



The Effect of the Quality of Disclosure and the Fair Value of Biological Assets on Company Value

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Abstract: The research purpose to examines or analyzes the impact of disclosure quality and fair value of biological assets on company valuation (Tobins Q) on the Indonesian Agriculture Industry. The control variables in this journal are the Return on Assets (ROA) and Debt to Assets (DAR) variables. The sample of this study is 13 of the total 19 population of agricultural companies in the period 2018 to 2020 which are listed on the Indonesian stock exchange. The multiple regression analysis method used in this study informs that the quality of disclosure of biological assets has no significant positive effect on firm value. While the valuation of biological assets using the fair value method has a significant positive effect on firm value.

Keywords: Biological Asset; Firm Value; Fair Value Biological Asset; PSAK 69; Quality Biological Asset Disclosure

INTRODUCTION

The rate of development of agricultural companies seems to be increasing, this can be seen from the high quality or quantity of products or commodities produced (Central Bureau of Statistics, 2018). In assessing the performance of an entity, it can be reflected in financial statements prepared based on applicable standards. International Accounting Standards 41 (IAS 41) on Agriculture which was later adapted into PSAK No. 69 concerning Agriculture which has been in effect since January 1, 2018 Appraisers use the fair value method, which is a requirement stated in the application of PSAK No. 69. However, in its application, there are still many agricultural companies that use historical value as a method of measuring biological assets.

Penttinen, et al., 2004 and Febriyanti, 2020 state that agricultural companies can increase fluctuating net income, one of which is by applying the fair value method to the valuation of biological assets. Research conducted by Maruli & Mita (2010) valuation of biological assets using the fair value method in the practice of income smoothing does not have a significant effect. This opinion is supported by Bangsheng et al., (2020) that

appraisers using historical values are more relevant in measuring biological assets in practice in developing countries.

According to Yurniwati et al., 2018, one aspect that positively affects the disclosure of biological assets is the size of the company. Amalya & Evy (2020) the level of disclosure of biological assets has a positive influence on firm value. Vera et al., (2020) explained that company size, intensity of biological assets, leverage and listing status have no effect on the quality of disclosure of biological assets.

There has been no research and literature on the effect of the quality of disclosure of biological assets and the measurement of the fair value of biological assets on firm value in agricultural companies in Indonesia. The new implementation of PSAK 69 on January 1, 2018 can also explain why research and literature is still limited. The object of research is the Agricultural Company Listed on the IDX. This research is expected to be a contribution of information to stakeholders, especially to regulators so that they can be used as material for analysis and consideration of the application of regulations to the conditions of agricultural companies in Indonesia.

LITERATURE REVIEW

Agency Theory

The concept of agency theory according to Scott (2015) is a relationship or contract between the principal and the agent, where the principal is the party who employs the agent to perform tasks for the interest of the principal, while the agent is the party who carries out the interests of the principal.

Principals (investors) have the right to know the condition of the company, so management must present information that is in accordance with the actual situation so that the information can be useful for investors, so disclosure of financial statements is required. Therefore, in agricultural companies whose main assets are biological assets, it is necessary to disclose biological assets so that the condition of the company can be known by stakeholders, both management as company managers and principals (investors) in making decisions.

Firm Value

Firm Value, reflected in the company's financial statements. Firm value is the only dependent variable in this study. The value of the company is indicated by using the value of Tobin's Q. In general, Tobin's Q is one of the ratios in measuring the value of company, Tobin's Q is a ratio measuring instrument that defines the value of the company as a form of the value of tangible assets and intangible assets. Tobin's Q can also describe the effectiveness and efficiency of the company in utilizing all resources in the form of assets owned by the company. Firm value in this study is measured by Tobin's Q. The Tobin's Q formula is as follows:

$$Q = (MVS + D)/TA$$

Information:

Q = Tobin's Q

MVS = Market value of shares (Number of the company's outstanding common shares multiplied by the closing price of the shares)

D = Total debt

TA = Total Assets

Quality of Biological Asset Disclosure

According to PSAK 69, disclosure of biological assets "Entities that have biological assets and agricultural products are expected to provide fairly complete disclosures regarding the activities carried out, the value of agricultural assets (biological assets and agricultural products), and the profit / loss reported in the income statement". The level of completeness of financial statement disclosures can be measured using an index of disclosure methodology, such as the Wallace index.

$$QDBA = n/k \times 100\%$$

QDBA = Index Wales - Quality of Biological Asset Disclosure

N = Fulfill Item

K = Total Item Biological Asset Disclosure

Fair Value of Biological Assets

Determining the fair value for a biological asset, it is necessary to group items together according to their significant attributes, such as age or quality. When an active market based on current conditions and locations exists for a biological asset or agricultural product, the price offered in that market is fair value.

In line with IAS 41 according to PSAK 69 biological assets are measured when recognized at the beginning and at the end of the period at the fair value of the asset which is then deducted by costs to sell. Output obtained from agricultural assets owned by the company, measurement at fair value less costs for sales at harvest point.

$$FVBA = \frac{\text{Profit or Loss Market Value}}{\text{Net Profit}}$$

Return on Assets (ROA)

Return On Assets (ROA) is a profitability ratio to measure the effectiveness of the company's performance in generating overall profits by utilizing the assets owned (Dendawijaya (2005) in Mardhono (2012)). This means that every change in profitability is followed by a change in firm value. The significant effect of profitability on firm value is in line with signal theory. Profitability is a signal in the form of information stating that the company is better than other companies and can provide certainty about the company's prospects in the future so as to increase the value of the company.

$$ROA = \frac{\text{Net Profit}}{\text{Total Assets}}$$

Leverage

Leverage is a capital structure ratio that indicates the level of debt. Debt is a positive sign of the company, it will make a good impact on the value of the company. If the company does not get a positive sign it will make a bad impact on the value of the company. It can be said that if the DAR is low, the value of the company will be low and have an impact on investors who will not give confidence to the company. Companies that have a lot of assets and debt are not good for the company and vice versa.

$$DAR = \frac{\text{Total Liability}}{\text{Total Assets}}$$

Conceptual Framework

This is the framework which is used for this research:

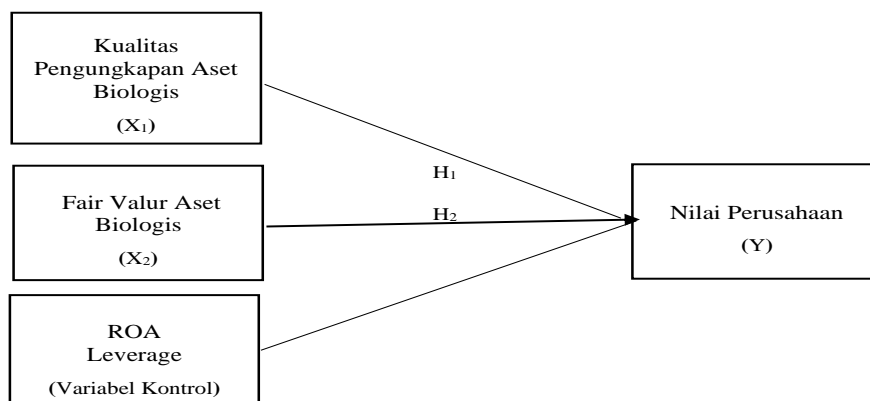


Figure 1. Framework

RESEARCH METHODS

This study makes plantation companies listed on the IDX in 2018-2020 as the research population. Purposive sampling technique was used in sorting the samples in this study. The criteria used are: 1) The company does not display financial statement data consecutively in the 2018-2020 period. 2) The company does not display the value of biological assets consecutively in the 2018-2020 period.

FINDINGS AND DISCUSSION

Research data from 13 agricultural companies that meet the sampling criteria from a total of 19 agricultural companies listed on the IDX in the 2018-2022 period with a total of 39 data. Descriptive statistical tests inform the mean, max-min, average, and standard deviation of the data contained on the data studied. The quality of disclosure of biological assets shows an average value or mean of 0.7397 with a standard deviation of 0.1238. Describing disclosure is not optimal because it is still around 73.97% of which disclosure is made. The standard deviation of 12.38% indicates that the disclosure practice does not vary much because the deviation is relatively low compared to the mean value. In the following table can be seen the results of statistical tests:

Table 1: Descriptive Statistics

	N	Range	Minimum	Maximum	Descriptive Statistic	
					Statistic	Std. Error
QDBA	39	.4000	.4750	.8750	.739744	.0198195
FVBA	39	4.4774	-.4464	4.0310	.136486	.1149455
ROA	39	1.0756	-.5825	.4930	-.007914	.0258833
DAR	39	1.8753	.0500	1.9253	.610399	.0584230
TOBINSQ	39	1.2477	.1285	1.3762	.866174	.0350236
Valid N (listwise)	39					

Std. Deviation	Variance	Skewness		Kurtosis	
		Statistic	Std. Error	Statistic	Std. Error
.1237727	.015	-.745	.378	-.790	.741
.7178343	.515	4.607	.378	23.984	.741
.1616413	.026	.095	.378	7.175	.741
.3648512	.133	1.619	.378	4.705	.741
.2187225	.048	-.869	.378	2.281	.741

Source: Data Processing, 2022

For hypothesis testing in this study, the results of the determination coefficient test are shown in table 2 with an adjusted R square value of 0.522 or 52.2%. Informing Firm Value variation is influenced by the Quality of Disclosure of Biological Assets, Fair Value of Biological Assets, DAR and ROA by 52.2% and by 47.8% there are other factors that influence.

Table 2: Coefficient of Determination

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.756 ^a	.572	.522	.1972141

a. Predictors: (Constant), DAR, FVBA, QDBA, ROA

It can be seen in table 3 column Sig. In the F test of $0.154 > 0.05$, it can be concluded that the Quality of Disclosure of Biological Assets, Fair Value of Biological Assets, DAR and ROA simultaneously have no significant effect on Firm Value.

Table 3: F test

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.316	4	.079	1.786	.154 ^b
	Residual	1.502	34	.044		
	Total	1.818	38			

a. Dependent Variable: TOBINSQ

b. Predictors: (Constant), DAR, FVBA, QDBA, ROA

The results of the T test shown in table 4 show that the Sig value of the QDBA variable is $0.947 >$ probability 0.05, it is concluded that there is no effect of QDBA on Firm Value. While the Sig FVBA value is $0.020 <$ 0.05 probability, it is concluded that there is an effect of FVBA on Firm Value.

Table 4: T test

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.824	.207		3.978	.000
	QDBA	.019	.291	.011	.067	.947
	FVBA	.117	.048	.382	2.451	.020
	ROA	.224	.249	.166	.901	.374
	DAR	.023	.116	.038	.195	.847

a. Dependent Variable: TOBINSQ

The results of multiple linear regression test show that the quality of disclosure of biological assets has no significant positive effect on firm value. It can be concluded that the disclosure index of biological assets does not affect stock prices. Based on the data tabulation, it can be seen that the notes on financial statements (CALK) presented by the company, during the research year, namely 2018-2020 were presented in the same format so that from year to year the information presented was not much different. while the value of the company from year to year has a significant fluctuation.

That the company discloses in accordance with the standards applied to PSAK 69 so that the increase and decrease in the value of the company does not affect the information submitted by the company in the notes attached to the financial statements. Disclosure items

found in PSAK 69 do not reflect the nominal increase in assets. Besides that, the percentage of the value of biological assets from total assets is only a percentage of total assets, so many other things affect the value of assets which will also affect the value of the company.

The fair value of biological assets has a significant positive effect on firm value based on multiple linear regression tests. This provides information that the fair value of biological assets in plantation companies affects stock prices.

CONCLUSION

This study found that the index of the quality of disclosure of biological assets has no significant positive effect on firm value. The quality of disclosure of biological assets has not been able to increase the value of the company. The company discloses according to the standards applied to PSAK 69 so that the increase and decrease in the value of the company does not affect the information submitted by the company in CALK. Disclosure items found in PSAK 69 do not reflect the nominal increase in assets. Meanwhile, the fair value of biological assets has a significant positive effect on firm value. The fair value of biological assets is proven to be one of the determinants of company value. The financial statements of companies that use the fair value method to measure their biological assets have a positive impact on the company's financial statements, because the information presented is becoming more relevant as a consideration in making decisions that will have an impact on the value of the company in society.

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