

**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**

By

Karina Putri Ramadhani

13410101

A thesis submitted to the Faculty of
BUSINESS ADMINISTRATION AND HUMANITIES

Department of
ACCOUNTING

in partial fulfillment of the requirements
for the
BACHELOR'S DEGREE
in
BUSINESS ADMINISTRATION



SWISS GERMAN UNIVERSITY

EduTown BSD City

Tangerang 15339

Indonesia

July 2014

Revision after the Thesis Defense on July 19th, 2014

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.

Karina Putri Ramadhani

Student

Date

Approved by:

Indra Pratama MM,Ak.,CA,CMA,CPMA

Thesis Advisor

Date

Prof. Eric Jos Nasution MBA, MA, Phd

Dean

Date

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

By

Karina Putri Ramadhani

Indra Pratama, MM,Ak.,CA,CMA,CPMA

SWISS GERMAN UNIVERSITY

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.

© Copyright 2014
by Karina Putri Ramadhani
All rights reserved

DEDICATION

For my family and friends.

ACKNOWLEDGEMENTS

First, I would like to thank Allah SWT for the endless blessings, my parents, and my sisters for the continued support and encouragement.

Second, I cannot express enough thanks to my thesis advisor, Mr. Indra Pratama, without his guidance, this thesis will not be as fancy as this. I would also like to thank all the accounting lecturers, Ms. Neneng, Mr. Yosman, Mr. Sam, Ms. Liana, Ms. Lingga, Ms. Innge, Ms. Gita, Mr. Nurdayadi, and Mr. Bobby for the patience in teaching us, especially me.

My completion of this work could not have been accomplished without the support from all of my accounting classmates, especially my thesis mates, Erica, Cissy, and James. Good luck to all of us. I also would like to thank Rhivaldy Adhietya for the discussion about this thesis.

Finally, to my currently favorite person on earth, Moechammed Riezky, thank you for everything. Thank you for being so loving, caring, funny, and awesome. Man, aren't you something else?

TABLE OF CONTENTS

ABSTRACT	3
DEDICATION.....	5
ACKNOWLEDGEMENTS.....	6
TABLE OF CONTENTS	7
LIST OF FIGURES	9
LIST OF TABLES.....	10
CHAPTER 1 – INTRODUCTION.....	21
1.1. Background.....	11
1.2. General Statement of Problem Area.....	15
1.3. Research Objectives.....	18
1.4. Research Problems.....	19
1.5. Significance of Study.....	19
1.6. Research Questions and Hypothesis.....	19
1.7. Scope of work & Limitations.....	20
1.8. Thesis framework.....	20
CHAPTER 2 – LITERATURE REVIEW	21
2.1. Framework of Thinking.....	21
2.2. Agriculture and Plantation.....	22
2.3. Fair Value	26
2.4. Historical Cost Accounting	29
2.5. Fair Value Accounting.....	30
2.6. Ebit & Net Income.....	33
2.7. Income Taxes.....	34
2.8. Previous Research.....	35
2.9. Differences in Research.....	42
CHAPTER 3 – RESEARCH METHOD	44
3.1. Research Process	44
3.2. Type of Study	44
3.3. Unit of Analysis.....	45
3.4. Research & Questions Design.....	45
3.5. Population and Sample	46

3.6. Sample Analysis	47
3.7. Sample Size	48
3.8. Type of Data	49
3.9. Data Collection	49
3.10. Data Analysis	49
CHAPTER 4 – RESULT AND DISCUSSION	54
4.1. Company Profile	55
4.2. Classical/Basic Assumption Testing	56
4.3. Hypothesis 1	57
4.4. Hypothesis 2	60
CHAPTER 5 – CONCLUSION AND RECOMMENDATION	71
5.1. Conclusion	71
5.2. Recommendation	71
GLOSSARY	71
REFERENCES	73
APPENDICES	80
CURRICULUM VITAE	88

LIST OF FIGURES

Figures	Page
Figure 2.1: Framework of Thinking	21
Figure 2.2: Biological Assets Classification.....	25
Figure 3.1: Research Process	43
Figure 4.1: Scatter Plot- Pearson Correlation EBIT	67
Figure 4.2: Scatter Plot- Pearson Correlation Tax Expense	68
Figure 4.3: Scatter Plot- Pearson Correlation Net Income	68

LIST OF TABLES

Table	Page
Table 1.1: Samples of Issues on Various Fair Value Standards	16
Table 1.2: Examples on Agricultural Products.....	17
Table 2.1: Biological Asset, Agriculture Produce and Products	28
Table 2.2: Advantages and Disadvantages in IAS 41	32
Table 2.3: Selected Previous Research.....	35
Table 3.1: Research Variables and Scales	46
Table 3.2: Agricultural Plantation Companies at BEI.....	47
Table 3.3: Sampled Agricultural Companies Since 2007 or Before	48
Table 3.4: Sampled Agricultural Companies Since 2007 or Before	48
Table 4.1: Validity Test's Result.....	56
Table 4.2: Paired Samples Correlations Result on HCA and FVA	56
Table 4.3: Biological Assets Value Under HCA and FVA.....	57
Table 4.4: Result of Paired Samples Test on HCA and FVA.....	58
Table 4.5: Paired Samples Correlations Result on EBIT	60
Table 4.6: Changes in EBIT due to Biological Assets Valuation	60
Table 4.7: Paired Samples Correlations Result on Tax Expense	61
Table 4.8: Changes in Tax Expense due to Biological Assets Valuation.....	61
Table 4.9: Paired Samples Correlations Result on Net Income	63
Table 4.10: Changes in Net Income due to Biological Assets Valuation.....	63
Table 4.11: Paired Samples Test Result on EBIT, Tax Expense and Net Income	64
Table 4.12: Pearson Correlation Statistic Result on EBIT	66
Table 4.13: Pearson Correlation Statistic Result on Tax Expense	66
Table 4.14: Pearson Correlation Statistic Result on Net Income	66
Table 4.15: Regression Linear Result on Net Income.....	69