Factors Influencing Biological Asset Disclosure

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Abstract. Agriculture sector companies have an important role in a country as a source of income, provider of work fields, and producer of food to support the basic needs of residents of a nation. In Indonesia, based on the Central Bureau of Statistics in August 2022, 28.61% of people worked in agriculture, making agriculture the highest employment sector. Biological assets were the main type of asset that supported the agricultural industry in producing food. However, only a few companies in the agricultural sector could disclose their biological assets by PSAK 69. Therefore, this research was conducted to test and analyze the effects of biological asset intensity, growth, ownership concentration, type of KAP, profitability, and firm size on the disclosure of biological assets in agricultural sector companies listed on the IDX in 2018-2022. The results showed that biological asset intensity, growth, type of KAP, and company size positively affected biological asset disclosure.

Keywords: Biological Asset Disclosure, Biological Asset Intensity, Firm Size, Growth, Type of KAP.

1 Introduction

As a country with good geography and climate tropes, Indonesia is very dependent on the agriculture sectors. It was proven when Indonesia was influence by the COVID-19 in the first quartal of 2020 that agricultural industry has become a pillar of the national economy as its growth has remained positive while the overall economy has grown negatively. The newest data of Central Bureau of Statistics (BPS) recorded the national economy growth in the fourth quarter of 2022 grew by 5.31 percent, where the agricultural sector was the second largest contributor with a proportion 13.28 percent (BPS, 2023).

The main types of assets inherent in the agricultural sector that distinguish it from other sectors are biological assets consisting of animals and plants. Financial Accounting Standards Board of the Indonesian Accounting Association (FASB IAI) has issued and endorsed the Exposure Draft of Financial Accounting Standards (PSAK) 69 Agriculture, which was adopted from IAS 41 in 2016 and is effective from January 1, 2018. PSAK 69 requires companies in the agricultural sector to disclose information about their biological assets. Thus, the result of accounting information will be reliable, accurate, and relevant to biological assets.

Apparently, many agriculture companies started to grow in Indonesia, many of them could not

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disclose their biological assets based on PSAK 69. This research was conducted to assess the extent to which agricultural sector which listed on the IDX disclose information about biological assets based on PSAK 69 on 2018-2022.

2 Literature Review

2.1 Biological assets disclosure

Biological assets disclosure is provided a voluntary and mandatory disclosure of biological asset provided to stakeholders that serves as a form of accountability and communication carried out by company[3]. Disclosing biological assets is also a real application in fulfilling the concept, nature, and data information requirements. In agricultural company, biological assets are required since biological assets are the primary resource in carrying out the operations of agricultural companies.

The implementation of PSAK 69 is an adoption of IAS 41 as the regulator for implementing biological assets disclosure for all agriculture sector companies in Indonesia. Items of biological assets disclosure have been set in the agriculture PSAK 69, where the disclosure is divided into two categories: mandatory items consist of 31 disclosure items, and non-mandatory items consist of three disclosure items.

2.2 Development of hypothesis

1. Biological asset intensity and biological asset disclosure

Biological asset intensity explain percentage of investment made by agricultural companies in theirs biological assets[10]. Company decisions in allocating investment funds to biological assets should be accounted for by making biological assets disclosure. In line with theory of the stakeholders, companies are expected to conduct business activities that are claimed to be important for the stakeholders and report them to the stakeholders[9]. Therefore, the higher value of biological assets, the more detailed, extensive, and complete information about biological assets will also be provided to users of financial statements. [5, 7] show that biological asset intensity positively influenced biological asset disclosure (H_1).

2. Growth and biological assets disclosure

Growth is the ability owned by a company to produce a higher profit or increase production[7]. Stakeholder theory states that companies must meet the expectations of stakeholders, one of which is by disclosing information. Availability of information regarding business activities carried out by the company in order to increase growth, including strategies taken to improve company performance. Biological assets can be a big potential for agriculture companies in their main activity to produce food. Thus, it can be concluded that the higher the growth, the more detailed, extensive, and complete information about biological assets will also be provided to users of financial statements. Research conducted by [4] shows the results that the disclosure of biological assets would increase along with the level of company growth (H_2).

3. Concentrated ownership and biological assets disclosure

Concentrated ownership describes how and who controls all or most of the business activities[8]. When stocks are owned by the majority of stakeholders, the control they have will be greater and is considered more effective in encouraging management to make extensive disclosures. This will also be able to reduce information asymmetry between agent and principals so as to reduce agency costs. Therefore, a concentrated ownership structure has more encouragement to make wider disclosures, including in terms of disclosure of biological assets. Research

conducted by [6] shows that ownership concentration had a positive effect on the disclosure of biological assets (H_3).

4. Types of KAP and biological assets disclosure

Public Accounting Firm (KAP) is a public accounting organization that has obtained a license following the applicable laws and regulations in professional services in public accounting practice[1]. The report of independent auditors on companies that have been listed is a part of the annual report; making financial statements can be principles, and stakeholders can determine the fairness of the reporting made by management. This has led to increasing demands for the provision of audit services by KAP in the private sector. Most companies that have gone public rely on the Big Four KAP because they have a better reputation in the community and are believed to be more complete and detailed in disclose information compared to the Non-Big Four KAP. Research conducted by [2, 7] show that the types of KAP positively influenced the disclosure of biological assets (H_4).

5. Profitability and biological assets disclosure

Profitability shows the strength and potential companies to achieve their goals[5]. The stakeholder theory emphasized the creation of value-added through good and maximum management of all company potential, which is by disclosing information, whereas, in agricultural companies, the element that has strategic implications to be reported is biological assets. Therefore, the higher number profitability of the company, the higher disclosure of biological assets.Their relationship examined by [6] stated the results that profitability had a positive effect on the disclosure of biological assets (H_5).

6. Firm size and biological assets disclosure

Firm size is a parameter used by various method, such as total income, average sales level, stock market value, and total asset scale to separate large-scale companies from small-scale companies[10]. The level of agency costs will increase along with the size of the firm, causing the principal be able to encourage management to be more open in conveying information to reduce agency costs. According to [5,10] the relationship between company size and disclosure of biological assets that firm size positively affected biological asset disclosure (H_6).

3 Methodology

3.1 Samples

The samples used in this research were agricultural sector which listed on the IDX from 2018 to 2022. With the criteria that agricultural sector companies have published complete financial reports and annual reports during the 2018-2022 period, 16 agricultural sector companies were selected, where the amount of observation data used for five years amounted to 80.

3.2 Variables measurement

Biological assets disclosure in the dependent variable was proxied using the Wallace Index. Biological asset disclosure items were in accordance with PSAK 69, as stated in[2]. 34 was the total items disclosure. The disclosure index is to score 1 (one) on item disclosed in the audited financial statements and score 0 (zero) if not disclosed.

The independent variables in this research were biological asset intensity, growth, concentrated ownership, type of KAP, profitability, and firm size. Biological asset intensity explain percentage of investment made by agricultural companies in theirs biological assets, so it was projected by the comparsion of the biological assets and total assets. Growth is the ability

possessed by the company to generate higher profits or increase its production, projected by asset growth in the current period. Concentrated share ownership (ownership concentration) measures the distribution of decision-making power. Proxied by dividing the number of shares of the majority shareholder by the number of shares outstanding.

The type of KAP, based on its affiliation, can be divided into Big Four and Non-Big Four. The measurement of the KAP type variable used is using dummy justification to distinguish between KAP Big Four and KAP Non-Big Four. Profitability is the company's ability to earn a profit on sales and investment during a period through policies that have been implemented using ROA. Firm size is a parameter scale to separate large-scale companies from small-scale companies used by various method, one of which is the natural logarithm of total assets. The measurement of all variables is described in Table 1.

Table 1. Variables Measurement

Variables	Measurement
Biological Assets Disclosure	PSAK 69 index of disclosure biological asset. The number disclosure divided by the highest score that can be achieved on the index [7]
Biological Assets Intensity	Biological asset value divided by total asset [10]
Growth	Increase/decrease total asset on the period divided by total asset on previous period [2]
Concentrated Ownership	Total quantity of stock held by major stock holders (stockholders own greater equals 5%) [5]
Type of PAF	The number of dummy 1 for KAP big four and 0 for KAP non big four [10]
Profitability	Net income dividen by total asset [5]
Firm Size	The natural logarithm of total asset [10]

4 Result and Discussion

4.1 Descriptive analysis

Descriptive statistics are presented in Table 2, which will provide an overview of the minimum value, maximum value, average value, and standard deviation of each variable. The following is a descriptive statistics table for each research variable.

Table 2. Descriptive statistics

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Biological Asset Disclosure	80	.29	.68	.5063	.09309
Biological Asset Intensity	80	.01	.12	.0167	.01468
Growth	80	-.45	.64	.0262	.13933
Concentrated Ownership	80	.39	1.00	.7056	.13910
Profitability	80	-.58	.20	.0015	.12142
Firm Size	80	11.65	13.63	12.873	.54718

Table 3. Frequency Distribution

Type of PAF	Frequency	Percentage
Big-four	41	51,25%
Non-Big Four	39	48,75%

Based on Table 3, it can be explained that the agricultural companies sampled in this research used audit services from Big Four KAP more than companies that used audit services from KAP Non-Big Four, with a percentage of 51.25% and 48.75%.

4.2 Multiple regression model

The regression equation interpreted in this research is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \varepsilon$$

H_1, which states positive effect between biological assets intensity and biological assets disclosure is confirmed or accepted. Increase the amount of biological assets will increase the company's responsibility to stakeholders by choosing to disclose their biological assets. The results in line with [5, 7].

H_2, which states positive effect between growth and biological assets disclosure is confirmed or accepted. High company growth is always accompanied by principal encouragement to management to make wider disclosures regarding financial and non-financial information, including disclosure of biological assets. The results in line with [4].

H_3, which states positive effect between ownership concentration and biological assets disclosure is not confirmed or rejected. High ownership concentration can lead to unilateral decisions due to voting rights in the General Meeting of Shareholders (GMS), making the results achieved not optimal. The results in line with [5, 10].

H_4, which states positive effect between type of KAP and biological assets disclosure is

confirmed or accepted. KAP Big Four as a large auditor who has a good reputation and high independence will provide extensive biological asset disclosure results. The results in line with [2, 7].

H_5, which states positive effect between profitability and biological assets disclosure is not confirmed or rejected. The level of profitability itself has shown the company's potential to stakeholders, so the disclosure of biological assets is not a concern. The results in line with [5].

H_6, which states positive effect between firm size and biological asset disclosure is confirmed or accepted. Large companies will disclose more about biological assets as a result of principal demands to reduce agency costs. The results in line with [5, 10].

Table 4. Multiple Regressions

Variables	B	Sig. two-tailed	Sig. one-tailed	Description
(Constant)	-33.327			
Biological Asset Intensity	3.270	.000	.000	H_1 Confirmed
Growth	.370	.001	.000	H_2 Confirmed
Concentrated Ownership	.121	.388	.194	H_3 Not Confirmed
Type of PAF	.085	.024	.012	H_4 Confirmed
Profitability	.157	.238	.119	H_5 Not Confirmed
Firm Size	22.615	.000	.000	H_6 Confirmed
F count	17.234			
Sig F	.000			
Adjusted R Square	.523			

Adjusted r square is 0.523, which means that biological assets intensity, growth, ownership concentration, type of KAP, profitability, and firm size affect biological assets disclosure by 52.3%. The remaining 47.7% explained by other variables.

F count 17.234 > F table value 2.21 and Sig value. 0.000 < 0.05, then biological asset intensity, growth, ownership concentration, type of PAF, profitability, and firm size together or simultaneously have a significant effect on biological assets disclosure.

5 Conclusion

Based on the results of the multiple regression model test that has been studied, it can be concluded that biological assets intensity, growth, type of KAP, and firm size have a positive effect on biological assets disclosure, however concentrated ownership and profitability do not affect.

The results of this research are expected to be an implication in the development of theory and can be a guidance for agricultural companies to maximize the item disclose of biological assets related to biological asset intensity, growth, type of KAP, and firm size, especially in agricultural sector companies that still do not disclosed their biological assets.

The limitation of this research is the R Square value of 52.3%, which indicates that there are variables of 47.7% that are not used in this research. Also, some agricultural sector companies do not disclose their biological assets, making the resulting data incomplete.

Suggestions that can be given are to add or modify independent variables such as company age, level of internationalization, audit committee meetings, and public ownership and for agricultural companies in Indonesia to increase disclosure of biological assets considering item on PSAK 69.

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