

IMPLEMENTATION OF FINANCIAL ACCOUNTING STANDARDS FOR SMALL AND MEDIUM MICRO-ENTITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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Abstract

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Micro, Small, and Medium Enterprises (MSMEs) are business activities that can expand employment opportunities and provide broad economic services to the community and can play a role in equalizing and increasing community income, encouraging economic growth, and participating in national development. Financial statements aim to analyze financial performance as a benchmark for providing information about a company's financial position and profit and loss, which is helpful for users of financial statements as economic decision-makers. This research is intended for MSME owners who still need financial reports. This research aims to help and facilitate MSME owners in compiling financial reports based on SAK-EMKM. This research is a research using descriptive qualitative method. Data collection was carried out using observation, interviews, and documentation. Thus, this study shows that in carrying out its operational activities.

Keywords: Financial Reports, Financial Accounting Standards, MSMEs

1. INTRODUCTION

One way to improve community welfare is by carrying out entrepreneurial activities because entrepreneurship will make people independent, and entrepreneurship will open up job opportunities for the community and draw profits from the opportunities created [1][2]. Indonesia is a developing country with citizens who carry out business activities individually and in groups, including Micro, Small, and Medium Enterprises (MSMEs) [3][4][5].

Micro, Small, and Medium Enterprises (MSMEs) are business activities that can expand employment opportunities and provide broad economic services to the community and can play a role in equalizing and increasing community income, encouraging economic growth, and participating in national development [6][7][8]. MSMEs can potentially drive community economic activities in improving welfare [9][10].

The existence of MSMEs is quite dominant in the Indonesian economy. Therefore, the position of MSMEs has an essential and strategic role in national economic development due to the considerable potential to absorb labor, and the contribution of MSMEs to the formation of the Gross Domestic Product is dominant. Micro, Small, and Medium Enterprises (MSMEs) need to be supported and encouraged to continue to develop so that they can expand business opportunities and employment opportunities, thereby helping the country reduce unemployment in Indonesia [11][12][13]. Micro, small, and medium enterprises (MSMEs) are essential in increasing economic growth because they comprise 99.99% of the total business actors in Indonesia, or 56.54 million units [14].

However, MSME owners often need help recording financial reports in their operational activities. Recording is done only by calculating the difference between money coming in and money going out, without looking at what the income and expenditure of the money is for or whether it is allocated to business or non-business activities. MSME players often say their business results are good if their current income exceeds their previous income. Even though indicators of the success of a

business are not only measured by its income, the success of a business also requires measuring and grouping transactions or activities that occur and summarizing these transactions.

To help MSMEs prepare financial reports that comply with standards, the Financial Accounting Standards Board of the Indonesian Accountants Association (DSAK IAI) 2016 prepared and ratified the Financial Accounting Standards for Micro, Small, and Medium Entities. SAK MSMEs is a stand-alone financial accounting standard that can be used by entities that meet entity definitions without significant public accountability. SAK MSMEs describes the concept of business entities as one of the basics; therefore, to prepare financial reports following SAK MSMEs, companies must separate personal assets from the assets and results owned by the company. The implementation of SAK MSMEs was created to make it easier for MSME players to prepare financial reports, which are used to make it easier to get access to funding from various financial institutions. Financial reports prepared based on the applicable Financial Accounting Standards are a form of improving the quality of financial reports. Financial reports can be used to calculate profits obtained and know how the rights and obligations are balanced. With the existence of SAK MSMEs, it is also hoped that MSME players will be able to prepare and increase the credibility of their financial reports.

Companies included in the scope of SAK EMKM are entities that meet all the criteria and characteristics described in Government Regulation Law no. 7 of 2021, which is not a subsidiary or not a branch of a company that is owned, controlled, or becomes part, either directly or indirectly, of a medium or large business (not a subsidiary and an associated entity). According to research by Jilma Dewi Ayu Ningtyas[15], these MSMEs have prepared their financial reports following SAK EMKM. Research by Marwati [16] shows that MSMEs do not apply SAK EMKM in preparing their financial reports because the owners need to understand SAK EMKM. Nur Hafidah Lula Kamal's research [17] shows that the owner does not record financial statements, only keeps records of his operational activities, and these records do not follow SAK EMKM.

2. METHOD

The data collection method for this research was collected using the observation method on 30 MSMEs in South Tangerang; then, documentation in this research was carried out by recording data containing related research activities that supported the preparation of financial reports on MSMEs. The interview was unstructured, in which the researcher did not apply interview guidelines that had been arranged wholly and systematically for collecting various kinds of data. This interview was conducted to obtain information directly explaining something under certain conditions. This study uses a qualitative descriptive analysis method with the Miles and Huberman models [18]. The research process was carried out directly in the field, including data collection, reduction, presentation, and conclusions.

3. RESULT AND DISCUSSION

Financial Accounting Standards regulate accounting practices, including creating, compiling, recording, and presenting other accounting data in Indonesia. Financial accounting standards aim to create standards for uniformity in the form of financial reports so that they are easily understood by all parties who need accounting information. Financial Accounting Standards are prepared and published by the Financial Accounting Standards Board, formed by the Indonesian Accounting Association, to regulate business conduct and provide guidance regarding procedures for preparing financial reports for a business entity in Indonesia. Financial Accounting Standards contain several guidelines, including 1) Regulating transactions and their disclosures, 2) disclosure standards containing transactions. The purpose of SAK MSMEs, according to ED SAK MSMEs chapter 2 concerning Objectives of Financial Statements, is to meet the financial reporting needs of micro, small, and medium entities. SAK MSMEs is designed explicitly as a reference for MSMEs to help balance income and expenses for more advanced businesses and determine the cash flow of every transaction.

Financial Accounting Standards are Statements of Financial Accounting Standards and Interpretations of Financial Accounting Standards issued by the Indonesian Institute of Accountants'

Accounting Standards Board as well as capital market regulatory regulations for entities under its supervision.

SAK itself is needed to create uniformity in the preparation of financial reports. Also, SAK regulates two things in preparing financial reports, namely measurement standards and disclosure standards. The measurement standard in question regulates the measurement of every transaction. Disclosure standards regulate what and how an event, transaction, or financial information must be disclosed so as not to confuse users of financial statement information.

An exceptional financial reporting standard for SMEs is called the Micro, Small and Medium Entity Financial Accounting Standards. The Indonesian Institute of Accountants has issued Micro, Small, and Medium Entity Financial Accounting Standards abbreviated as SAK- MSMEs. It was approved by the Financial Accounting Standards Board in 2016 to educate and provide guidance to MSME business actors regarding procedures for preparing reports finances in a complete, detailed, and comprehensive manner. In general, the function of compiling financial reports for MSMEs is to ensure the availability of data related to performance, reports of financial position, and changes in the company's financial position. Data availability makes it easier for MSME business actors and stakeholders to obtain helpful information for decision-making.

MSME financial statements, according to SAK MSMEs, are made based on accrual basis assumptions and consist of three types of financial reports, including statements of financial position at the end of the period, income statements in one period, and notes to financial statements in one period. MSME owners will use financial reports as the basis for work plans. The thing that underlies the use of the accrual basis as the basis for recording and recognition by entities is that it is feared that there will be fewer defects or more defects. The financial statements will not reflect the actual financial condition of the entity. Financial reports that comply with SAK EMKM can also be used by MSME partners, lenders, investors, and other parties.

Based on the results of observations and documentation, the only financial report prepared by most MSMEs is a financial report in the form of a profit and loss report, which is still prepared manually by calculating the total income from cash sales and total costs during ongoing business activities. The obstacles encountered in carrying out the process of preparing complete financial reports and following applicable standards. For example, they do not keep purchase invoices only and adequately rely on looking at the goods and totaling them from WhatsApp chats with suppliers, do not make a list of debts, do not calculate depreciation on their assets, and have no statements of financial position and notes on financial statements due to lack of knowledge the owner, as well as the lack of awareness that financial reports are essential for the business.

4. CONCLUSION

The results of the author's research on MSMEs show that the recording of transactions on MSMEs is generally only recorded in a simple and manual manner and does not have financial reports so that there are no financial reports that are in accordance with applicable accounting standards. not stored properly so, does not have a list of debts, does not calculate depreciation of assets so that the accuracy of the data is not optimal. Thus, MSME owners need to be given awareness to always keep evidence of transactions that occur so that both sales transactions and purchase transactions, if errors occur in recording, can be re-checked according to the transaction evidence and begin to consistently apply financial reports. Apart from that, internal control must be further improved so that existing human resources can be more optimal in carrying out their work.

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