

What if Biological Asset Accounting Policies are linked to Tax Avoidance and Supply Chain Management?

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Abstract- Tax management is carried out by all companies, including the agricultural sector. In practice, the impact on financial performance caused by various problems relates to accounting policies of biological assets, transparency, accountability, responsibility, independence, fairness, and the size of the company. This study aims to prove empirically whether there is an influence of biological asset accounting policy implications, good corporate governance practices, and company size on tax management through financial performance in agricultural sector companies. Supply chain management significantly and positively mediates among the relationship between policy implications, company size, good corporate governance practices, tax management and financial performance. Research data were collected through questionnaire instruments, face-to-face interviews, and group discussion forums, which were conducted in several places in Indonesia. Sampling was conducted with non-probability sampling. Data were analyzed using Structural Equation Model (SEM). The results showed that the implications of biological asset accounting policies and good corporate governance practices had a direct or indirect effect on tax management and financial performance. But company size has no direct or indirect effect on tax management and financial performance. The limitation of this research lies in the analysis unit of the plantation and forestry sector alone, not yet in other agricultural sectors such as livestock and fisheries that have the same characteristics as regulated in PSAK No. 69 Agriculture, namely biological transformation.

Keywords; *Biological asset accounting policies, Good corporate governance, Tax management, Supply chain management*

1. Background

The Republic of Indonesia, with its forests and other ecosystems, is the second richest country and biodiversity after Brazil, placing the country as the world's mega biodiversity and mega centre. Based on the data from the Ministry of Environment and Forestry of the Republic of Indonesia, in 2017, the area of forests in Indonesia amounted to 133,300,543 hectares. Forest area in Indonesia in 2045 will increase by 16,148,000 hectares if

paper production is recycled, not from felling tree trunks.

The main problem causing the conflict from 1990 to 2010 was the forestry sector with 1,065 cases, followed by the plantation sector with 563 cases. The Head of the Indonesian Corruption Watch (ICW) Research Division Siti Juliantari said that Indonesia had the potential to suffer a loss of Rp1.3 trillion in the Non-Tax State Revenue (PNPB) sector of the Forestry Natural Resources as it is known that the source of state revenue comes from taxes, non-tax state revenue (PNBP), or non-tax and grants. The potential loss can occur due to mismatches in recording and calculating the production data of the Forestry Resources from the Ministry of Environment and Forestry (KLHK), the Central Statistics Agency (BPS), and the Central Government Financial Report (LKPP).

In conducting budget tracking research in the forestry sector, the ICW research team acknowledged the difficulty of obtaining wood production data from the central and regional governments. In fact, production calculation data can affect the amount of PNBP SDA Forestry revenue derived from the Provision of Forest Resources (PSDH) and the Reforestation Fund (DR). Siti explained that during the three months of tracking down forestry funds, what she found was a discrepancy between the calculation of KLHK, LKPP, and BPS wood production [1].

The financial performance of forestry sector companies is currently experiencing a decline, reinforced by the fact that some plantation companies in Indonesia are often considered to practice tax avoidance or tax evasion. ICW has found 124 cases of crime in the forestry sector that cost the country up to hundreds of trillions of rupiah. Tax manipulation is one of the crimes in the forestry sector, in addition to corruption, the conversion of land functions and forest products without permission, to land grabbing. From 124 cases of forestry crimes in 2001-2012, the country suffered losses of up to Rp. Six hundred ninety-one trillion, according to ICW researcher Lalola Easter.

Plantation and Mining is a business sector that has great potential to avoid taxes. The taxes paid are usually not

according to the size of the business they do. Yunus Prastowo, Executive Director of the Center for Indonesia Taxation Analysis (CITA), said that the potential for avoiding even the biggest tax evasion is done by the two business sectors. Because plantation and mining companies are usually in groups, they already have tax planning, so it's easier to get around the tax [2].

The accounting policies of biological assets linked to the avoidance of tax through various components where the role of supply chain management among the linkage is important [3]. Various components of accounting policies of biological assets put eminent measures over tax management. However, supply chain management endorses significant role among them, the accounting policies and tax management interlinked with the eminent use of supply chain management [4]. The various implication of policies and practices through supply chain management can put impact over the tax management as well as the financial performance of organizations [5]. Different components of biological asset accounting policies put enormous impacts over the financial performance of an organization through eminent usage of supply chain management channel [6]. Supply chain management term is used in various management procedures, whether for the implication of policies or practices. The size of the company could enhance by the effectiveness of supply chain management, which can insert dominant impact over financial performance and tax management.

The Chairman of the OJK Board of Commissioners, Muliaman D. Hadad, explained that it was too little for a country as big as Indonesia with two award-winning companies at the ASEAN level given to 50 companies, which were considered to apply good corporate governance. It is expected that more companies will enter and fulfil the criteria of good corporate governance in ASEAN. Thus, companies in Indonesia are not only superior in their own country, but also at the regional level. The application of corporate governance has been examined by an institution called the Asian Corporate Governance Association (ACGA) with research subjects of several countries, namely: Singapore, Hong Kong, Japan, Taiwan, Thailand, Malaysia, India, Korea, China, the Philippines, and Indonesia, which shows that the value of Corporate Application Governance in Indonesia is declining even though there was only an increase from 2012 to 2014. However, it shows that there is still lack of awareness in the implementation of corporate governance in Indonesia transparent corporate management for all users of financial statements. Managerial behavior needs to be motivated correctly to improve business by directly controlling manager behavior [7].

In practice, the achievement of financial performance in agricultural sector companies, in this case, forestry, is very much influenced by the accounting policies of the forest

plant assets as illustrated [8], who suggest data banks and methods of defining biological assets and agricultural products to make accurate and transparent valuations and accounting possibilities. However, it should be noted that in whatever way the value can be defined (depending on the availability or absence of an active market), the method of determining the value must be reflected in the accounting policies developed in accordance with IFRS. The valuation of biological assets and agricultural products with fair value can be adjusted, although the recommended method makes evaluating performance results more accurate in the transparency of information in financial statements and company efficiencies, such as by making a financial report that meets the standards and requirements in SAK (Accounting Standards Finance) or GAAP (General Accepted Accounting Principle), and others Fahmi in [9].

IFRS convergence has an impact on changes in measurement and disclosure on financial reporting. Previously it has been known for a long time that Indonesia used the historical cost concept as its measurement base. The concept of historical cost, according to [10], is the rupiah agreement or exchange price that has been recorded in the books. After the convergence of IFRS was implemented, the concept of fair value was introduced as the basis for the latest measurement of current financial reporting. Fair value can be defined as the price received for the sale of assets or payment for transferring liabilities in transactions between interested parties on the measurement date (IFRS 13 par. 9). Application of fair value may increase the accountability of financial information because the results displayed are close to the actual situation. This concept was first used to calculate biological assets in plantation and animal husbandry environments. IFRS standards using the basis of measuring fair value include the International Accounting Standards (IAS) 41. IAS 41 regulates the accounting treatment, presentation, and disclosure of financial statements related to biological assets and agricultural products at harvest time as far as they relate to agricultural activities. Biological assets must be valued at the time of acquisition and at the end of each reporting period using fair fewer value costs to sell (IAS 41 par. 12). The difference in profit or loss on the valuation of biological assets is recognized as part of the current year's profit and loss. The main issue for forestry sector companies in preparing financial statements at present is the accounting treatment of plant costs in production forest areas. In PSAK: Forestry Accounting, which no longer applies today, all plant costs in production forests are recognized as an expense. In the Minister of Forestry Regulation Number P.69/Menhut-II/2009 amended by the Minister of Forestry Regulation Number P.32/Menhut-II/2014 regulating the cost of plants in production forests is recognized as an asset. While in

the Minister of Forestry Regulation Number P.23/Menhut-II/2012, specifically Perum Perhutani, the cost of plants in production forests is recognized as an expense. The aforementioned different regulatory provisions raise questions about how accounting provisions should be related to plant costs in production forest areas [10]. This problem is urgent solve because it will become the foundation for forestry companies in implementing the adoption of IAS 41 Agriculture. If the plantations in the production forest area are not assets, the adoption of IAS 41 is irrelevant because there are no biological assets in the financial statements of the forest company. But if the plant is a biological asset, both the bearer plant and the consumable plant are in the financial statements. Indonesia began to adopt IAS 41 on January 1, 2018, on the effective enactment of PSAK 69 agriculture.

Company size is one of the significant variables in assessing profitability in a company. Companies must develop in a controlled manner to achieve optimal company size so that they can enjoy economies of scale that can produce higher levels of financial performance. The larger the company, the greater the company's ability to deal with business problems and the company's ability to generate high profits because it is supported by large company assets so that company constraints such as adequate equipment and the like can be overcome. Another fact is that the existing timber industry was concentrated in the hands of a small number of companies that had relations with the government at that time. In 1994, the ten largest group companies controlled 28 million ha (45%) of HPH concessions. These companies formed a cartel that made Indonesia the largest plywood producer in the world and succeeded in increasing international plywood prices. His family and close relatives are important players in this industry.

2. Hypotheses development

The way in which biological assets are measured affects the financial position and performance of SMEs involved in the agricultural sector. The cost model is a method of measurement that is more suitable for reporting carrier crops, while the measurement of fair value is more suitable for live animals with respect to the basic principles of financial reporting. Fair value measurement gives greater significance in obtaining a measure of financial performance or position for a certain period, especially for a long biological transformation. The net gain from changes in the fair value of biological assets in the income statement that can increase gross profit can increase net profit, which will affect the amount of the company's final capital so that it will increase [11]. The book value and income information are significantly more valuable in stock price regressions, stock returns, and mechanical forecasting models of future operating cash flows and operating profits when companies measure their

biological assets according to their use, relative to when they do not. His findings provide support for early accounting theory that links relevant asset measurements with the way assets produce value. The application of IAS 41 causes no significant fluctuations in the profits of agricultural companies to argue that there were no significant differences in the value and volatility of assets, return on assets, income, and income between the two groups. This finding implies that there is no significant effect of applying the fair value approach to the volatility of company earnings.

[12] shows that the application of GCG has a significant influence on the company's financial performance measured by liquidity ratios, leverage, activity, and market. But the implementation of GCG has no significant effect on the company's financial performance that is measured by profitability ratios. No companies with good corporate governance implementation ratings will necessarily have good financial performance as well. Corporate governance is statistically proven to have no effect on financial ratios, namely, profitability, liquidity, leverage, and activity. GCG has no partial effect on ROA but partially affects NPM and EPS. ROA cannot be explained by GCG, while NPM and EPS can be explained by GCG. Board size 20 related to profitability. However, it did not have a significant impact on the bank's financial performance. The increasing volatility of the capital market is currently pushing for further demands for good corporate governance (GCG), good practices, and demands for better financial reporting and a wider level of transparency to reduce investor fear and panic. GCG issues are a must for successful company performance. Commitment to GCG in terms of well-defined shareholder rights, a high level of T&D and a responsible board of directors, etc. will make the company more attractive to investors and gain more opportunities to achieve good performance.

Good Corporate Governance (GCG) emphasizes the principles of effectiveness, internal control prudence, transparency, and accountability to shareholders. High standards of GCG practices and procedures are important for effective management to increase shareholder value. Building GCG is a responsibility among all stakeholders, each of which may put pressure to advance the corporation, an independent board negatively affects profitability, audit committee meetings have a positive effect on profitability, audit quality positively affects profitability, CGPI positively affects profitability, leverage has a negative influence on profitability, and company size negatively affects profitability. There is a relationship between corporate governance principles consisting of transparency variables, justice, accountability, social awareness, independence and discipline, and business performance [13].

Corporate governance affects financial performance. It also positively influences business performance. The greater transparency in disclosure is essential for effective financial reporting and supervision for investors to monitor their governance processes and behavior. Management needs to avoid excessive disclosure that can interfere with competitiveness. Increasing transparency will be an important key to the success of corporate governance in the future. Only with transparency will it be possible to delay fraud, embezzlement, and financial scandals and encourage efficiency in the allocation of resource decisions. More importantly, T&D allows companies to compete based on their best offer and to differentiate themselves from companies that do not implement good governance. There is a positive relationship between corporate governance practices and the performance of sugar manufacturing companies in Western Kenya. The results also show a weak but significant positive relationship between corporate governance practices and performance.

The implications of biological asset accounting policies prevailing in Indonesia are mandatory from policies issued by the International Federation of Reporting Standards (IFRS), with IAS 41. The effect of IFRS adoption on tax management. With tax management, all company activities, other than acceptable tax planning that reduce or have the potential to reduce taxable income and/or net income tax, or have the potential to increase a corporation's loss collection increase Tax management. Thus, it is important to investigate whether the mandatory adoption of IFRS affects tax management. There are four reasons why IFRS adoption can have an impact on tax aggressiveness. First, the property rights bulletin from the Canada Revenue Agency obtained in accordance with the Access to Information Act (ATIA) Act expresses the Agency's concern that the adoption of mandatory IFRS could improve tax management. The internal bulletin also showed that the tax regulator made extensive preparations to face the expected improvement in tax management. Second, previous studies have shown that IFRS adoption affects the quality of financial reporting, and there is evidence that aggressive financial reporting is positively related to aggressive tax reporting [14]. Therefore, the mandatory adoption of IFRS has an effect on tax management. Third, the tax incentive factor was found to be the adoption of IFRS in the UK, with the corporate tax burden expected to increase if IFRS was mandated for legal reporting [15]. Since the adoption of mandatory IFRS can increase corporate tax burden and IFRS is more principle-based and managers grants professional judgment more than domestic Canadian GAAP, on the one hand, companies may become more tax aggressive to produce tax savings. On the other hand, IFRS requires companies to make additional disclosures, which include some of their tax reporting activities [14]. For example,

IAS 12.81 requires disclosure of temporary differences from investments in subsidiaries, branches, and partners, and interests in joint arrangements. Disclosure is recommended but not required under Section 3465.96 of the pre-changeover accounting standards of the Canadian CPA. Tax management may, therefore, become more difficult to hide because of extensive disclosure, so that attractive companies become more tax compliant. Fourth, although tax regulations differ from accounting rules, the financial reporting system and the tax reporting system are not independent. Therefore, accounting standards are expected to have a significant effect on tax matters. This view is consistent with, which suggested that economic analysis of corporate behavior must involve simultaneous consideration of both tax and financial reporting [15].

Given that GAAP affects tax issues, a change from local Canadian GAAP to IFRS can affect tax management. If IFRS improves tax management, effective tax rates must significantly decrease in the period after the adoption of relative IFRS when local Canadian GAAP is used for financial reporting. On the other hand, if IFRS reduces tax management more than local Canadian GAAP, the applicable tax rates of companies generally have to increase in the IFRS post-adoption period.

Interest expense has a significant and positive relationship with tax management. Based on empirical findings obtained in their research, it is recommended that companies registered in Nigeria should make it an adequate practice and compensate the manager/board of directors strategically, as this will help them reduce the tendency to engage in managerial rent/opportunism seeking, reduce problems agency, increase operational efficiency, and reduce effective tax rates. Tax shield incentives inherent in interest borne by debt give birth to tax management, with analytical results that confirm that the more externally financed the companies, the higher their tax management. Also, higher financial performance (return on equity) of the company accelerates lower tax management.

The literature on accounting policies widely elaborated in various studies where biological asserts accounting policies are dominant. Studies enumerated vast components of accounting policies, although the implication of policies and practices with the size of company tends through supply chain management to evaluate the influence over financial performance and tax management [16]. The role of supply chain management for the effectiveness of financial performance eminently discussed over wide literature. The implication of biological asset accounting policies through supply chain management significantly endorse important role over tax management [17]. The use of supply chain management between financial performance and policies widely elaborated with various studies mentioning various

components to enumerate the impacts, though. Significance of supply chain management not only insert dominant role between policies but also plays among the enhancing size of companies and financial performance [18]. The due practices of good corporate governance could be efficient through the use of supply chain management which can better enumerate the influence over tax management and financial performance. Although supply chain management plays an important role between accounting policies, management and performance but the effectiveness of implications could perform through the dominant use of supply chain management [19].

Literature mentioned a variety of variables affecting the financial performance of an organization. At the same time, the eminence of supply chain management in the implication of practices and policies also asserts significant impacts. Wide literature used supply chain management for the enumeration of a relationship where the existence of supply chain management has a dominant influence [20]. The procedure of supply chain management not only help companies to enhance the sizes but also help organizations to employ dominant policies that can put direct impacts on tax management of an organization. Various means in literature for the evaluation of financial performance enumerated with a variety of components where supply chain management is counted an important measure in evaluation [21]. Not only to increase the size of the company but also through variant modes like policy implication and good corporate governance practices, supply chain management dominantly enumerates dominating effects with variant roles [22]. Tax management and financial performance are important aspects in an organization where the role of supply chain management induce influence over them.

H1: Policy implication significantly impacts financial performance and tax management.

H2: Good corporate governance practices significantly influence financial performance and tax management.

H3: Company size significantly influences tax management and financial performance.

H4: Supply chain management significantly mediates among the policy implication, financial performance, and tax management.

H5: Supply chain management significantly mediates among good corporate governance practices, tax management, and financial performance.

H6: Supply chain management significantly mediates among company size, tax management, and financial performance.

3. Methodology

The Research methods are the methods used by researchers during the investigations to solve problems.

The method used by the researchers is explanatory research. The explanatory research method is a research used to obtain relationships between the variables studied. The reason the researchers chose this method is that the researchers want to get answers fundamentally about cause and effect by analyzing the factors that cause the phenomena in the concepts raised in the study. Before being tested or verified, the research variables will be explained or described. This descriptive research method is also often called the survey method.

The population in this study is agricultural sector companies in Indonesia spreading across several islands in Indonesia. The researchers took the population in the Forestry and Plantation sub-sector because it has almost the same characteristics, namely managing plants. A total of 328 companies consisted of 240 companies incorporated into the Indonesian Forest Concession Association, and 88 plantation sub-sector companies are listed on the Indonesia Stock Exchange and BUMN. The sample size for SEM analysis is 100-200. The unit of analysis in this study is the entity that compiles financial statements. The observation units in this study are the Accounting and Finance Section, the Taxation Section, and the Production Section. The respondents in this study are the Director, Manager, and/or Head of the Accounting and Finance Unit and the Head of the Taxation Section. Based on data collection techniques, this research can be referred to as survey research (survey research), where the data collected is primary data. Primary data are first-hand data obtained by the researchers on variables of concern to the objectives of a particular study. In the context of this study, primary data are data or information collected by the researchers through a list of questions from the questionnaire addressed to the respondents in order to obtain facts and factual information from respondents. Based on the data collection method in which this research is a field study, the data collection will be carried out using a questionnaire. Questionnaires are a set of written questions that are formulated in advance to record respondents' answers. The questionnaire will be distributed to all respondents directly (meet, face to face, interview), using e-mail and Google forms.

The variables that are used have one predictive variable such as tax management and financial performance (TMFP) that has six items. The predictors such as policy implication (PI) has six items, good corporate governance practices (GCGP) has eight items, and corporate size (CS) has five items. Finally, the mediation such as supply chain management (SCM) has five items. These constructs are shown in Figure 1.

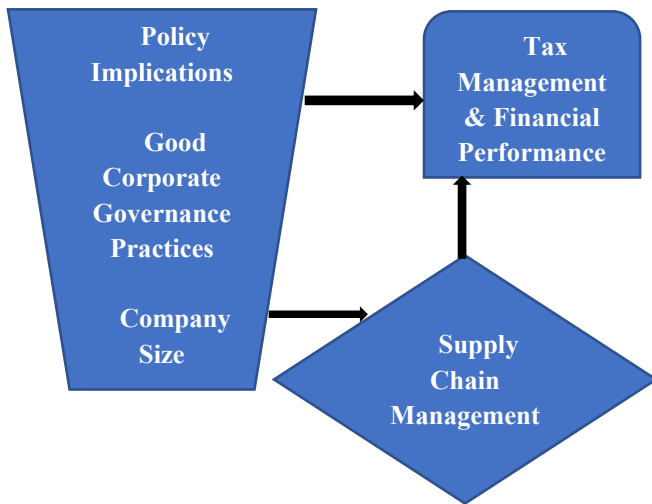


Figure 1. Theoretical framework

4. Results

The findings exposed the convergent validity and the statistics show higher than 0.70 Alpha and CR values while not lower than loadings and AVE values. These show that valid convergent validity along with high correlation between items. These are shown in Table 1.

Table 1. Convergent validity

Items	Loadings	Alpha	CR	AVE
CS1	0.729	0.842	0.889	0.617
CS2	0.744			
CS3	0.888			
CS4	0.687			
CS5	0.861			
GCGP1	0.856	0.897	0.920	0.597
GCGP2	0.613			
GCGP3	0.548			
GCGP4	0.861			
GCGP5	0.865			
GCGP6	0.862			
GCGP7	0.872			
GCGP8	0.610			
PI1	0.844	0.897	0.920	0.658
PI2	0.799			
PI3	0.799			
PI4	0.800			
PI5	0.823			
PI6	0.802			
SCM1	0.754	0.834	0.883	0.602
SCM2	0.824			
SCM3	0.822			
SCM4	0.705			
SCM5	0.766			
TMFP1	0.814	0.857	0.898	0.637

TMFP2	0.819			
TMFP4	0.801			
TMFP5	0.769			
TMFP6	0.787			

The findings exposed the discriminant validity and the statistics show lower than 0.90 Heterotrait Monotrait ratios. These show that valid discriminant validity along with no high correlation between variables. These are shown in Table 2.

Table 2. Discriminant validity

	CS	GCGP	PI	SCM	TMFP
CS					
GCGP	0.835				
PI	0.462	0.503			
SCM	0.577	0.579	0.354		
TMFP	0.763	0.876	0.640	0.612	

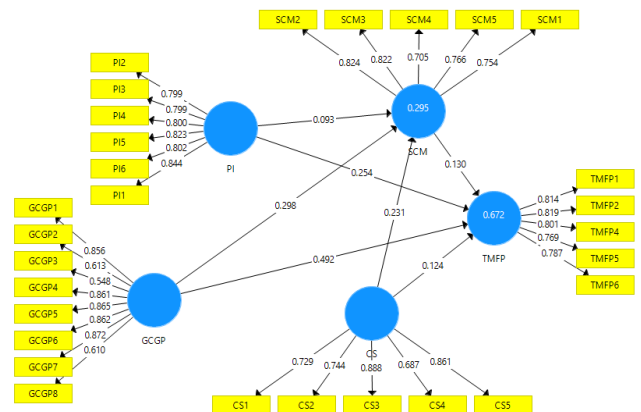


Figure 2. Measurement model assessment

The path analysis of the research show that policy implication has insignificant linked with tax management and reject H1. However, good corporate governance practices and company size have positive association with tax management and accept H2 and H3. In addition, supply chain management insignificantly mediating among the links of policy implication and tax management and reject H4. However, supply chain management significantly and positively mediating among the links of good corporate governance practices and tax management and accept H5. Similarly, supply chain management significantly and positively mediating among the links of company size and tax management and accept H6. These associations are shown in Table 3.

Table 3. Path analysis

Relationships	Beta	S.D.	t-statistics	p-values
CS -> SCM	0.231	0.073	3.143	0.002
CS -> TMFP	0.124	0.052	2.397	0.017
GCGP -> SCM	0.298	0.074	4.011	0.000

GCGP -> TMFP	0.492	0.044	11.135	0.000
PI -> SCM	0.093	0.053	1.744	0.082
PI -> TMFP	0.254	0.042	6.068	0.000
SCM -> TMFP	0.130	0.036	3.606	0.000
CS -> SCM -> TMFP	0.030	0.014	2.128	0.034
GCGP -> SCM -> TMFP	0.039	0.015	2.651	0.008
PI -> SCM -> TMFP	0.012	0.008	1.572	0.116

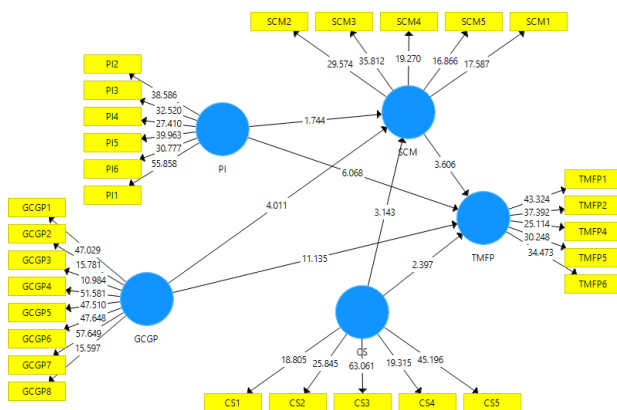


Figure 3. Structural model assessment

5. Discussion and conclusion

The Based on the results of the analysis, it is known that the Biological Asset Accounting Policy Implication (AAB) variable has a significant positive effect on Financial Performance (KK) with a t-value of $2.70 > t$ -table (1.96). Thus Hypothesis 1 is proven where the Implications of Biological Asset Accounting Policies on Financial Performance. This means that the better the company implements its biological asset accounting policy, the better the achievement of its financial performance.

Various authors stated numerous accounting policies as an eminent mean which directly and indirectly influences the tax management and financial performance. Dominant measures enumerated to check the influence upon performance of an organization; therefore, supply chain management founded to be enumerating dominant role among the elected variables [19]. Supply chain management not only mentioned by authors for analyzing influence but also the role which supply chain management insert between accounting policies and financial management. Numerous discussions made on the implication of practices and policies of accounting with company size that influences the tax management and financial performance. Supply chain management concluded as dominant element is inducing vital role among the variety of variables [22].

These results are consistent with the research where it was concluded that there was a change in the method of valuing biological assets (biological assets), which initially used historical cost to fair value had an influence

on the presentation of financial statements. IAS 41, agriculture, is a small standard with broad scope and significant impact on the entity within its scope. This applies to most (but not all) entities that grow or support biological assets for profit. The standard principle is that an increase in value is recognized as a growing asset and not only during harvest or sale. The use of fair value as a basis for valuation in financial reporting is believed to increase the relevance of financial reporting, judged to be more able to reflect the value of assets or liabilities according to the actual conditions, because the fair value displayed in the financial statements is in accordance with the prices incurred between current market participants, without coercion.

This study still finds several obstacles that occur in the agricultural sector companies in terms of the implications of biological asset accounting policies, including the following:

1. This policy was only implemented as of January 1, 2018, by IAI in PSAK 69 Agriculture. This is relatively new, so that management is still learning and adapting to a lot of related matters.

2. The competence of human resources in the knowledge and the skills to recognize, measure, and disclose biological assets in agricultural sector companies are still minimal. When regulations regarding accounting for biological assets are issued based on PSAK 69 Agriculture, many do not understand this. An example occurs in forestry sector companies, even though the socialization of biological asset accounting policies was carried out by the Directors to the Work Units in all regions of Java. It turns out that there are still many technical employees who have difficulty in calculating assets using the fair value method because the assets have biological information, proven difficult to estimate the age, size, and area of each meter of wood both in the form of current assets and those that are ready to be depreciated.

3. In the plantation sub-sector companies, the treatment is different from the forestry sub-sector, given the age and usefulness of each biological asset is different from one another. This requires a hard effort to be able to distinguish what is included in SFAS 69 Agriculture, which falls into PSAK 16 Fixed assets.

4. The validation of biological asset accounting policy in Forestry and Plantation needs different treatment, especially in the fisheries and livestock sub-sector companies. Although biological transformation is the same, the age and treatment of plants and animals will be different.

5. The constraints faced when implementing biological asset policies will also affect the level of profitability, liquidity, and solvency of companies in the agricultural sector. Because with this policy, the impact on reconciliation changes in biological assets at the beginning

and end of the period will cause losses/profit resulting from the calculation of fair value.

6. This biological asset accounting policy requires high leadership commitment if the company is to be sustainable because this regulation is mandatory.

7. This biological asset accounting policy requires good cooperation between the regulators, management, and stakeholders to be carried out in accordance with common goals.

This study found the following obstacles for the implementation of Good Corporate Governance (GCG) practices in agricultural sector companies based on the results of observations and interviews of the author, which will affect the financial performance of agricultural sector companies:

1. On the principle of transparency, it is still difficult for the data to be accessed by the public, such as writers for academic needs in several agricultural sector companies. It seems that company management is covering up the information contained in their financial statements. There is a company website that has not been updated, bearing in mind that at present, every company should equip itself with the latest information technology system so that stakeholders have difficulty in obtaining information about the company.

2. On the principle of accountability, there are still some companies that have not implemented the reward and punishment rules in their work environment. This will affect the overall performance of employees. In private companies, there are still those who carry out their overlapping duties and obligations due to the size of the company, which is still at the micro-level.

3. On the principle of accountability, there are still a number of private companies that have not carried out CSR as a form of social responsibility by caring for the community and environmental sustainability. This has to do with the size of the company they have that cannot support the running program. But not a few are also large private companies and SOEs that have implemented programs that care about the community and environmental sustainability. For the sake of the survival of the company, Perhutani, for example, is collaborating with LMDH (Forest Village Community Institution) to carry out various positive activities with the community.

4. On the principle of independence, in practice, there are still many companies in the agricultural sector that have not been able to avoid the dominance of unaffected and to be free from various conflicts of interest. In private sector agriculture companies, for example, the authority in decision-making is still decided by the owner himself. For the BUMN, it is no longer a public secret that every decision is taken, when it has been interfered with by political interests, will be biased and chaotic, no matter how good the system.

5. In the principle of reasonableness, there are still companies that do not provide opportunities for employees who excel to have a more successful career in the company. This shows the legacy of colonizers, especially in SOEs, causing the company's goals to not achieve good financial performance optimally because it is not supported by competent employees

This study found several obstacles to the Policy Implications of Biological Asset Accounting based on PSAK 69 in Indonesia based on the results of observations and interviews of the author, which will affect the tax management of agricultural sector companies, as follows:

1. On the recognition dimension, the part related to biological assets in several agricultural sector companies is still not fully competent in recognizing assets undergoing biological transformation, whether the assets belong to the Consumable Biological Asset (CBA) or Bearer Biological Asset (BBA) group. This will cause obstacles for financial reporting. If the recognition process runs smoothly, then the financial statements that will be made will be reliable so that the implementation of tax management does not require in-depth attention from management, but if the recognition process was constrained, then indirectly, the management will do tax management carefully.

2. In the measurement dimension, there are still some companies that have employees who are not yet competent enough to measure biological assets that should use fair value, so that the measurement of those assets uses at cost.

3. In the disclosure dimension, because there are still those who have not used fair value in measuring biological assets, the reconciliation of changes in biological assets cannot be disclosed in the financial statements, so that management has the opportunity to charge costs that should not cost. For example, for maintenance costs, consumable biological asset plants, should add biological asset accounts and not open maintenance costs accounts because they are still using PSAK 16 fixed assets. In turn, this will encourage management to avoid tax.

This study has limitations in the scope of the company, which was only in the plantation and forestry sectors, even though there are still two more sectors, namely the livestock and fisheries sector, which are part of the agricultural sector which share the characteristics of biological assets, namely biological transformation. Considering that this regulation took effect on January 1, 2018, through SFAS 69 agriculture, this does not reflect the level of compliance of the agricultural sector companies on biological asset accounting policies that are only measured for one year, namely the 2018 financial reporting period. The data source of this study comes from primary data, resulting in the respondents reluctant to answer questionnaires about the transparency of tax

avoidance such as cash incurred in paying corporate income tax, and also the amount of tax. The authors, therefore, have difficulty in analyzing tax management as a whole. This research only measures the company's efforts in the form of loopholes for any costs that may be handled by the company in the context of tax avoidance.

The results of the study are expected to improve existing theories regarding financial performance, which will be the next research premise. The results are expected to improve the practice of the implications of biological asset accounting policies in the agricultural sector, good corporate governance practices, and company size so that tax management becomes better through financial performance. The results can also be used as a material for the regulator to be more careful in applying biological asset accounting policies and as a reference for companies in carrying out tax management that can anticipate tax loopholes allowed by tax laws.

The implications of Biological Asset Accounting Policies and Good Corporate Governance Practices each affect Tax Management, while Company Size does not affect Tax Management. The implications of Biological Asset Accounting Policies, Good Corporate Governance Practices, and Company Size each affect financial performance. Financial Performance affects tax management. Study enumerated a variety of variables that induces impacts over the financial performance and tax management of an organization; therefore, the role supply chain management among them elaborated with significance and importance [19]. The significant mediating role of supply chain management among the implication of policies and practices ascertained with determined aspects of financial performance and tax management. Accounting policies with various dimensions put enormous impact over the management and performance, but the mediating role of supply chain management significantly enumerate the relationship among them [18]. To enumerate the impact over tax and financial performance; supply chain management inserts a vital role among them.

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