

*Accounting Treatment of Coffee as Bearer Plant Asset at Perumda Perkebunan  
Kahyangan Jember*

**Perlakuan Akuntansi Aset Tanaman Menghasilkan (*Bearer Plant*) Kopi pada  
Perumda Perkebunan Kahyangan Jember**

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**ABSTRACT**

*This study explores the accounting treatment of coffee plant as a bearer plant asset at Perumda Perkebunan Kahyangan Jember, a local state-owned enterprise in East Java Province Indonesia. As the agricultural sector plays a crucial role in Indonesia's economy, the proper classification, recognition, measurement, and disclosures of coffee plant as bearer plants are critical for financial transparency and effective management. This study examines how relevant Indonesian Financial Accounting Standards (i.e. PSAK 16 Revision 2011 on Fixed Assets, PSAK 69 on Agriculture, PSAK 14 on Inventory, and PSAK 48 on Impairment of Assets) and International Financial Reporting Standard (i.e. IAS 41) applied in the financial reporting of coffee as a bearer plant at Perumda Perkebunan Kahyangan Jember. Using a qualitative research method with the case study approach, this study provides empirical evidence on how the implementation of such accounting standards, and the obstacle faced by the company presented based on the perspective of recognition, measurement, and disclosure relevant to coffee plant.*

**Keywords:** Accounting treatment, bearer plant, biological assets, coffee, IAS, PSAK.

**ABSTRAK**

Studi ini mengeksplorasi perlakuan akuntansi tanaman kopi sebagai aset tanaman menghasilkan di Perumda Perkebunan Kahyangan Jember, sebuah perusahaan milik pemerintah daerah di Provinsi Jawa Timur, Indonesia. Sektor pertanian memainkan peran penting dalam perekonomian Indonesia, sehingga klasifikasi, pengakuan, pengukuran, dan pengungkapan yang tepat dari tanaman kopi sebagai tanaman menghasilkan sangat penting menghasilkan transparansi keuangan dan manajemen yang efektif. Studi ini meneliti tentang bagaimana Standar Akuntansi Keuangan Indonesia yang relevan (yaitu PSAK 16 tentang Aset Tetap, PSAK 69 tentang Agrikultur, PSAK 14 tentang Persediaan, dan PSAK 48 tentang Penurunan Nilai Aset) serta *International Financial Reporting Standard* (yaitu IAS 41) diterapkan dalam pelaporan keuangan kopi sebagai tanaman menghasilkan di Perumda Perkebunan Kahyangan Jember. Penelitian ini menggunakan metode penelitian kualitatif dengan pendekatan studi kasus, memberikan bukti empiris tentang bagaimana penerapan standar akuntansi terkait, serta hambatan yang dihadapi oleh perusahaan yang dijabarkan berdasarkan perspektif pengakuan, pengukuran, dan pengungkapan yang relevan dengan tanaman kopi.

**Kata kunci:** Aset biologis, IAS, perlakuan akuntansi, PSAK, tanaman menghasilkan, tanaman kopi.

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## INTRODUCTION

Indonesia, as a large nation endowed with abundant natural resources, particularly in agriculture, plays a crucial role in its economic landscape. The agricultural sector encompasses approximately 63.4 million hectares of land, with a significant number of households engaged in farming activities, totaling around 28.4 million households (Mukhlis & Gürçam, 2022). Most of these households are involved in the food crop subsector, while the livestock and plantation subsectors also contribute significantly, with approximately 12 million and 10.8 million households respectively (Mukhlis & Gürçam, 2022). This extensive engagement in agriculture is supported by Indonesia's strategic geographical position and favorable climatic conditions, which facilitate a robust agricultural export potential.

Based on Tampubolon (2023) research data, the agricultural sector's contribution to Indonesia's Gross Domestic Product (GDP) is substantial, accounting for approximately 12.40 percent in 2022, making it the third-largest sector after manufacturing and trade. Within agriculture, the plantation subsector is particularly noteworthy, contributing 3.76 percent to the total GDP and 30.32 percent to the agricultural sector itself. This subsector not only provides raw materials for various industries but also plays a vital role in employment generation and foreign exchange earnings. Coffee, as a key commodity within the plantation sector, exemplifies the economic significance of agricultural exports, contributing significantly to national revenue alongside oil and gas.

The classification and accounting treatment of biological assets have been subjects of increasing importance in financial accounting, particularly for agricultural enterprises. Biological assets, including perennial crops like coffee, are considered important long-term investments, and their proper recognition and measurement are essential for accurate financial reporting. In Indonesia, the accounting treatment of biological assets, including coffee as a bearer plant, is governed by Indonesian Financial Accounting Standards (PSAK) 69 on agriculture and PSAK 16 on Fixed Assets, PSAK 14 on Inventory, which are aligned with the International Financial Reporting Standards (IFRS) 41.

Indonesian Financial Accounting Standards (PSAK) 69 specifically addresses the management of biological transformations leading to the harvesting of agricultural products (Purwanti, 2024). The transition to PSAK 69 from previous standards aligns with international practices (IAS 41), enhancing the reliability of financial reporting in agriculture. This is crucial for stakeholders, including investors and creditors, who rely on accurate financial information for decision-making. The unique nature of biological assets, which undergo biological transformation over their lifecycle, necessitates careful accounting practices to accurately reflect their value and contribution to financial statements (Anwar & Firmansyah, 2020).

The implementation of PSAK 69 has implications for the recognition and measurement of biological assets, particularly for bearer plants such as coffee (Purwanti, 2024). The standard mandates that these assets be treated similarly to fixed assets under PSAK 16, ensuring consistency in accounting practices across the agricultural sector (Nuha, 2023). Proper asset valuation is crucial for determining profitability rates and enhancing financial security, as underestimating fixed assets can inflate profitability metrics. This alignment with international standards, including the International Accounting Standards (IAS) 41, enhances the transparency and comparability of financial reporting for agricultural entities. The complexity of accounting for biological assets, due to their unique characteristics and the challenges in estimating their future economic

benefits, underscores the importance of adhering to established accounting frameworks (Anwar & Firmansyah, 2020; Nuha, 2023).

Perumda Perkebunan Kahyangan Jember is one of the local state-owned enterprises in the agriculture sector in Jember Regency, East Java Province, Indonesia. The company engages in various cultivation activities, including the cultivation of rubber, timber, and coffee, where coffee ground and green bean as its main product. PSAK 69 and its integration with PSAK 16 reflect a commitment to enhancing the quality of financial information in the agricultural sector, thereby supporting informed decision-making among stakeholders. Perumda Perkebunan Kahyangan Jember is obligated to apply such standards. This research aims to investigate the implementation of Indonesian Financial Accounting Standards (PSAK) 69 and 16, which are mandatory in the recognition, valuation, and reporting of coffee as a company's bearer plants. This research contributes to the implementation of Indonesian accounting standards in local government-owned enterprises by offering additional empirical evidence.

## **Literature Review**

### Local Government-Owned Enterprises in Agricultural Sector in Indonesia

Local Government-Owned Enterprises (LGE) in Indonesia play a significant role in the agricultural sector, contributing to regional economic development. While not as extensively discussed as State-Owned Enterprises (SOE), local government-owned enterprises operate within specific provinces or districts, focusing on local agricultural initiatives. Ahmad *et al.* (2020) highlights the role of local governments in agricultural development, using Bantaeng Regency as a case study. This study showcases how local governments can drive innovation and improve agricultural practices within their jurisdiction. Subhilhar (2017) discusses the role of small agribusinesses in regional development, which often intersect with the activities of LGEs. These enterprises can stimulate local economies by creating jobs, utilizing local resources, and serving local markets. Mardiharini *et al.* (2021) focuses on advisory innovation models for Indonesian farmers' corporations, emphasizing the importance of local government support and program synchronization for successful agricultural development. While Hermansjah *et al.* (2021) primarily discusses SOEs, it provides context about the broader landscape of government-owned enterprises in Indonesia and their expected contribution to economic advancement. Charolinda (2006) touches upon community development within the framework of corporate social responsibility, which can be relevant to the operations of LGEs in the agricultural sector. Finally, Majid *et al.* (2022) provides data on the significant contribution of SMEs in the agricultural sector to the Indonesian economy, highlighting the importance of this sector for local development.

### Biological Assets and Bearer Plants

Biological assets are living plants or animals that are cultivated for agricultural production. According to the International Accounting Standards Board (IASB), biological assets should be recognized at fair-value less cost to sell under IAS 41. However, in 2014, the IASB introduced a special classification for "bearer plants," which are long-term plants used to produce agricultural products. The key distinction between bearer plants and other biological assets is that bearer plants are not intended for sale but rather for ongoing production.

Bearer plants are living plants used in the production or supply of agricultural produce or expected to bear produce for more than one period and not intended of being sold. The accounting treatment of bearer plants is outlined in PSAK 69 in Indonesia,

which closely mirrors the IFRS guidelines. PSAK 69 treats bearer plants as property, plant, and equipment (PPE), in contrast to the fair value treatment typically applied to other biological assets under IAS 41. As such, bearer plants are initially recognized at cost, which includes costs of acquisition, planting, and preparation, and are subsequently depreciated over their estimated useful life. Subsequent to initial recognition, bearer plants can be measured using either the cost model or the revaluation model in accordance with PSAK 16. Bearer plants are recognized as long term assets when they meet the recognition criteria of PSAK 16: probable future economic benefits and reliable measurement of cost. Coffee cherries harvested from bearer plants are considered agricultural produce and are measured at fair value less costs to sell at the point of harvest. This value becomes the cost of inventory under PSAK 14 on Inventory. PSAK 69 requires disclosures similar to IAS 41, providing transparency about the entity's biological assets, including bearer plants. Similar to IAS 41, determining the fair value of bearer plants can be challenging. Appropriate valuation techniques need to be applied, considering factors specific to the Indonesian market (Biljon & Wingard, 2020).

#### Indonesian Financial Accounting Standard (PSAK) 69 on Agriculture

PSAK 69, *Agriculture*, is the Indonesian accounting standard equivalent to IAS 41 concerning agricultural assets. It governs the accounting treatment of biological assets, including bearer plants like coffee, for entities in Indonesia. This analysis focuses on the application of PSAK 69 to bearer plant coffee for a local government-owned enterprise. PSAK 69 applies to all biological assets except bearer plants, but it includes specific guidance for bearer plants (Falikhatun *et al.*, 2020). Similar to IAS 41, PSAK 69 recognizes the biological transformation of coffee plants. Changes in the carrying amount of bearer plants are recognized in profit or loss.

#### Indonesian Financial Accounting Standard (PSAK) 16 Revision 2011 on Fixed Assets

PSAK 16 Fixed Assets are defined as tangible assets that: (1) Owned for use in the production or provision of goods or services, leased to other parties, or for administrative or service purposes; (2) It is estimated that it will be used for more than one period, and is an asset that can carry out continuous production. PSAK 16 plays a role in accounting for agricultural products in the form of bearer plants. The bearer plant itself also meets the criteria for fixed assets in PSAK 16 (Nuha, 2023). The criteria that must be met in PSAK 16 are that it is used in production activities (providing agricultural products), produces products for more than one period (one year) and has a very high probability of rarely sold as agricultural products. In accordance with PSAK 16, bearer plants are recorded as fixed assets so that the carrying value of mature plants includes all cultivation activities.

#### Indonesian Financial Accounting Standard (PSAK) 48 Revision 2009 on Impairment of Fixed Assets

PSAK 48 aligns with IAS 41, mandating that biological assets be measured at fair value, which contrasts with traditional historical cost methods. Regarding to agricultural industry, PSAK 48 suggests that if there is a loss or write-off of commodity products due to defects or plants being damaged, then based on the provisions in PSAK No. 48 Revision 2009 concerning Impairment of Asset Value, the elimination of damaged or defective parts of plants (biological assets) has to be account as an obligation, since this assets condition shows an indication of an impairment of asset value. The purpose of the statement in PSAK 48 is to develop a method that is applied to certain elements, in order to ensure that fixed assets recorded do not exceed the recoverable amount.

## Indonesian Financial Accounting Standard (PSAK) 14 Revision 2008 on Inventory

The implementation of Indonesian Financial Accounting Standards, i.e. PSAK No. 14 Revision 2008 on inventory in agricultural sector primarily focuses on inventory management, which is crucial for financial performance in agricultural enterprises. This standard provides guidelines for the recognition, measurement, and reporting of inventories, ensuring that agricultural products are accurately reflected in financial statements. One of the main challenges in inventory accounting is determining the amount of costs that should be recognized as assets. In addition, it is also important to understand how subsequent accounting steps should be performed on the asset, until the associated income is finally recognized. The standard provides guidance in determining costs and their subsequent recognition as expenses, including adjustments to net realizable value. In addition, this statement also provides directions regarding the cost formula used to calculate inventory costs.

The recognition of inventory as an expense is regulated in PSAK No. 14 paragraph 28. In this provision, it is stated that when goods in inventory are sold, the carrying value of the inventory sold must be recognized as an expense in the period in which the income from the sale is recognized. While the measurement of inventory is regulated in PSAK No. 14 paragraph 5 and paragraph 6, stated that inventories should be recognized at cost or net realizable value, whichever is lower. All costs associated with purchasing, conversion and other costs will be calculated until the inventory reaches its current condition and location. Work-in-progress inventory is items that are currently being produced, and at the time of closing the books, these items are still in the construction stage. In the work-in-process inventory category, there are three cost elements that must be considered, namely: (1) Raw material costs, (2) Direct labor costs, and (3) Factory overhead costs.

## Previous Research on the Accounting for Agricultural Assets

Previous studies on coffee cultivation, such as those by Ginting (2018) and Wijaya (2017), emphasize the economic importance of coffee as a bearer plant and its challenges in terms of valuation, maintenance costs, and long-term productivity. In addition, numerous studies have examined the accounting treatment of agricultural assets, particularly in relation to biological assets and bearer plants. According to Djan (2020), agricultural accounting standards have been significantly influenced by IFRS, leading to greater consistency in the treatment of biological assets globally. Djan's research highlights the challenges of applying the fair value model in agricultural accounting and notes that the cost model, as applied to bearer plants, allows for greater accuracy in long-term financial reporting. A study by Purnomo (2019) focused on the agricultural sector in Indonesia, emphasizing the complexities of determining the value of biological assets like coffee plants and the need for more comprehensive standards to address valuation challenges. However, another evidence indicates that fair value accounting has had a limited positive effect on biological asset valuation in practice, as seen in Nigerian agricultural firms (Cyril *et al.*, 2019). Jauhari and Setiawan (2021) conducted a study on the application of PSAK 69 in Indonesian agricultural firms, revealing that while the adoption of this standard has brought clarity to the treatment of biological assets, challenges remain in areas such as fair value measurement and depreciation. These studies collectively provide a foundation for understanding the application of PSAK 69 in the agricultural sector, especially concerning bearer plants like coffee.

## RESEARCH METHOD

The study applied a qualitative method with the case study of how accounting for bearer plants especially coffee in the local state-owned enterprise: Perumda Perkebunan Kahyangan Jember. The qualitative method of case study allows for a systematic investigations, providing results that are often unattainable through other research method (Huiru, 2009). The methodology includes:

1. Document Analysis: Reviewing Perumda Perkebunan Kahyangan Jember's 2022 audited financial statements, including the balance sheet and income statement, to assess how the company recognizes and measures coffee as a bearer plant under relevant Indonesian Financial Accounting Standards (i.e. PSAK 69, 16, 14, and 48).
2. Interviews: Conducting semi-structured interviews with relevant parties in the Perumda Perkebunan Kahyangan Jember: the CEO, Financial Director, Production Director, Financial Managers, as well as operational staffs directly involved in the management of coffee plant assets to understand the practical challenges of applying mandatory standards (i.e. PSAK 69, 16, 14, and 48).
3. Observation: Observation to the coffee plantation management during 2023.
4. Comparative Analysis: Comparing the company's accounting practices with those outlined in IFRS (i.e. IAS 41) and relevant Indonesian Financial Accounting Standards (i.e. PSAK 16, 69, 14, and 48) to identify discrepancies, challenges, and areas for improvement.

The research steps was as follows: (1) Analyze and identify differences that occur in the implementation of Statement of Financial Accounting Standards 69, 16, 14 and 48 including recognition, measurement and reporting of mature plantation assets in the financial statements of Perumda Perkebunan Kahyangan Jember; (2) Identify the impact in the financial statements of Perumda Perkebunan Kahyangan Jember if the accounting standards are not fully implemented on bearer plants. The conclusions were drawn based on the results of the data analysis to answer the research questions and provide recommendations for future improvements. Some research instruments in the study were interview guidelines containing a list of open-ended questions to explore the understanding and practices of accounting for bearer plants. Figure 1 presents the research framework.

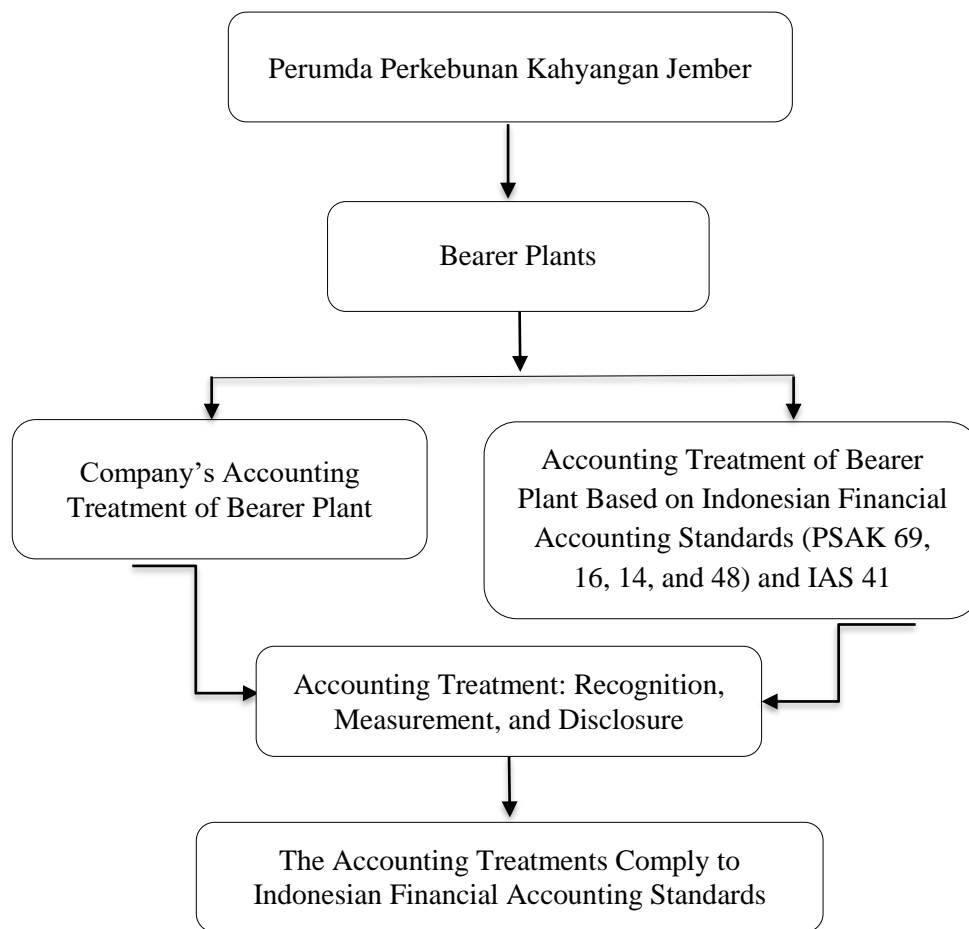


Figure 1. Research Framework

## RESULTS AND DISCUSSIONS

The analysis focused on the recognition, measurement, and accounting reporting of coffee as a bearer plant asset at Perumda Perkebunan Kahyangan Jember, East Java Province, Indonesia. The analysis initially used audited financial statements for the year ending December 31, 2022, along with their supporting documents. The primary data, which included interviews and discussion sessions with the Director of Finance, Director of Productions, and the managers of finance and production, supported this secondary data. We present the results based on the three accounting treatment perspectives, which align with Indonesian GAAP.

### Recognition

Coffee plants as the biological assets recognized as either Immature Plants (IP) Mature Plants (MP) accounts. The IM account holds all the value of biological assets from planting until the plants become productive. The management policy of Perumda Perkebunan Kahyangan Jember stipulates that the period for plants to be in the IM account is between 4 and 5 years, which then be reclassified into a Mature Plant (MP) account after 6 years. If during the maintenance period, any part of the coffee plant is damaged, then replanting is carried out with a replacement coffee tree.

The company has recognized and calculated depreciation on coffee plants which have been included in the MP account. The Company does not make special recognition for labor costs of planting seeds. The problem was because the Company has difficulty

in directly identifying the labor costs involved in planting coffee seedlings so that all labor costs are recognized from the planting, maintenance process and capitalized altogether into the IM account and become the basis for assessing the assets of the mature plants (MP) when they become bearer plants.

### **Measurement**

The reclassification from Immature Plants (IP) to Mature Plants (MP) is conducted in the fourth or fifth year when the coffee plants are considered capable of producing regularly and are suitable for harvest. During the harvest period, the company will be able to harvest sequentially on all the land it owns every two weeks. The company incurs the following costs: harvesting costs, transportation costs for sending coffee beans from the plantation to the processing factory (FFB transport and reception), costs for harvesting equipment (tools), and costs for monitoring harvesting activities (supervision), overhead costs and maintenance costs every harvest period. These six cost elements will be the base for the company to measure the value of the cost of goods sold for the coffee bean product that will be sold to wholesalers and end users. The company measures all biological assets including coffee plants using the historical cost method. The company measures the acquisition cost of the coffee as bearer plants by subtracting all costs incurred from drying the land activities, clearing the land (weeding), purchasing seeds, purchasing pesticides, fertilizing activities until the plants can produce quality coffee beans ready to be harvested.

The company has not clearly recognized the existence of an inventory account for coffee cherries on the tree at the end of period, which should be included in the inventory of work in process, in the accounting treatment of the biological asset of the coffee plant. The BUMN Plantation Accounting Guidelines (2011) explain that the inventory account encompasses several types of inventory, namely crop yields, work in progress, raw materials, and supplementary materials. The concept of inventory is also in line with what is applied in PSAK 14 on inventory. Based on these two standards, the coffee cherries still on the coffee trees at the end of the harvest season should be recognized as inventory by Perumda Perkebunan Kahyangan Jember, which has not been done by Perumda Perkebunan Kahyangan Jember at the time of the research.

Hence, the analysis further provides suggestions regarding the technical measurement of the MP reclassification value and the harvest value which should be recognized as an inventory account which further become the cost of goods sold when the coffee cherries inventory is sold. The suggestion is related to the measuring the value of immature plants (IM). Based on the adjustments to the operational activities of Perumda Perkebunan Kahyangan Jember and the State-owned Companies (BUMN) Plantation Accounting Guidelines, various classifications of costs that are elements of measuring the value of the IP account includes the costs of: draining the land, clearing the land (weeding), purchasing seeds, purchasing pesticides, and diseases medicines, fertilization (manuring). Of the all six existing cost elements can be used as a measurement basis for assessing the amount of immature plants (IP) accounts.

Labor costs can be grouped according to their activities so that cost control can be implemented, making the assessment of the IP account clearer regarding the source of labor costs. But to separate or classify labor cost activities during the IP period, the Company still faces difficulties because, until now, there has been no distinction between workers purely assigned to manage coffee plants and those managing the maintenance of infrastructure around the garden. The cost of labor is recorded at the total value for each worker with the assumption that they handle all tasks related to plantation management,



whether directly related to coffee plants or not. Therefore, specifically for labor costs, this study proposes a solution to measure them by allocating the total direct labor costs per period as a percentage according to the Company's management policy, separately between direct labor costs capitalized as IP assets and labor costs considered part of the routine plantation area maintenance expenses. If the labor costs have qualified as actually working in the plantation area, then the value recognized in the immature plants account will be reclassified into the mature plants account. The value of IP that will be reclassified to the MP account is its net value after deducting the damaged or defective plants. The calculation of the value of the removal of damaged or defective plants is included as the Expense for the Removal of Damaged/Defective Plants and reported in the non-operational expense section of the Income Statement. Replacement for damaged coffee plants is easier to measure using the tree-by-tree approach method. In the tree-by-tree approach method, the recorded amount of the replaced MP asset is recognized as an expense in the period it occurs, and the cost of the new plant asset is measured as the annual acquisition cost of the plant asset (BUMN Plantation Accounting Guidelines, 2011).

When the coffee trees are ready to be harvested, the cost elements incurred during the harvesting process in the field until they are ready to be sent to the coffee bean processing factory become the basis for measuring the inventory of green beans. The amount recognized in the inventory account will be permanent costs of green bean net to damaged beans and depreciation of MP in the period. This is in accordance with the statement in the BUMN Plantation Accounting Guidelines (2011) that the depreciation of annual plant assets is recognized as production expenses or an addition to the acquisition cost of the resulting inventory. In the case of Perumda Perkebunan Kahyangan Jember, there would not be maintenance or storage costs since the Company regulate that the green bean has to be delivered to manufacturing process immediately after harvesting to prevent deteriorations and decrease in the marketability of the green beans.

### **Disclosure**

The company disclosure of bearer plants coffee has already been classified into Immature and Mature Plants. Based on Indonesian Financial Accounting Standards PSAK 16 on Fixed Assets, the company has already disclose the Mature Plants, those which turn into 6 years cultivations, into long-term assets. However, the company did not explain the criteria of Immature and Mature Plants in the Notes to Financial Statements. The company has also not yet removed the damaged or defective parts of the plants. The removal of damaged or defective parts of the plants (biological assets) is mandatory because it is part of the indication of asset value-decline as explained in PSAK 48 Revision 2009. The loss expense on damaged assets, whether significant or insignificant, must be recognized as an impairment loss expense (loss expense for damaged plants) reported in the income statement and treated as a deduction in the related account. Recognition, measurement, and disclosure of damaged or defective assets have not yet been carried out by Perumda Perkebunan Kahyangan Jember. The Company recognized such spending as part of the maintenance costs and records the harvest results only at their net value.

Without sufficient disclosure of bearer plants, both IP and MP, parties such as owners (i.e. local government), investors, creditors, and analysts will find it difficult to assess the company's long-term revenue potential. They will lack the important information needed to make the right decisions regarding investments or loans (Syafri, 2020). The lack of disclosure of this information will lead to an inaccurate assessment of

the company's assets and performance (Ganie, 2021). Incomplete disclosures can also lead to non-compliance with accounting standards, such as PSAK 69 on Biological Assets which requires transparent disclosures regarding the fair value or acquisition cost of plants owned by the company as well as and PSAK 16 on Fixed Assets, which guides the criteria of bearer plant as long term assets (Indonesian Institute of Accountants, 2017). Low transparency in financial reports can damage the company's reputation and reduce stakeholder trust. This can also have implications for the company's relationship with regulators and the public (Lund, 2014). Inadequate disclosure can pose a risk of violating capital market regulations or applicable accounting standards, potentially leading to sanctions or legal actions (IFRS Foundation, 2021).

## CONCLUSION

The study provides another piece of empirical evidence on how an agricultural local state-owned enterprise, Perumda Perkebunan Kahyangan Jember, treated its biological assets. Firstly, the company has yet to establish an inventory account for coffee beans that remain on the tree or remain unharvested at the end of the harvest period. This does not align with the inventory concept and regulations outlined in PSAK No. 14 Revision 2008 and the 2011 BUMN Plantation Accounting Guidelines.

The second accounting treatment being studied is the Loss Expense account, or Write-off of Defective Commodity Products/ Damaged Plants account. The regulation in PSAK No. 48 Revision 2009 regarding Asset Impairment explains that the write-off of damaged or defective parts of plants (biological assets) is mandatory because it is part of the indication of asset impairment. The company does not recognize any loss expense for the portion of biological assets that are damaged or defective, whether during the immature plant phase (IP), the mature plant phase (MP), or during the sorting of green bean results. The company reporting on the value related to reclassification was done at its net value (after deducting damaged or defective items). These accounting treatments contradict the regulations regarding asset impairment as stated in PSAK No. 48 Revision 2009.

Third, regarding the cost of goods sold account, it was suggested that the company adjust the calculation of the cost of goods sold at every end of the accounting period to find the valid amount of ending inventory of green beans and ground coffee, the cost of goods sold, and the income (loss) resulted from the sales of such products during the period. Lastly, regarding the disclosure of the bearer plants, the company has to provide adequate explanation about the criteria of Immature Plants and Mature Plants in the Notes to Financial Statements. The company also has to disclose the loss expense on damaged coffee plants in the Income Statements to ensure that the net income is presented validly and reliably.

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