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**BIRD ACCOUNTING: A CRITICAL REVIEW OF THE VALUATION OF  
BIOLOGICAL ASSETS**

**Elana Era Yusdita<sup>1</sup>**  
Pendidikan Akuntansi  
Universitas PGRI Madiun  
[elaradita@unipma.ac.id](mailto:elaradita@unipma.ac.id)

**Anggie Riestanty<sup>2</sup>**  
Pendidikan Akuntansi  
Universitas PGRI Madiun  
[a\\_riestanty@yahoo.com](mailto:a_riestanty@yahoo.com)

**Ardiyanto Darma Tantama<sup>3</sup>**  
Pendidikan Akuntansi  
Universitas PGRI Madiun  
[ardiyantotantama@gmail.com](mailto:ardiyantotantama@gmail.com)

**ABSTRACT**

This study aims to determine the application of accounting to breeders and bird traders as well as to bring up the values of local wisdom which have been lost in standardized financial reports. To answer this goal, the methodology used is critical phenomenology. It turns out that there are social and spiritual aspects that shape the value of a biological asset in addition to the economic aspect. With financial accounting in the form of bird accounting, breeders and biological asset traders can assess their assets based on costs to reflect their owners' love for their pets and their performance records and other qualitative information to reflect their asset value. Biological assets cannot be equated with fixed assets because life cannot be depreciated by humans. The results of this study complement the critics of IAS in agriculture as a fellow biological assets as well as being a criticism of the concept of business unity.

Keywords: Accounting for Livestock; Critical Phenomenology; Indonesian Local Wisdom.

**INTRODUCTION**

The method of measuring, recognizing, and reporting for biological assets, especially animals, is felt to be inadequate in accounting standards. The problem is compounded when the animal raising activity is a combination of business and hobby because there is no clarity on the point of harvest and recording of any costs that must be charged to the income statement. The meaning of biological assets and fixed assets



also becomes ambiguous when biological assets that are supposed to be sold actually become sires. The related accounting rules in Indonesia are PSAK 69 which is the adoption of IAS 41.

IAS 41 still produces controversy because it is considered to abandon the concept of historical costs towards fair value-based practices that change the practice of agricultural accounting and biological assets throughout the world [1]. In technical level critics, historical costs suitable for productive crops, while measurements at fair value are suitable for livestock [1]. A research in the Czech Republic also showed that the majority of respondents consisting of 104 agricultural entrepreneurs stated that they were unable to use fair value in evaluating biological assets [2]. IAS 41 has been criticized for not being able to capture other values in agricultural accounting [3]. Rigid standards make us trapped in a profit and loss calculation that plunges us into a new style of capitalist [4]. The disclosure of other values besides the economic side of biological assets has been done by [3] on agriculture and [5] on plantations. So far there is no critique of PSAK for biological assets in the form of animals.

It becomes an interesting discussion when a business can run without adequate accounting records. Local businesses that are increasingly prevalent in Java are trading birds. A bird trader who is a pioneer of community empowerment as well as a tourist village for bird farms in Yogyakarta, claims that there are nearly 20 billion rupiah in money that revolves every month in 4 hamlets.<sup>1</sup> This selling price is full of relativity. A bird bought at the price of one hundred thousand rupiah rises in value instantly to 60 million rupiah if it wins the regional chirping competition and becomes 200 million rupiah if it wins at the national level.<sup>2</sup> The bird status cannot be clearly classified as an

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<sup>1</sup> Based on the news on Kompas.com titled Pemuda 33 Tahun Ini Tangkarkan Burung dengan Omzet Miliaran Rupiah on May 20, 2016  
(<https://ekonomi.kompas.com/read/2016/05/20/104233126/pemuda.33.tahun.ini.tangkarkan.burung.dengan.omzet.miliaran.rupiah>)

<sup>2</sup> Based on Ronny Rachman Noor's statement on kompasiana.com titled Bisnis Burung Berkicau Indonesia yang Membuat Gundah Dunia on September 11, 2017  
(<https://www.kompasiana.com/rrnoor/59b6205e9818270c615b3b32/bisnis-burung-berkicau-indonesia-yang-membuat-gundah-dunia?page=2>)

asset intended for sale or not because traders may not sell some of their livestock because they are love the bird.

Valuation systems originating from the west as described in IAS 41 cannot capture this because of materialist tendencies that have been included in daily practice [3]. There are other things contained in local wisdom that cannot be captured by accounting standards. For example, the income dimension is not only money, but also altruistic and happy [6]. Therefore, this study aims to reveal the value that is not detected by standardized financial accounting reports through breeders and bird traders, to compile a form of valuation that fits local wisdom in Indonesia.

## RESEARCH METHODS

This research uses critical phenomenology methodology. Phenomenology is a method used to obtain the deepest awareness of the informants [7]. This was done because we wanted to find out the main purpose of selling birds in the beginning. Thus it can be described the way they travel to achieve these goals, including how to measure and record transactions that they do. Researchers must identify the phenomena they want to learn, confine their own experiences, and collect data from several people who have experienced this phenomenon [8]. The flow of data analysis that the researcher do is noema, noesis, intentional analysis, eidetic reduction [7]. The second step is to critically review PSAK 69 in accordance with the results of the analysis of interviews conducted to bring new values apart from highlighting the economic side in valuing biological assets. We use eidetic reduction not only as a tool to interpret truth according to someone, but also to bring up certain values in PSAK 69. The informants in this study are Mr. Wan and Mr. Wow. Both are bird traders. Interviews were conducted 3 times from January to March 2018 at the Srijaya market, Madiun, Indonesia.

## RESULT AND DISCUSSION

Mr. Wan is a bird trader who has a place to sell in the Srijaya market, the largest animal market in Madiun. Mr. Wan stated that trading birds is his main job. He sells lovebird, murray, and stone murray. Mr. Wow is a friend of Mr. Wan who owns a farm and a bird trader located in his house. Mr. Wow, just raising and selling murray as a

side job.

The results of the interviews that have been analyzed show eidetic reduction that Mr. Wan, first, does not hand over price fixing on the market, it is precisely implicitly explained that sellers and buyers alike depend on prices for the quality of birds. The standard price created can change when birds have certain advantages. Secondly, when the gacoan<sup>3</sup> lost, Mr. Wan does not feel loss because seeking profit is not the main thing. Trading birds is an activity that arises from his passion for birds and gathering among fellow bird enthusiasts. Third, the price of bird feed and other needs are not taken into account in determining the selling price of birds and are not recorded because caring for birds is a favorite.

Eidetic reduction of Mr. Wow, it shows that first, he considers a loss when a farmer gives a price fix to a collector, not the price he sets himself. Secondly, he realized his livestock were animate biological assets and he was at risk of livestock illness. Third, he did not record the costs of caring for birds but made a projected capital expenditure from the proceeds of sales.

#### **Break free from the free-market.**

So far the common business objectives are market-oriented according to neoclassicalism. This brings us far from God, even in practice this is the cause of the world economic crisis. This is due to neoclassical understanding that market balance is free from anyone's interference which causes the capitalist to emerge, and the wider impact is that humanity and moral values are no longer important, the control of resources is only for some people resulting in poverty, unemployment, structural and income inequality [9]. In a free market, someone is welcome to fight each other for their own sake. The economic system trusted by a country can bring prosperity will be extracted to the accounting system and the rules. Accounting has been known as the science for providing information to interested parties, namely the owners of capital even develop into business units, then the market as the center [4]. Developing countries are not suitable for applying neoclassical theory because of social, economic, political, legal, and cultural differences [9]. If it is not market orientation and self-winning nature,

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<sup>3</sup> Gacoan birds are considered good quality birds that are relied on to be champions.

then local wisdom should be present in the economic system which in turn affects the application of accounting in a country even region.

### **Understanding Value in Local Wisdom.**

Bird prices are seen from their quality. It all depends on the agreement of buyers and sellers, based on what their senses of vision and hearing feel. Bird valuation can be seen from two types, namely the attractiveness of colors and the quality of gripping. Based on the ngekek or typical bird sounds classification, low-quality or not-so-interesting birds will be included in the non-gacoan birds and sold as the gacoan bird's exercise buddies. While birds that are considered attractive or high quality are stored at home. The quality is increase if it succeeded in winning the birdsong competition.

The calculation of costs that come out everyday is not counted as a "cost" because Mr. Wan considers do it for hobby. Even though he realized that the price of feed was sometimes expensive, he still bought what he felt was suitable for his livestock. He did not use the matching concept for any costs incurred in a month and to be sold at what price. The second fee that must be spent by informants is the cost of tickets and transportation when participating in the competition. Losing in the competition is not considered a "loss", but only becomes a risk. Being happy in raising birds and gathering with the community was a profit for him.

The money he got from trading birds are not considered as income because they are used to buy new seedlings at a cheaper price but with almost the same quality. There must be one or two birds sold everyday. According to our analysis, the difference between the selling price and the purchase of new tillers is also a profit for Mr. Wan.

The different types of biological assets and business intentions will also distinguish the accounting practices of birds. Although Mr. Wow did not record the costs incurred for the birds, he made projections of spending in his business. The projections are daily expenses capital expenditure. When a murray bird is sold, Mr. Wow will not immediately buy the new one. The money is used for your daily needs because it requires a large enough capital to buy murray and make a new cage. Conclusions can be drawn from this informant's projection, "profit" is the fulfillment of

the informant's daily needs, namely the difference in the selling price of birds with capital expenditure allowance.

Mr. Wow applying an indent system by serving customer orders even though the murray is still not hatched. The sorting process is still there when the eggs hatch. Murray which has good quality will be the brood and the rest will be sold. Mr. Wow defines loss in two way. First, eggs that fail to hatch. Second, he defines loss as the inability of farmers to determine their own selling price.

### **Bird Accounting as a Solution.**

SAK EMKM is the simplest standard and intended for MSMEs. If the bird wishes to be recognized, assessed and disclosed using this SAK, biological assets can be measured as supplies and broodstock as fixed assets as disclosed in paragraph 11.1. Paragraph 11.4 states that the recognition of an expense as the acquisition cost of an asset is still carried out if there is certainty about the economic benefits that will enter the entity. This is in line with paragraph 2.34 of SAK ETAP that stated assets are recognized if the possibility of future economic benefits will flow to the entity. SAK ETAP as an alternative IFRS for entities without public accountability or businesses that are no longer classified as MSMEs. Even though bird business is full of uncertainty because it is intended for hobbies and economic motives. It makes a biological asset will not be sold at a time.

Entities that do not fit into the two small SAKs, namely SAK ETAP and EMKM, are directed towards IFRS-based SAK, namely PSAK 69.<sup>4</sup> Biological assets can be classified according to: (1) biological assets that can be consumed and productive as well as (2) assets that have not been produced and which have been produced. It is possible that this SAK can accommodate the idea of classifying birds according to their species, gacoan or non-gacoan species. It is also necessary to consider the classification of birds that win the contest to be given information on their fair value in the notes of financial statements.

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<sup>4</sup> Based on the results of the discussion at the Regional Seminar "Accountants are Friends of SMEs" in Madiun, 2 December 2017.

According to SAK 69, valuation of biological assets is carried out by measuring at initial recognition and at the end of each reporting period at fair value minus costs to sell. The existing accounting is accounting that glorifies the monetary aspect for valuing an asset resulting in logocentrism and single-ization [3]. This way is bad to illustrate how valuable an asset is. So far, IFRS which adheres to fair value further blurs the true value of a biological asset because fair value submits an assessment to the market and does not reflect the value of sacrifice and the process of maintaining the asset [3]. The informant instead put aside quantitative information rather than qualitative from the biological assets he had. The biological asset is a special asset because it is "alive", where life itself is not because of its ability to take care of itself or just be managed by humans, but there is a power of God involved [3]. The informants knew this concept with the word "accept the fate", as said by Mr. Wow, "Not all livestock are good or healthy, they have lives."

Based on this, we propose a financial report for a biological asset that presents a record of the trip "life" of a biological asset, that is quantitatively in the form of the cost of making or buying a cage, the cost of purchasing food, the cost of competition, transportation costs for the competition. Qualitative explanations for birds that win the contest cannot be expressed quantitatively because the standard of winning prices inside and outside of the arena can be different. The alternative is a qualitative explanation, namely the track record of participating in the contest and the achievement of each asset. In addition to the economic aspects, the social and spiritual aspects need to be presented in the financial statements because they are one of the reasons why the owner of the biological asset is still recognized. The social aspect can include the bird lovers association followed by the owner. Spiritual aspects can be applied by not considering biological assets as fixed assets because life cannot be depreciated because only God knows the age of a biological asset. Let the parent become a non-fixed asset with additional qualitative information that he has produced a child in a certain amount and nominal. The price or characteristics of the parent are reflected in their children.

## CONCLUSION

Giving up valuations of biological assets on the market makes us forget to highlight the values of the social and spiritual aspects. Quantitative assessment and historical costs alone are not enough to reflect how valuable a biological asset is. Biological assets, in this case, are birds, can be measured through 3 aspects: economic, social, and spiritual by combining the cost count and the performance record. Banks and other lending institutions are expected to be softer in collecting financial statements that are not in accordance with SAK EMKM, SAK ETAP, and IFRS-based SAK because the reality is that their application does not match what has happened in reality. Let the breeders who want to develop their business take notes based on their version. This research can be developed into a perspective of agreement within the community on the practice of bird trade with ethnomethodology so that it is expected to enrich the review of this.

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**THE 19<sup>th</sup> FIPA**  
**FORUM ILMIAH PENDIDIKAN AKUNTANSI**  
**PROGRAM STUDI PENDIDIKAN AKUNTANSI-FKIP**  
**UNIVERSITAS PGRI MADIUN**

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