Accounting in Traditional Farmers: Lessons from Farmer Groups in Purworejo, Central Java

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ABSTRACT

The purpose of this study is to find out how to determine the cost of goods sold and the selling price of agricultural products according to farmers and according to accounting. Data analysis used is descriptive method, that is data collected, grouped and arranged so that it can be examined based on relevant theories and related to the problems discussed for conclusions. From the results of the research that the writer did, the authors concluded that in determining the selling price, the farmers of the Sri Mulya farmer group were not in accordance with the correct accounting calculations. Farmers determine the selling price according to middlemen based on dolog (logistics depot). Dolog prices according to farmers are still very low. However, farmers still get big profits, it depends on the amount of rice harvest obtained. For this reason, the author recommends that the association request to increase the selling price of rice to dolog.

1. Introduction

Agricultural companies are an important part of the Indonesian economy, it can be seen from data from the Ministry of Agriculture which states that the use of agricultural land in Indonesia is increasing every year. In addition, the agriculture sector has also been able to absorb 38% of the workforce and contribute 13% to the Indonesian economy, even this sector also has a role in maintaining national food security (Investment Coordinating Board, 2011). According to Farida (2013) At present, there are not a few agricultural companies in Indonesia anymore. Assets owned by agricultural companies have differences with companies engaged in other fields. The difference can be seen from the management activities and biological transformation of plants to produce a product that can be consumed or further processed.

According to Farida (2013) Biological assets are unique assets, because they experience growth transformation even after biological assets produce an output. Transformation that occurs in biological assets consists of the process of growth, degeneration, production and procreation that can cause a variety of qualitative and quantitative changes in the life of assets in the form of plants or animals. Biological assets can produce new assets that are realized in agricultural produce or in the form of additional biological assets in the same class. The existence of a biological transformation in biological assets, it is necessary to measure that can show the value of these assets in accordance with the agreement and its contribution in generating an economic profit flow for the company.

Purworejo region, Central Java is one of the centers of agricultural production that has climatic conditions, land and biological resources that strongly support the development of agricultural commodity businesses. Agriculture has a very important role for Indonesia’s economic development. But often farmers have difficulty in this competition. So every farmer must be smarter in choosing and using the sales system, especially in terms of determining the selling price of the product. Where the role of prices is very influential in determining the ups and downs of the level of sales results.

The challenge of agricultural development in Indonesia in facing the agribusiness era is the fact that in Indonesia it is still dominated by smallholder businesses carried out by millions of farmers, most of whom have very low levels of education (81% of the 40 million agricultural workforce with elementary school education or below), narrow land, small capital and low productivity. This condition has an unfavorable impact on competition in the global market because small-scale farmers in general have not been able to apply the advanced technology needed which in turn results in low business efficiency and the quality of products produced (Ministry of Agriculture, 2003).
Price pressure is one of the consequences of farmers still standing as individuals when selling their crops. These conditions will be different when farmers are able to organize themselves in a strong farmer group. Unfortunately, in Indonesia the existence of a large number of farmer groups often only plays a role when they will access assistance, especially assistance in supporting equipment for land activities, while after harvesting they often end up as individuals again. This is an indication of the weakness of farmers who actually benefit the buyer or middleman because farmers can be mocked arbitrarily in determining prices.

According to Afandi (2004: 3), assets are assets owned by companies. According to Safitri (2013: 2), assets are all assets owned by a company, either tangible or intangible, valuable or valuable that bring benefits to a person or company.

According to SAK ETAP (2009: 6) states that:
“Assets are resources controlled by an entity as a result of past events from which future economic benefits are expected to be obtained by an entity's assets recognized in the balance sheet if it is possible that future economic benefits will flow to the entity and the asset has a value or cost that can be measured by reliable ”. Based on the above sources, assets are assets owned by a company both in the past and in the future in order to provide valuable benefits for a company.

**Biological Assets**

Biological assets are types of assets in the form of living animals and plants, as defined in IAS 41:

"Biological assets is a living animal or plant". In IAS 41, biological assets are defined as living plants and animals that are controlled or controlled by companies as a result of past events. Control or control can be through ownership or other types of legal agreements. In general, ED PSAK 69 regulates that biological assets or agricultural products are recognized when they meet several criteria which are the same as the asset recognition criteria. These assets are measured at initial recognition and at the end of each financial reporting period at fair value less costs to sell. Gains or losses arising from changes in the fair value of assets are recognized in profit or loss for the period in which they occur. Exceptions are given if the fair value clearly cannot be measured reliably.

In IFRS which was quoted by Ridwan (2011: 10) biological transformation is explained as follows "Biological transformation comprises the processes or growth, degeneration, production. Biological assets are often physically attached to the soil (for example, trees in the forest). There may not be a separate market for biological assets attached to the land, but there may be an active market for combined assets, namely biological assets, undeveloped land, and land development, as a whole. An entity can use information about the combined assets to measure the fair value of biological assets. For example, the fair value of undeveloped land and land development can be deducted from the fair value of the combined assets to obtain the fair value of biological assets.

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**Cost of goods sell**

Cost of goods sell is an illustration of the amount of sacrifice that must be made a sacrifice by the producer at the time of exchange of goods and services (Mulyadi, 2007). The cost of goods sold is obtained by comparing the total cost with the volume of products produced. The purpose of calculating the cost of goods sold is as a basis for setting prices in the market, to determine the income obtained in the exchange of goods or services and as a tool for evaluating the efficiency of the production process (Rufaidah, 2012). According to Manulang (1996), cost of goods sold is the sum of the costs that are supposed to produce an item plus other supposed costs so that the item is on the market.

Cost of goods sell is the relationship between total expenditure, total production and related to costs, revenues and profits. Determination of cost of goods sold can be calculated through the concept of calculation of cost of goods through Break Even Points Analysis According to Soemarsono (1990), break-even analysis is an analysis technique to study the relationship between fixed costs, variable costs, profits and volume of activities. This analysis is also called cost profit volume analysis because it studies the relationship between costs, profits, and volume of activities. The sales volume where the income is exactly the same as the total cost, so farmers do not get profits or suffer losses is called a break event point. According to Mulyadi (2007), in calculating the break-even point needs to be determined in advance the variable costs and fixed costs. The amount of variable costs in total will vary according to changes in production volume. So it can be concluded that the cost of goods sold is the relationship between the amount of expenditure, the amount of production, income and profits during the production of goods in a company.

**Figure 1 Break Even Point**
Information:

\[ P = \text{Price} \]
\[ Y = \text{Product Quantity} \]
\[ TR = \text{Total Revenue} \]
\[ FC = \text{Fixed Cost} \]
\[ TC = \text{Total Cost} \]

**Pricing Method**

Broadly speaking, pricing methods can be grouped into four main categories, namely demand-based pricing methods, cost-based, profit-based, and competition-based. (Anonymous, 2012)

1) **Pricing method based on demand**

Is a method that emphasizes the factors that influence customer tastes and preferences rather than factors such as costs, profits, and competition. Customer demand itself is based on various considerations, including namely:

- a. Consumer behavior in general.
- b. Segments in the market.
- c. The position of a product in the customer's lifestyle, that is, whether it is a status symbol or just a product that is used daily.
- d. The ability of customers to buy (purchasing power).
- e. The benefits provided by the product to the customer.
- f. Price of substitute products & non-price competitive nature.

2) **Cost Based Pricing Method**

In this method the main price determining factor is the supply or cost aspect rather than the demand aspect. Prices are determined based on production and marketing costs added by a certain amount so that it can cover direct costs, overhead costs, and profits.

3) **Profit-Based Pricing Method**

This method seeks to balance revenue and costs in pricing. This effort can be done on the basis of a specific profit volume target or expressed as a percentage of sales or investment. This profit-based pricing method consists of target profit pricing, target return on sales pricing, and target return on investment pricing.

4) **Competitive Pricing Methods for Pricing**

Apart from being based on cost, demand, or profit considerations, prices can also be determined on the basis of competition, that is, what competitors are doing. The competition-based pricing method consists of customary pricing; above, at, or below market pricing; loss leader pricing; and sealed bid pricing.

**2. Method**

Judging from the type of data, the research approach used in this study is a qualitative approach. What is meant by qualitative research is research that intends to understand the phenomena about what is experienced by research subjects holistically, and by means of descriptions in the form of words and language, in a special natural context and by utilizing various scientific methods (Moleong, 2007: 6). The type of research approach is descriptive. Descriptive research is research that seeks to tell the solution of existing problems based on data.

This type of descriptive qualitative research used in this study was intended to obtain information about the determination of the cost of goods sold and the selling price of agricultural products in the Purworejo farmer group, Central Java. In addition, the qualitative approach is expected to reveal the situation and problems encountered in determining the cost of goods sold and the selling price of agricultural products. Burhan Bungin (ed) (2003: 42), explains the method of data collection is "in what way and how the required data can be collected so that the final results of the study are able to present valid and reliable information". Suharsimi Arikunto (2002: 136), argues that "research methods are the various methods used by researchers in collecting research data". The intended method is interview, and study documentation.

**3. Result and Discussion**

**Cost of Rice Sales**

A. Capital

1. Seeds, 4 kg @ Rp. 20,000 = 80,000
2. Urea subsidized fertilizer 30 kg @ Rp 1,900 = 57,000
3. SP36 30 kg subsidized fertilizer @ Rp. 2,400 = 72,000
4. Pesticides / Insecticides, 1 bottle @ Rp 34,000 = 34,000

Total Capital (A) = Rp. 243,000

B. Operational Costs / Work Wages

1. Land management = 75,000
2. Revocation of seedlings + planting = 75,000
3. Weed + 1st fertilization = 75,000
4. Weeding + 2nd fertilization = 75,000
5. Spraying = 25,000
6. Harvest and post-harvest = 250,000
7. Drying fee = 75,000

Total Operational Cost (B) = Rp. 650,000

Cost of Goods Sell (A + B) = Rp. 893,000

C. Selling Price

The yield of wet rice is 500 kg per land. After drying 30% shrinkage, the result is 350 kg per land.

The selling price of 1 kg of wet rice is Rp. 4,300.
The selling price of 1 kg of unhusked rice is Rp 5,200. Then the results obtained = 350 kg x Rp. 5,200 = Rp. 1,820,000

D. Advantages
= Selling Price - Cost of Sales
= Rp. 1,820,000 - Rp. 893,000
= Rp. 927,000
Percentage: 50.93%

Farmers can determine the selling price based on the cost of goods issued. Then sold based on market price competition, so farmers get a profit of 50.93%.

For journal entries at the time of sale:
Sales Cash of Rp. 1,820,000
Cost of Sales Rp. 1,820,000

Farmers’ constraints in determining the selling price:
Farmer’s obstacle in determining the selling price is that there is still pressure from the broker, according to the farmers the price determined by the broker is still very low. According to Sunarman: "In determining the selling price, farmers are guided by the price of dolog. Village farmer groups are grouped with GAPOKTAN (Joint Farmers Group). For example, if the market price is below the price of the National Logistics Agency (Bulog), then farmer union supplies farmers’ grain, rice is sold to the National Logistics Agency ".

Solution to applying the selling price standard:
To get high prices, farmers must pay attention to the quality of the harvest. In order for abundant harvests the farmers must know how to plant properly and correctly. In addition, farmers also have to be more serious about cultivating plants. The following steps must be considered by farmers:
1) Land Management
The first step is to clear the land to plant rice. You have to clean weeds such as shrubs, grasses and other plants that can interfere with the growth of rice plants in the surrounding agricultural land. Once cleared, you must flow the land with water so the soil can become loose so that it is easy to plow using traditional or modern tools. After friable, run the water until the land becomes flooded with water as high as 10 cm. You leave the land for up to 2 weeks to remove the poison and make the soil muddy.
2) Choosing Superior Rice Seeds
The next step in the cultivation of lowland rice is to determine which seeds are of superior quality. To get superior seeds, you can do several ways. The first is to soak some rice seeds in water and let stand for 2 hours. Then place the soaked seeds on a cloth and note whether sprouting up to 90% or not. If so, the seeds are of good quality.
3) Matching Rice Seeds in the Field
The next step is to match the rice seeds. The trick is to soak

4. Conclusion
Based on the description in the previous chapter and the results of the analysis and calculations carried out in the Sri Mulya Farmer Group. Then it can be concluded as follows:
1. Accounting according to accounting is to include all costs, such as production costs, non-production costs, and labor costs. If calculated according to accounting, the calculations have shown good profits, ie farmers can get a profit of 50.93%, but this depends on the yield they get.
2. The calculation of farmers in determining the selling price of agricultural products is not in accordance with accounting, because farmers are still guided by prices according to middlemen, prices according to middlemen based on dolog (Logistics Depot), plus farmers do not enter their own labor costs.
3. Farmers’ constraints in determining the selling price because there is still pressure from the middlemen, according to the farmers the price determined by the middlemen is still low. So that the selling price of agriculture is high, negotiations should be made to the dolog (logistic depot).

Conflict of Interest
There is no conflict of interest in this study.

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