

ANALYSIS OF FINANCIAL ACCOUNTING STANDARDS FOR SMALL AND MEDIUM MICRO ENTITIES (MSMEs) IN THE IMPLEMENTATION OF SENDYCA KONVEKSI MSME FINANCIAL REPORTING

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Abstract

A financial accounting standard called SAK EMKM is available to Assist Micro, Small and Medium Enterprises (MSMEs) in preparing financial reports. Four stages of data collection were used: observation, data reduction, data presentation, interviews, and drawing conclusions. The aim of this research is to find out how the financial reports of Sendyca Konveksi Assist Micro, Small and Medium Enterprises (MSMEs) can benefit from implementing SAK EMKM. Three financial report components are included in the SAK EMKM application when presenting financial reports: Financial Report Notes, Financial Position Report, and Profit and Loss Report.

Keywords: *Implementation of SAK EMKM, Financial Reports, MSMEs.*

1. INTRODUCTION

In the current Indonesian economic sector, entrepreneurship helps the government reduce the unemployment rate by encouraging labor absorption and the creation of new jobs. Accounting is needed for recording, bookkeeping and financial reporting for entrepreneurship. Financial reports are useful for analyzing financial performance, evaluating entity performance, and providing information about the financial condition of MSMEs. Therefore, entities must understand the methods for preparing financial reports that comply with financial accounting standards.

By paying attention to the peculiarities of MSME transactions, DSAK IAI develops MSME accounting standards. On January 1 2018, DSAK ratified SAK EMKM which has been in effect since 2009. Accounting standards such as SAK EMKM are used by organizations that are not accountable to the public. MSMEs currently do not need to prepare financial reports based on General SAK, namely based on IFRS and SAK ETAP, because SAK EMKM is simpler than SAK ETAP. They can now apply accounting with relief.

Financial reports are an important tool for obtaining information about a company's financial condition and performance. The purpose of financial statements is not only to show income and expenses; it also aims to collect information about business activities during the accounting period. A good financial report is one that complies with regulations. However, MSME business actors do not follow the Indonesian government's financial reporting regulations. Small and medium businesses (MSMEs) use simple accounting methods to record their financial reports.

Setting up a business requires administrative or financial records. These recordings can be in the form of financial reports that show the financial position, performance and amount of money that benefits the entity. Currently, there are still small and medium enterprises (MSMEs) that have not prepared financial reports properly.

Sendyca Konveksi is one of the small and medium companies (MSMEs) that still uses standard accounting. This small and medium business focuses on convection, especially making educational uniforms, t-shirts, blouses, kebayas, dresses, sets for adults and children, etc. Sendyca Konveksi serves customers with orders and sales. Because Sendyca Konveksi MSMEs do not have financial knowledge and expert employees, the process of recording financial reports is very easy and simple.

The author was able to find problems regarding the recording of financial reports at UMKM Sendyca Konveksi and whether the implementation of the financial reports was in accordance with SAK EMKM. So, the aim of this research is to find out whether the recording and presentation of financial reports at UMKM Sendyca Konveksi is in accordance with SAK EMKM.

2. LITERATURE REVIEW

2.1. Financial Accounting Standards for Micro, Small and Medium Entities (SAK EMKM)

a. Understanding SAK EMKM

SAK EMKM is specifically designed to regulate financial accounting standards for small and medium enterprises (MSMEs). The form of SAK EMKM is simpler than SAK which is based on IFRS (International Financial Reporting Standards) and SAK ETAP. This is specifically used to help the development and progress of micro businesses in Indonesia. For example, MSME financial reports prepared using SAK EMKM facilitate the process of borrowing capital and obtaining funding from various financial institutions. SAK EMKM is a financial accounting standard that is not too complicated because it only records assets and liabilities at cost. For MSMEs operating in various business fields, SAK EMKM can be a basis for planning, creating or developing accounting guidelines.

b. Financial Reports Compliant with SAK EMKM

Financial reports according to SAK EMKM consist of a financial position report and notes to financial reports. Assets, liabilities, and equity form the statement of financial position, while revenue, operating expenses, income tax expense, and net profit or loss after tax form the income statement.

Table 1. Notes to Financial Reports Based on SAK EMKM

XXX MSMEs NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2022 (Expressed in Rupiah, unless otherwise stated)	
Notes to Financial Reports	
1. General	
2. Summary of Important Accounting Policies	
a. Compliance Statement	
Financial reports have been prepared using Financial Accounting Standards for Entities, Micro, Small and Medium Enterprises.	
b. Basics of Preparation	
The basis for preparing financial reports is the acquisition cost and accrual basis. The presentation currency used in preparing financial reports is Rupiah.	
c. Accounts receivable	
Trade receivables are stated at the invoice amount.	
d. Supply	
Raw material inventory costs include purchasing costs and purchasing transportation costs. Conversion costs include direct labor costs and overhead costs. Fixed overhead costs are allocated to conversion costs based on normal production capacity. Variable overhead costs are allocated to production units based on actual use of production facilities. The entity uses the average inventory cost formula.	
e. Fixed assets	
Fixed assets are stated at cost when legally acquired by the entity. Fixed assets are depreciated using the straight-line method without residual value.	
f. Recognition of Income and Expenses	
Recognizes revenue from orders and sales when orders and sales occur to consumers. Expenses are recognized when they occur. For example, salary expenses are recognized when employee salaries are paid.	
g. Income Tax	
Income tax follows the tax provisions applicable in Indonesia.	
3. Cash	Year xxx
Description	
Cash In	xxx
Total	xxx
4. Current account	Year xxx
Description	
Bank xxx – Rupiah	xxx
5. Deposits	Year xxx
Description	
Bank xxx – Rupiah	xxx
Interest rate – Rupiah	xxx
6. Accounts Receivable	Year xxx
Description	
Shop A	xxx
Shop B	xxx
Total	xxx
7. Expenses are paid in advance	Year xxx
Description	
Rent	xxx
Insurance	xxx
Licenses and Permits	xxx
Total	xxx
8. Bank Debt	
9. Retained Earnings	
10. Sales Revenue	
The total sales revenue generated is xxx	
11. Other Expenses	Year xxx
Description	
Loan Interest	xxx
Others	xxx
Total	xxx
12. Income Tax Expense	Year xxx
Description	
Income Tax	xxx

2.2. Financial statements

a. Understanding Financial Reports

Financial reports provide users with information about the state of the company. Financial reports are intended to explain the state of the business and its decision-making process. However, financial reports cannot always evaluate the company's overall performance; Financial statements need to be checked carefully. Because the principle underlying every business has a goal certain goals to be achieved, and the principles underlying every effort generally have the same goal, the only difference is the priority.

b. Purpose of Financial Reports

There are seven reasons why a company must publish financial reports. In his book *Financial Report Analysis*, Kasmir (2014) states: 1) Shows the type, amount and capital owned by the company; 2) Shows current assets and changes in assets, liabilities, and capital; 3) Shows information about how the company's assets, liabilities and capital change; 4) Shows information about the amount and type of income over a certain period of time; 5) Shows information about CALK; 6) Show details regarding the operations of the company's management resources during that time, and 7) Provide any additional financial data deemed necessary.

The explanation above shows that the government, lenders, investors and shareholders need information from the company regarding the company's overall performance and image, all of which is available in financial reports. Everyone who uses financial reports will use this information to make future economic decisions.

2.3. MSMEs

a. Understanding MSMEs

According to Law Number 20 of 2008 of 2008, MSME businesses are as follows: (1) Micro businesses are businesses carried out by individuals or independent business entities and fulfill the necessary conditions in order to make a profit; (2) Medium businesses are businesses carried out by individuals or independent business entities. This does not include subsidiaries and branches of companies, as well as any direct or indirect ownership or control by large or small companies. (3) Small businesses are businesses owned by the private sector. They don't fit the image of a small, independent, profitable business; they are not subsidiaries owned, managed, or integrated directly or indirectly into a medium or large company.

Therefore, economic business entities established by individuals or legal entities are referred to as "micro, small and medium enterprises" (MSMEs), not subsidiaries or business branches belonging to other businesses.

3. RESEARCH METHOD

This research uses qualitative data (words or not numbers) to describe a brief history of the formation of UMKM Sendyca Konveksi, its general description and organizational structure. According to Sulyanto (2005:134), qualitative data usually describes characteristics or traits. Quantitative data, on the other hand, is data given in the form of numbers.

The author collected data and information for this research through interviews and observations. This research conducted direct interviews with parties involved in Sendyca Konveksi MSMEs and this research observed Sendyca Konveksi MSMEs directly. To provide an overview of the subject under study, a descriptive approach involves analyzing data that is

collected, processed and presented visually. In this research, the author will analyze the data through the following procedures:

- 1) Data collection. The author will record this data as a result of specific research. To complete the research data, observation data was also recorded objectively apart from interviews.
- 2) Data reduction. To make the data easier to understand and in line with the research objectives and parameters, the author will make changes to the information obtained from observations and interviews.
- 3) Data Display. The author will first explain how SAK EMKM is implemented for MSMEs at Sendyca Konveksi, then share the experience of managing data and information in recording financial reports according to SAK EMKM.
- 4) Making Conclusions. The author will answer questions regarding recording financial reports in accordance with SAK EMKM and assess the effectiveness of implementing SAK EMKM in practice.

4. RESULTS AND ANALYSIS

4.1. Recording Financial Reports at UMKM Sendyca Konveksi

When a customer places an order, production begins. All products are made based on customer orders. Sendyca Konveksi MSME financial reports are still recorded manually. Recording is done to find out the amount of money received, such as receiving orders from customers, and the amount of money spent, such as paying for raw materials, water and electricity, as well as paying employee salaries. Although these records are excellent, they do not fit the current accounting system because they are based on the knowledge of owners and employees.

The research results show that the owners of UMKM Sendyca Konveksi do not understand how to write financial reports that comply with SAK EMKM. As a result, assessing financial performance becomes difficult.

4.2. Application of Financial Reports Based on SAK EMKM to UMKM Sendyca Konveksi

a. Financial Position Report

Based on information from UMKM Sendyca Konveksi, a financial position report was prepared to assist in the analysis of future cash flow predictions. This report displays a company's equity, liabilities and assets at the end of a certain time period.

Table 2. Sendyca Konveksi MSME Financial Position Report

Financial Position Report Per xxx (in Rupiah)		LIABILITIES AND EQUITY	
ASSET		Obligation	
CURRENT ASSETS	xxx	Account payable	xxx
Cash and cash equivalents	xxx	Amount of Liability	xxx
Accounts receivable	xxx		
Supply	xxx	EQUITY	
Total Current Assets	xxx	Sendyca Konveksi Wealth Capital	xxx
FIXED ASSETS		Income for the year	xxx
Equipment	xxx	Total Equity	xxx
Accumulated Equipment Depreciation	xxx	TOTAL LIABILITIES AND EQUITY	xxx
Total Fixed Assets	xxx		
TOTAL CURRENT ASSETS AND FIXED ASSETS	xxx		

Source: Processed Data, 2023

b. Profit and Loss Statement

Unless SAK EMKM determines otherwise, all receivables that have not been recognized in a period are included in the profit and loss statement. Corrections of errors and modifications to accounting principles reported as adjustments to previous periods are taken into account when calculating profit or loss for that period, in accordance with SAK EMKM.

UMKM Sendyca Konveksi made an inaccurate profit and loss report, not as expected. Their profit and loss calculations do not include the cost of production; instead, it is based on the cost of goods sold and subtracted from revenue.

Table 3. Sendyca Konveksi MSME Profit and Loss Report

INCOME STATEMENT For the Year Ending December 31, 2022 (in rupiah)	
INCOME	
	December 31, 2022
Business Income	55,590,000
Other income	
TOTAL REVENUE	55,590,000
OPERATING EXPENSES	
	December 31, 2022
Employee Salary Expenses	4,500,000
Telephone, Water and Electricity Expenses	690,000
Equipment Depreciation Expense	1,000,000
Transportation Expense	100,000
TOTAL EXPENSES	6,290,000
	December 31, 2022
PROFIT (LOSS) BEFORE TAX	
INCOME	39,100,000
Income Tax Expense	-
PROFIT (LOSS) AFTER TAX	
INCOME	-

Source: Processed Data, 2023

c. Notes to Financial Reports

The financial reports have been prepared in accordance with SAK EMKM and are presented systematically, as shown in the notes to this financial report. Because they did not understand the information in this report, UMKM Sendyca Konveksi did not make this note.

Table 4. Notes to Financial Reports

SENDYCA CONVECTION MSMEs NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2022 (Expressed in Rupiah, unless otherwise stated)	
<p>Notes to Financial Reports</p> <p>1. General</p> <p>Sendyca Konveksi is a business operating in the convection services sector located in Sukajadi Village, East Baturaja District, Ogan Komering Ulu Regency. This convection was founded by Mrs. Hurri Hanifah in 1997. She opened her business in her own house and has 5 employees, 7 sewing machines and 2 overlock machines.</p> <p>2. Summary of Important Accounting Policies</p> <p>a. Compliance Statement</p> <p>Financial reports have been prepared using Financial Accounting Standards for Entities, Micro, Small and Medium Enterprises.</p> <p>b. Basics of Preparation</p> <p>The basis for preparing financial reports is the acquisition cost and accrual basis. The presentation currency used in preparing financial reports is Rupiah.</p>	<p>c. Accounts receivable</p> <p>UMKM Sendyca Konveksi does not have trade receivables because the system is orders and sales, when the order is <u>completed</u> the customer will have paid it and sales are also made in cash.</p> <p>d. Supply</p> <p>Raw material inventory costs include purchasing costs and purchasing transportation costs. Conversion costs include direct labor costs and overhead costs. Fixed overhead costs are allocated to conversion costs based on normal production capacity. Variable overhead costs are allocated to production units based on actual use of production facilities. The entity uses the average inventory cost formula.</p> <p>e. Fixed assets</p> <p>Fixed assets are stated at cost when legally acquired by the entity. Fixed assets are depreciated using the straight-line method without residual value.</p>

An entity may only include its financial liabilities in the liabilities group and its financial assets in the assets group in the statement of financial position. Since liabilities and assets are offset, an entity can only display its net value in the statement of financial position if it meets the following conditions: 1) it has investments with the legal capacity to realize its assets and repay its debts simultaneously; 2) have the legal capacity to conduct a meeting of a predetermined amount.

4.4. Recognition and Measurement of Income and Expenses

a. Revenue Recognition and Measurement

When the right to make payments is received or earned, it is considered income. An entity records gross economic profit. When obtaining the selling price from orders and sales, SME Sendyca Konveksi can calculate income. Therefore, acquisition costs are counted as income. For example, UMKM Sendyca Konveksi carried out an order and sales transaction on December 20 2022 and received a total of IDR 55,590,000. UMKM Sendyca Konveksi reports and recognizes the amount of income. The following are the correct notes:

31/12/2022	Cash	IDR 55.590.000,-	
	Order & Sales		IDR 55.590.000,-

According to the notes above, UMKM Sendyca Konveksi calculates the acquisition price when receiving orders and selling goods. However, because accounting reports are still simple, all income is recorded as cash.

b. Recognition and Measurement of Expenses

Sendyca Konveksi MSME bookkeeping is still very easy. Expenditures are considered cash outlays. For example, MSME Sendyca Konveksi will spend 6,290,000 rupiah from cash in December 2022 to pay employees, pay for electricity, water and telephone, as well as reduce equipment and transportation. Here are the exact notes:

31/12/2022	Operation Expenses	IDR 6,290,000,-	
	Cash		IDR 6,290,000,-

According to the notes above, because there are expenses and expenses that must be paid, the expenses will increase in the debit when paying the expenses. Because the electricity load is used for operations, the balance when paying the load is cash.

c. Presentation of Income and Expenses

The income statement displays revenue. Grant income may be reported by an entity as a deduction from related costs, as part of profit or loss, or as separate income that can be included in general accounts like other income. The income statement breaks down expenses into smaller categories.

d. Comparison of the Implementation of SAK EMKM in Sendyca Konveksi MSMEs

Table 6. Comparison of the Implementation of EMKM SAK in Sendyca Konveksi MSMEs

No.	Description	According to SAK EMKM	According to UMKM Sendyca Konveksi	Comformity
1.	Measurement	Assets and liabilities are measured at cost.	UMKM Sendyca Konveksi has not recorded asset and liability accounts.	Nonconformity with SAK EMKM
		Inventory is measured using the standard cost method or retail method. Entities can choose to use the first-in, first-out (MPKP) or weighted average method in determining inventory acquisition costs.	Inventory is measured based on the number of convection equipment that will be used using an average to determine the cost of purchasing inventory.	Nonconformity with SAK EMKM
		The entity measures all fixed assets except land. Land is measured at cost. Depreciation of fixed assets uses the straight line or declining balance method without taking into account the residual value.	UMKM Sendyca Konveksi has not recorded and measured its fixed assets.	Nonconformity with SAK EMKM
2.	Recognition	Assets and liabilities are recognized when the entity becomes a party to the contractual provisions of the assets and liabilities.	UMKM Sendyca Konveksi has not recorded its assets and liabilities.	Nonconformity with SAK EMKM
		Inventory is recognized when acquired at cost.	Inventory is recognized when acquired at cost.	Conformity with SAK EMKM
		Revenue or sales are recognized when there is a right to payment received or still to be received either currently or in the future.	UMKM Sendyca Konveksi recognizes revenue or sales when payment is received.	Conformity with SAK EMKM
		Expenses are recognized when cash is paid.	UMKM Sendyca Konveksi recognizes expenses when cash is paid.	Conformity with SAK EMKM

Table 6. Comparison of the Implementation of EMKM SAK in Sendyca Konveksi MSMEs (Continue)

3.	Presentation	Assets and liabilities are presented in the statement of financial position.	UMKM Sendyca Konveksi has not prepared and presented financial reports in accordance with SAK EMKM.	Nonconformity with SAK EMKM
		Inventory is presented in the asset group in the statement of financial position.		
		Revenue is presented in the income statement.		
		Expenses are presented in the income statement.		
		Notes to Financial Reports.	UMKM Sendyca Konveksi has not prepared notes to the financial statements.	Nonconformity with SAK EMKM
4.	Financial Report	Financial Position Report a. Current Assets Cash and Cash Equivalents Giro Deposit b. Fixed assets Fixed Asset Accumulation c. Liabilities Account payable Bank debt d. Equity Capital Retain earning Income statement a. Income Business Income Other Income b. Burden Operating expenses Other Expenses	UMKM Sendyca Konveksi has not prepared financial reports in accordance with SAK EMKM. UMKM Sendyca Konveksi only records cash in and cash out reports.	Nonconformity with SAK EMKM

Source: Processed Data, 2023

5. CONCLUSION

The conclusions of this study include the following:

- 1) Sendyca Konveksi MSME financial transactions are recorded manually and are still simple.
- 2) UMKM Sendyca Konveksi was not found or did not submit a complete financial report during the recording process which included cash flow, changes in equity, profit and loss and statement of financial position. As a result, their financial reports do not meet SAK-EMKM standards.
- 3) Because management lacks the skills needed to prepare the company's financial reports, UMKM Sendyca Konveksi cannot prepare financial reports in accordance with SAK EMKM.
- 4) MSME owners still manage their own finances and employ staff who do not meet the requirements for their positions. This is an important issue that needs to be resolved.

According to the research results, the author recommends Sendyca Konveksi MSMEs as follows:

- 1) UMKM Sendyca Konveksi has the ability to record and book financial accounts in accordance with SAK EMKM. This will help them manage their business finances better and evaluate the performance and financial situation of their business. In addition, financial reports can be prepared by the owner of Sendyca Konveksi MSMEs in accordance with the Entity Financial Accounting Standards by adding employees who serve as accountants.
- 2) When recording, Sendyca Konveksi MSMEs must consider their business assets rather than just calculating income and expenses. So that the results are more accurate and easy to understand, you must record and create bookkeeping reports on a computer instead of doing it manually.

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