ANALYSIS OF BIOLOGICAL ASSETS VALUATION WITH FAIR VALUE ACCOUNTING AND HISTORICAL COST ACCOUNTING METHOD IN PLANTATION SUBSECTOR OF INDONESIAN AGRICULTURAL INDUSTRY IN THE PERIOD OF 2007-2012

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STATEMENT BY THE AUTHOR

I hereby declare that this submission is my own work and to the best of my knowledge, it contains no material previously published or written by another person, nor material which to a substantial extent has been accepted for the award of any other degree or diploma at any educational institution, except where due acknowledgement is made in the thesis.

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ABSTRACT

ANALYSIS OF BIOLOGICAL ASSETS VALUATION WITH FAIR VALUE ACCOUNTING AND HISTORICAL COST ACCOUNTING METHOD IN PLANTATION SUBSECTOR OF INDONESIAN AGRICULTURAL INDUSTRY IN THE PERIOD OF 2007-2012

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The analysis of biological assets valuation with fair value accounting and historical cost accounting method in plantation subsector of Indonesian agricultural industry, in the period of 2007-2012, tries to evaluate the relevance of historical cost towards the fair value of biological assets. It also tries to look for empirical evidence on the differences in calculations on biological assets between FVA and HCA toward company's EBIT, net income, and potential tax liabilities. The research tests 5 companies within the plantation subsector in agricultural industry listed in Bursa Efek Indonesia (BEI). This study shows that there is a strong correlation between all variables tested. Among all statistical tests conducted, all hypotheses are rejected. This study concludes that the historical value of biological assets does not represent its real fair market value, or irrelevant. Also, the change in biological assets valuation from historical cost to fair value accounting would significantly affect the company's EBIT, tax expense, and net income.

Keywords: Fair Value, Historical Cost, Agricultural Industry, Plantation, Fair Market, EBIT, Tax Expenses, Net Income.

DEDICATION

For my family and friends.

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