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# Factors Affecting Indonesian Agriculture Companie's Disclosure of Biological Assets

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**Abstract**

This study aims to test the effect of Biological Asset Intensity, Managerial Ownership, and Audit on Biological Asset Disclosure on agricultural sector companies listed on the Indonesia Stock Exchange (IDX) Year 2018-2021. Samples were taken using a purposive sampling method with certain criteria, during the study period. Based on the criteria that have been determined by the data using panel data, a total of 68 data were obtained. The analysis method used in this study was the regression analysis of panel data processed using Eviews 9. The results of this study show that (1) Biological Asset Intensity has a significant positive effect on the disclosure of biological assets. This is because the greater the value of biological assets, the higher the company provides more complete and detailed information to users of financial statements. (2) Managerial Ownership has a significant positive effect on the disclosure of biological assets. This is because managers who have a hand in the company's capital will carry out their duties according to applicable regulations and not only for their own interests but also for the sustainability of the company to remain sustainable in the future. (3) The audit has no negative effect on the disclosure of biological assets. This is because the role of kap is not determined by the characteristics of the Big Four or Non-Big Four levels because currently, the role of auditors is growing, many KAP who are not affiliated with the Big Four also revealed that detailed information according to the needs of users of financial statements and investors when choosing the company they will choose as a place to plant shares.

*Keywords*: Biological Asset Intensity; Managerial Ownership; Auditing; Disclosure of Biological Assets.

## 1. Introduction

Indonesia is a country with abundant biodiversity. This biodiversity creates natural resources that are very useful for human life. Indonesia's biodiversity potential includes various types of flora and fauna. Most Indonesians live as farmers and in other agricultural activities. The agricultural or agricultural sector can be divided into 5 sub-sectors, namely food crops, plantations, animal husbandry, fisheries, and forestry (Scarvino et al., 2021). A distinctive feature of agricultural enterprises from enterprises in other industries is the presence of biological assets. According to the Indonesian Institute of Accountants (2018), biological assets are defined as plants and animals with unique and special properties that undergo biological transformation. This special feature allows the presentation of information in the form of disclosures on financial statements. This discloses greater information about biological assets important and can be done by every agricultural company (Santoso & Handayani, 2021). Biological assets are assets that can be said to be unique and different from other assets as time develops or changes. These assets transform even after producing the product. Biological assets change, starting with growth, degeneration, production, and procreation. At this stage of transformation, biological assets undergo quantitative and qualitative changes. Examples of biological assets are the assets of living things such as plants and animals (Aini & Ardiana, 2020).

The phenomenon that occurs in Indonesia based on data from the Central Statistics Agency (BPS) 2021, is experiencing a high increase in cooking oil prices. The Central Statistics Agency (BPS) in 2018 recorded that the total oil palm plantations in Indonesia were 14,456,611 hectares and were the largest palm oil-producing country in the world. Cooking oil is one of the biological assets, where biological assets are assets that undergo a transformation stage, and cooking oil is a staple for processing food derived from palm oil that has been processed. The increase in cooking oil prices that continue to crawl up was triggered by the *Covid-19* pandemic which resulted in CPO (*Crude Palm Oil*) production also decreasing drastically (source: cnbcindonesia.com 2021).

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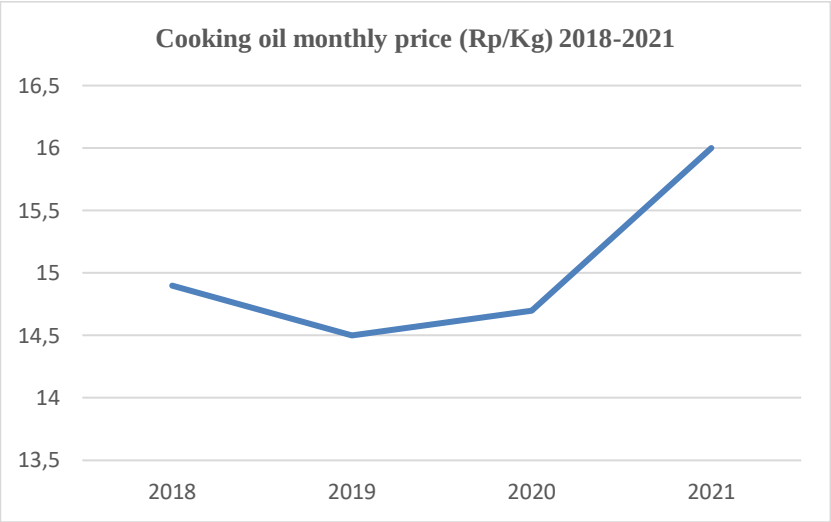


**Figure 1.** Cooking oil monthly price data 2018-2021

Source: satudata.kemendag.go.id 2022

Looking at the results of research conducted by Hariyanti, et al (2018) 2018 there were three cases where agricultural companies measured their biological assets from cost to fair value at the end of the period and reveal their biological assets. The three companies in question are PT. Eagle High Plantations Tbk., PT. Dharma Satya Nusantara Tbk. and PT. Gozo Plantation Tbk., but among the three companies only PT. Gozco Plantation Tbk. which at the end of the period had measured its biological assets from the acquisition price to the fair price. The other two companies are PT. Eagle High Plantations Tbk. and PT. Dharma Satya Nusantara Tbk. did not disclose it (Zulaecha et al., 2021).

Every company in Indonesia is obliged to report information about the biological assets they produce on financial statements in a relevant and reliable manner. Transparency is enhanced to disclose more information in financial statements. But, there are still companies that do not disclose information through the accounting practices hinted at by users. This results in users of financial statements experiencing difficulties in making decisions in their assessments. Based on the explanation above, agricultural companies in Indonesia have a high level of compliance with the disclosure of their biological assets after the enactment of the mandatory standard PSAK 69 which regulates the accounting and disclosure of information related to agricultural activities. Research on the factors that influence the disclosure of biological assets has not been widely studied in Indonesia. Disclosure regulations cannot claim a high level of disclosure as a result of which an institutional system is needed, namely *corporate governance*, to monitor managers and manage companies to claim that companies disclose adequate information (Azzahra et al., 2020).

Several factors can be indicated to affect the disclosure of biological assets, namely the first factor, namely *biological asset intensity*. The intensity of biological assets is a measure of the investment ratio of a biological asset company. The intensity of biological assets also describes the expected cash inflows if biological assets are sold. If the company has a high estimate of biological assets, then the company expresses this in the notes to the financial statements (Hayati & Serly, 2020). The results of Goncalves and Lopes (2014) on disclosure practices in the accounting of agricultural companies based on *the International Accounting Standard* (IAS) 41 *Agriculture*, show that the disclosure of biological assets will increase intensely in companies with high-intensity of biological assets. The results of the analysis are supported by Salahudin et.al (2018) who researched agricultural companies in Malaysia. *High biological asset intensity* encourages companies to increase their disclosure of biological assets to inform *stakeholders* about the ratio of the company's investment to biological assets (Hayati & Serly, 2020).

The second factor influencing the disclosure of biological assets is managerial ownership. Managerial ownership is a condition that the manager owns shares in the company in other words the manager is also a shareholder in the company. In line with the research of Anggraini (2006) and Nasir (2013) managerial ownership affects the disclosure of biological assets (Scarvino et al., 2021). Meanwhile, research conducted by (Duwu et al., 2018) and Putri, et al (2019) showed the opposite result, namely managerial ownership does not affect the disclosure of biological assets (Zulaecha et al., 2021).

The third factor influencing the disclosure of biological assets is Audit. Companies that include *auditors* in the *big four* kap are considered to display more information than companies that use *non-big four public accountants*. Kap *big four*

is believed to be able to provide higher audit quality with a reliable and accountable reputation (Scarvino et al., 2021). In line with research conducted by (Nuryaman, 2009), it is stated that companies audited by KAP *big four* have higher disclosures. On the other hand, the research of (Duwu et al., 2018) proved that the type of KAP measured by the dummy variable does not affect the disclosure of biological assets (Studi et al., 2021).

## 2. Literature Review

Agency theory describes the relationship between the agent and the *principal*. The agent is the management of the company and *the principal* is the owner of the company. In this case, the agent is responsible for the implementation of managerial activities in the company that is responsible for its performance to the *principal*, while the *principal* is interested in the investment he invests in the company (Akbar, 2019)

The Indonesian Institute of Accountants (IAI) (2016: 2) in PSAK 69 Agriculture mentioned that biological assets are live animals and plants. Living creatures or plants undergo a biological transformation as a result of past events or activities that provide benefits for the company in the future. The biological transformation consists of processes of growth, degeneration, production, and procreation resulting in qualitative or quantitative changes in biological assets. Degeneration is a decrease in quantity or decrease in the quality of animals or plants, while procreation is the creation of additional live animals or plants**.** (Subroto, 2014) states that disclosure is the presentation of all the information required by investors in financial statements or reporting. The purpose of financial reporting is to provide useful information for investors, potential investors, creditors, potential creditors, creditors, and other decisions.

Disclosure of biological assets means the formal disclosure of information by the agricultural company concerned in its annual report on the use of biological assets it manages. Disclosure of assets of an entity is the disclosure of a quantitative description of biological assets that are divided into consumable and productive biological assets, or biological assets that have been formed and that have not yet been formed (Indonesian Accounting Association, 2016: 7). From PSAK 69 the intensity of biological assets is the proportion of the company's total investment in biological assets presented in the notes to the financial statements. Information on biological assets is useful for stakeholders to see how much investment a company is making in its biological assets (Hayati & Serly, 2020).

Managerial ownership is the shareholders of the company from the management (commissioners, directors, and managers) who actively participate in decision-making in the company concerned. This can happen because giving shares to the company's management will certainly act in the interests of the company (Wati & SE, 2019).

The audit is the collection and evaluation of books on information to determine and report the degree of conformity between the information and the criteria that have been set by the Audit in this study using the role of a PUBLIC ACCOUNTING FIRM (KAP). Public accountants included in the *big four* are considered to display more information than *non-big four* KAP companies (Priyadi, 2020).

Research conducted by Pramitasari (2018) shows that the intensity of biological assets has a positive effect on the disclosure of biological assets. Line with research conducted by Duwu et al.2018 also obtained results that the intensity of biological assets affects the disclosure of biological assets (Aliffatun & Saadah, 2020). The results of the study (Alfiani & Rahmawati, 2019) showed that managerial ownership has a positive effect on the disclosure of biological assets, which states that managerial ownership is a condition where the manager as the controller of the company has shares, namely also playing a role in shareholders (Zulaecha et al., 2021). The results of research conducted by (Gustria & Sebrina, 2020) show that the type of KAP has a positive effect on the disclosure of biological assets, where large public accountants can provide several suggestions to companies to carry out integrated information disclosure.

## 3. Methods

The data collection method carried out in this study is sourced from the Indonesia Stock Exchange (IDX) website in the form of financial statements of agricultural companies for the 2018-2021 period obtained from the official website of the IDX (www.idx.co.id) or the official website of the agricultural company used as a research sample. The population in this study is companies listed on the Indonesia Stock Exchange (IDX), which are agricultural sector companies published on the Indonesia Stock Exchange (IDX) for the 2018-2021 period. The sample selected in this study is an agricultural sector company listed on the Indonesia Stock Exchange (IDX) for the 2018-2021 period consecutively and has certain criteria that support this research. The variables of this study consist of two variables, namely the dependent variable (bound variable) namely the disclosure of biological assets, and the independent variable (free variable) consisting of *biological asset intensity*, managerial ownership, and auditing.

**Table 2.** Measurement of Research Variables

| No | **Research** Variables | **Measurement** |
|---|---|---|
| 1 | Disclosure of Biological Assets (Halim et al., 2021) | Wallance Index: Number expressed/ 40 items x 100% |
| 2 | Biological Asset Intensity (Halim et al., 2021) | BAI: Biological Assets/Total Assets |
| 3 | Managerial Ownership (Princess & Siregar, 2019) | Managerial Ownership: Number of shares owned / Number of shares outstanding x 100% |
| 4 | Audit (Scarvino et al., 2021) | 1 = affiliated with *the big four*.<br>0 = *nonbig four*. |

The data analysis techniques used include descriptive statistical analysis, panel data regression model selection test, multiple regression analysis tests, classical assumption test, and hypothesis test. The main goal is to create information to solve problems and reach conclusions. This study used the *Econometric Views (EViews)* application 9. A model of regression equations can be systematically formulated as follows: (Imam, 2013)

$$Y = \alpha + b\,1\,X_1 + b\,2\,X_2 + b\,3\,X_3 + \varepsilon$$

## 4. Results and Discussion

Participating in the statistical testing results table, where *biological asset intensity* and managerial ownership have a significant influence on positive. However, for audits, it has an insignificant effect on the disclosure of biological assets

**Table 3.** Hypothesis Testing Results

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 0.196349 | 0.015048 | 13.04840 | 0.0000 |
| Yes | 0.000490 | 3.10E-05 | 15.83431 | 0.0000 |
| KM | 0.000357 | 2.40E-05 | 14.89157 | 0.0000 |
| Hood | -0.032586 | 0.023580 | -1.381944 | 0.1734 |

Based on table 3, it can be explained:

$H_1$ = Effect of *Biological Asset Intensity* on Biological Asset Disclosure

Based on the results of *biological asset intensity* testing, it has $_{calculated}$ a T value of 15.83431 > $T_{able}$ of 1.99656 and a significant probability value of 0.0000 < 0.05 with *a coefficient* value of 0.000490. This shows that *biological asset intensity* (BAI) has a significant positive effect on biological asset disclosure (PAB), so ($H_1$) is accepted.

$H_2$ = Effect of Managerial Ownership on Biological Asset Disclosure

Based on the results of the managerial ownership test, it has $_{calculated}$ a T value of 14.89157 > $T_{of}$ the table of 1.99656 and a significant probability value of 0.0000 < 0.05 with a coefficient value of 0.000357. This shows that managerial ownership (KM) has a significant positive effect on the disclosure of biological assets (PAB), so ($H_2$) is accepted.

$H_3$ = Effect of Audit on Disclosure of Biological Assets

Based on the results of *biological asset intensity* testing, it has $_{calculated}$ a T value of -1.381944 < $T_{able}$ of 1.99656 and a significant probability value of 0.1734 > 0.05 with *a coefficient* value of -0.032586. This shows that the audit using the role of the Public Accounting Firm (KAP) did not have a significant negative effect on the disclosure of biological assets (PAB), so ($H_3$) was rejected.

Based on the test results obtained the results of the *biological asset intensity* variable having a probability value of 0.0000. With a coefficient of 0.000490, it is positive. It can be concluded that *biological asset intensity* has a significant positive effect on the disclosure of biological assets. This is because *biological asset intensity* is the ratio of investment in the company's biological assets presented in the notes to the financial statements. In addition, the company's management is expected to carry out activities that are considered important by stakeholders and report back these activities to stakeholders. Teori explained that biological assets are live animals and plants, namely that these assets are the main assets in agricultural companies, so as the main assets the proportion of the company's investment to its

biological assets is also disclosed in the company's annual report. The results of this study imply that the higher the *biological asset intensity*, the greater the encouragement to reveal more complete and detailed information related to biological assets owned by the company. Therefore, the increase in *biological asset intensity* will be in line with the increase in the disclosure of biological assets. The greater the value of biological assets owned by a company means that the higher the company provides users with complete and detailed information on financial statements. This is supported by the theory (Ulum, 2017:35) which states that all *stakeholders* have the right to be provided with information about how the organization's activities. The results of this study are in line with the research conducted (Zulaecha et al., 2021), (Jolanda, 2014), (Hayati & Serly, 2020), (Halim et al., 2021) and (Sakinatunnisak & Budiwinarto, 2020) also argue the same thing, namely *biological assets intensity* affects the disclosure of biological assets.

Based on the test results obtained the results of managerial ownership variables have a probability value of 0.0000. With a coefficient of 0.000357, it is positive. It can be concluded that managerial ownership has a significant positive effect on the disclosure of biological assets. There is a significant positive influence between managerial ownership and disclosure of biological assets because managerial ownership has a role in carrying out company management. Managerial ownership is the shareholders of the company from the management (directors and commissioners) who actively participate in decision-making in the company Concerned. This is supported by the theory (Hery 2017: 111) companies with high management ownership will enter into industries that have high political risks as well, so that tends to reveal more information compared to other companies. The results of this study are in line with the research conducted (Aliffatun & Saadah, 2020) and (Alfiani & Rahmawati, 2019) also argue the same thing, namely managerial ownership affects the disclosure of biological assets.

Based on the test results obtained, the results of the audit variable had a probability value of 0.1734. With a coefficient of -0.032586, it is negative. So it can be concluded that the audit has an insignificant effect on the disclosure of biological assets. Based on company data, this is because the role of the KAP (Public Accounting Firm) KAP is not determined by the characteristics of the *Big Four* or *Non-Big Four* levels. After all, currently, the role of auditors is growing, and many public accountants who are not affiliated with *The Big Four* have disclosed detailed information according to the needs of users of financial statements and investors when choosing the company they will choose as a place to plant shares. This is supported by agency theory, namely, the purpose of separation from company ownership is so that the company owner runs the company through professionals to get the best profit at the most cost-efficient. So to determine the Public Accounting Firm (KAP) *Big Four* or *Non-Big Four* that is chosen to audit the company is a decision of the company's management. The results of this study are in line with (Scarvino et al., 2021) and (Studi et al., 2021) have the same results, namely, kap has no effect on the disclosure of biological assets

## *5.* Conclusion

*Biological Asset Intensity* has a significant positive effect on the disclosure of biological assets. This is because the greater the value of biological assets, the higher the company provides more complete and detailed information to users of financial statements

Managerial Ownership has a significant positive effect on the disclosure of biological assets. This is because managers who have a hand in the company's capital will carry out their duties according to applicable regulations and not only for their interests but also for the sustainability of the company to remain sustainable in the future.

Audits have an insignificant effect on the disclosure of biological assets. This is because the role of the KAP is not determined by the characteristics of the *Big Four* or *Non-Big Four* levels because currently, the role of auditors is growing, many KAP who are not affiliated with the *Big Four* also disclose detailed information according to the needs of users of financial statements and investors when choosing the company they will choose as a place to plant shares.

This study can provide a reference for agricultural companies to improve the disclosure of biological assets in the annual report and is expected to use the mandatory standard PSAK 69 which has been effective since January 1, 2018, by the items that must be disclosed in the annual report.

For subsequent researchers, they can conduct test comparisons between countries to provide recommendations on how many Indonesian companies comply with the obligation to disclose financial statements when compared to other countries reports.

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