not presented fairly according to IAS 41. The company does not recognize the sugarcane plants as biological assets. The division of the account is also not based on the criteria of unproductive crops and productive crops. The company also includes the factory expenses as component of the costs of sugarcane, and the company does not recognize the losses incurred during the production of sugarcane as a loss of sugarcane.

Conclusion

PG Pesantren Baru as a unit of PTPN X has done accounting treatment procedure for plants in accordance with Financial Accounting Standards of Indonesia (SAK). However, the company has not applied the IAS 41 as a standard reference. PG Pesantren Baru recognises the cost to acquire sugarcane crops as a deferred production cost, not as a biological asset, even though the sugarcane already meets the criteria of the biological asset. The company should reimburse or adjust the account name if the sugar cane is going to recognised as a biological asset, such as Annual Plants Asset-Nursery account and Annual Plants Asset-Milled Sugarcane account.

The company recognises discontinued sugarcane seedlings, dead sugarcane seedlings, and dead milled sugarcane as production costs (COGS), while IAS 41 requires recognition of loss or gain on the plant. IAS requires measurement at fair value, but PG Pesantren Baru does not make measurements of fair value because fair value is still difficult to implement due to challenges in measuring the value of sugarcane in Indonesia.

Presentation of the sugarcane by the company is in accordance with IAS 41, but the company has not presented the loss or gain on sugarcane because the recording of the activity has not been done. The disclosure of sugar cane by the company includes the definition and explanation of the account, the details of the costs that make up the account, and the distribution of costs in each business unit. Based on the audit results conducted by external audits for the last three years, namely in 2012, 2013, and 2014, accounting treatment applied by PTPN X on sugar cane is in accordance with Financial Accounting Standards of Indonesia (SAK) and does not take into account material mistakes.

REFERENCES

- Abd, A. R. (2011) 'Perlakuan Akuntansi Aset Biologis PT. Perkebunan Nusantara XIV Makassar (Persero)', *Makassar: Universitas Hasanuddin*.
- Amanah, D. M. N. and Fitriyanti, R. (2014) 'Analisis Perbandingan Perlakuan Akuntansi Aset Biologis Pada Industri Perkebunan (Studi Kasus pada PT Sampoerna Agro Tbk dan PT Dharma Satya Nusantara Tbk)', *Jurnal Ilmiah Mahasiswa FEB*, 3(1).
- Darsono, N. *et al.* (2018) 'Production of a polyclonal antibody against the recombinant coat protein of the sugarcane mosaic virus and its application in the immunodiagnostic of sugarcane', *Agronomy*, 8(6). doi: 10.3390/agronomy8060093.
- Ghozali, I. and Chariri, A. (2007) 'Teori akuntansi', *Semarang: Badan Penerbit Universitas Diponegoro*.
- Huda, A. M., Mardiyanta, A. and Setijaningrum, E. (2018) 'Can public-private partnership policy reduce poverty and grow sustainable economies in Indonesia? (case study approach)', *E3S Web of Conferences*, 74. doi: 10.1051/e3sconf/20187401005.
- Purwono, R., Mubin, M. K. and Yasin, M. Z. (2018) 'Do infrastructures influence the efficiency convergence of the Indonesian economy?', *Seoul Journal of Economics*. Department of Economics, Airlangga University, Indonesia: Seoul National University, Institute of Economic Research, 31(3), pp. 333–353. Available at: <https://www.scopus.com/inward/record.uri?eid=2-s2.0-85052529438&partnerID=40&md5=958a3676151f8eced3769c73d042ae45>.
- Rukmalasari, D. D. (2011) *Definisi Akresi, Apresiasi, dan Penghematan Kos*. UNEJ Digital Repository.
- Subandi, M. (2011) 'Developing Islamic economic production', *Science Technology and Development*. Pakistan Council for Science and Technology, 31(4), pp. 348–358.
- Suwardjono (2008) *Teori Akuntansi: Perekayasa Pelaporan Keuangan*. Edisi Ket. Yogyakarta: BPFE Yogyakarta.
- Tuanakotta, T. M. (2013) 'Audit Berbasis ISA (International Standards on Auditing)', *Jakarta: Salemba Empat*.