

## **ABSTRACT**

Even though Indonesia has tried to adopt IFRS since 2008, up to 2014 Indonesia has not adopted the IAS 41 which is the accepted regulation for the accounting treatment of biological assets. The IAS 41 requires the companies to value the biological assets at fair value less cost to sell. Actually Indonesia does not have a specific rule that regulates about this matter and thus, this research was conducted to gain knowledge about the biological assets owned by the listed agricultural companies in Indonesia as well as the accounting treatment used by them in measuring the biological assets. This research uses the qualitative approach and uses the content-analysis method for obtaining the needed information from those companies. The objects of this research are all agricultural companies listed in BEI which are divided into 4 sub-sectors: Plantations, Food Crops, Fishery, and Other Sub-sector.

From this research, it is known that PT Provident Agro Tbk is the only company that uses the fair value method for the biological assets; whereas all the other companies chose to use cost method for their various biological assets. However, besides PT Provident Agro, there are 4 other companies which already try to determine the fair value of the biological assets though the biological assets are still recorded at costs in the financial statement. The biggest challenge in applying IAS 41 in Indonesia is the inexistence of the active market which makes it difficult for the Company to determine the appropriate fair value. As a result, the service of independent appraisers is needed to determine the fair value. Using independent appraisers will create costs for the companies and thus, they perceive the costs of determining the biological assets' fair value are bigger than the benefit. Moreover, since the other companies do not use the fair value, they do not feel the urgency to apply the fair value method as well.

**Keywords:** Biological Assets, IFRS, IAS 41, Agricultural Business, Fair Value