



LEVEL OF UNDERSTANDING OF PREPARATION OF FINANCIAL REPORTS FOR MSME IN PARI CITY VILLAGE, PANTAI CERMIN DISTRICT, SERDANG BEDAGAI REGENCY

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ARTICLE INFO	ABSTRACT
Date received : 22 Oct 2022 Revision date : 19 Nov 2022 Date received : 26 Nov 2022	<i>This study aims to describe the level of understanding of respondents (MSME business) on financial reports to predict business continuity. The research was conducted in Village 10, Pari City, Pantai Cermin, Serdang Bedagai. This type of research is descriptive qualitative research. Data collection techniques using semi-structured interviews. The results of the study revealed that the level of understanding of the respondents was at the first level, namely knowing. Respondents do not understand or have the ability to explore the process of preparing financial statements. However, at the point of understanding the financial statement accounts, the respondents knew and were able to provide an overview of some of these accounts.</i>
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INTRODUCTION

MSME entrepreneurs an important role for regional economic growth, this condition is of course inseparable from the support of various parties such as the central government, regional governments and other related parties. Experience has proven that MSME entrepreneurs in regions are able to survive in different situations and conditions, especially during the economic crisis. Small risks, independence, and the availability of raw materials and supporting materials for business production originating from the regions have contributed to the strength of MSMEs during the economic crisis. SMEs in addition to supporting regional and national economic growth, SMEs also enable the absorption of regional potentials, such as natural resources, labor, and individual or group capital. So that synergies will be created in harmony with the development of MSMEs and regional development, MSMEs are increasingly developing, of course, they will require more natural resources needed for raw materials for production, a skilled and skilled workforce is needed, so the increase in community and regional income will also increase. However, it cannot be denied that there are still MSMEs that can only survive without any change or increase in the business they are working on. This is a concern to be traced problem by problem. Because every MSME faces different problems.

The survival of MSMEs in conditions of economic crisis is of course inseparable from the ability to manage finances including well-organized bookkeeping. Business bookkeeping will help entrepreneur evaluate business financial activities such as sales levels, the value of receivables that are due, the amount of debt that must be paid, and can even be used to predict business development in the future. One of the steps for managing business finances is the availability of neat and complete business financial records, which we know as business bookkeeping or also known as accounting. Bookkeeping or accounting will produce business financial reports that can be used for requirements for obtaining loan funds or attracting the interest of potential investors. Then the availability of financial reports from the business bookkeeping or accounting process can improve business from various aspects of activities including: ease of operational evaluation process, ease of evaluation of financial performance, ease of evaluation of management performance, increase of business value in the future, attract investors, and ease of predicting business



continuity. This is in line with the opinion of Hasani & Ainy who said that MSMEs often experience obstacles related to obtaining funding involving third parties such as banks and other investors. (Wati, 2021)

The Financial Accounting Standards Board of the Indonesian Institute of Accountants or DSAK IAI as of January 1 2018 has legally stipulated the application of special financial accounting standards for MSMEs, namely Micro, Small and Medium Entity Financial Accounting Standards (SAK EMKM). Previously, DSAK IAI passed the Standard for Financial Accounting for Entities without Public Accountability (SAK ETAP). MSME entrepreneurs can use SAK EMKM for the process of preparing and reporting business finances, or for entrepreneurs who previously applied either part or all of the general Financial Accounting Standards (SAK) or applied SAK ETAP (Financial Accounting standards for Entities without Public Accountability) then they can switch to SAK EMKM provided that it applies consistently. The preparation and implementation of SAK EMKM is one of IAI's answers to the needs of capital owners, business management and stakeholders in MSMEs for the reliability of business accounting/bookkeeping output, namely MSME Financial Reports. The enactment of SAK EMKM is a very good milestone for the development of accounting in Indonesia, clear evidence of IAI's support for the development of MSMEs. However, it turns out that the application of SAK EMKM has not been fully implemented, this is not because the materials or main points in the existing standards are still inadequate, but rather the readiness of entrepreneurs (especially individual entrepreneurs) and business management. The availability of human resources capable of carrying out the process of compiling Business Financial Statements based on SAK EMKM is also an obstacle.

The application of simple accounting or bookkeeping in a business based on the results of research by several researchers, is influenced by entrepreneurs such as understanding of accounting, perceptions of financial reports, education, and so on. Especially the preparation of business financial reports in accordance with SAK EMKM standards. Wati (2021) in his research stated that educational background influences the understanding of MSME entrepreneurs in implementing SAK EMKM, but not the level of education. This means that if entrepreneurs have adequate education, it is suspected that the level of understanding of entrepreneurs regarding the use of SAK EMKM will also increase. Understanding is thought to have a positive correlation with the desire and success of applying business accounting or bookkeeping and even applying SAK EMKM. This is in accordance with the results of research by Margi Susilawati, et al which revealed that understanding of accounting had a positive and significant effect on the application of SAK EMKM with a sample of MSME entrepreneurs in the city of Surabaya. (Margi, Marina, & Rusmawati, 2021). Understanding of accounting affects the quality of financial reports (Hasanah, 2019; Setyawati & Hermawan, 2018) The better and higher the level of one's understanding of accounting, the better the quality of the financial reports it prepares. It is not uncommon for MSME entrepreneurs to reason that their business is still relatively small so they do not need business bookkeeping even on a simple scale. Only businesses with a large enough turnover value require bookkeeping or business records to produce financial statements. Likewise, the desire to apply simple bookkeeping and even the application of accounting standards is not determined by the size of the MSME business scale. This is in line with research conducted by Wati (2021).

However, several parties, both government and private, related to the MSME problems mentioned above, have taken various ways to support MSME business management, one of which is by conducting training and workshops related to MSME business financial management and preparing business financial reports. But these steps have not been able to be a solution to the problem of the low number of MSMEs that do not have business financial reports or are just simple records/bookkeeping. So this research is important to do to find out what problems are faced by MSME entrepreneurs regarding the preparation of business bookkeeping.

LITERATURE REVIEW

Micro, Small and Medium Enterprises (MSMEs)

Micro, small and medium enterprises or abbreviated as UMKM are the pillars of the Indonesian economy, building the people's economy by utilizing the available resources around the business. There is no doubt about the absorption of natural resources and human resources for the development of MSME businesses. So that an increase in the number of MSMEs that appear will reduce the unemployment rate and increase people's income. MSMEs consist of four business scales that have their own definition and character, this is in accordance with UU number 12 of 2008 and its definitions:

1. Micro-enterprises are business activities that can expand employment opportunities and provide broad economic services to the community and can play a role in the process of equity and increase people's income, encourage economic growth, and play a role in realizing national stability.
2. Small business is a productive economic enterprise that stands alone, is run independently or jointly in the form of a business entity, and is not a subsidiary or branch of a medium-scale company.



3. Medium enterprises are productive economic enterprises that stand alone, which are run by individuals or business entities. However, it is not a subsidiary or branch of a company that is owned or controlled directly or indirectly by a small company or a large company with annual sales or net worth as stipulated in the provisions of the law.

Accounting and Financial Statements

Accounting was born and developed in line with human civilization. Since humans discovered the trading mechanism, since then bookkeeping or recording has developed. The development of bookkeeping or recording is then increasingly clearly standardized and developing according to the needs of the business world, bookkeeping or recording is then known as accounting. Initially in Indonesia, bookkeeping or *bookkeeping* was known in Indonesia earlier than accounting. *Bookkeeping* was introduced by the trade association from the Netherlands, namely the VOC, but then the increasing collaboration of Indonesian traders with the western world had an influence on the development of business records, known as *accounting*. There are several definitions that define accounting. And this definition will vary slightly according to the background of the expert who introduces it or the agency that introduces it. Here are some definitions of accounting according to important agencies in America and accounting experts. The AICPA defines accounting as the art of recording, classifying and summarizing transactions and events of a financial nature in an efficient manner and in the form of units of money, and interpreting the results of that process.

The American Accounting Association (AAA) defines accounting as the process of identifying, measuring and reporting economic information, to enable clear and firm judgments and decisions for those who use the information. Niswonger, et al in the book *Accounting Principles* defines accounting as the process of recognizing, measuring and communicating economic information to obtain appropriate judgments and decisions by using the information concerned. *The Accounting Public Board* defines accounting as a service activity whose function is to provide quantitative information, especially of a financial nature, about the economy which is thought to be useful in making economic decisions in making choices among alternative courses of action. We can underline accounting as a science or art of recording all company financial activities which include systematic processes so as to produce accounting information in the form of company financial statements, this information is used by parties who have an interest in making decisions. This accounting process includes several steps and stages that are systematic and continuous, meaning that an activity cannot be skipped or ignored.

The process of preparing financial statements that go through the stages of accounting is called the accounting cycle which is then contained in the standard preparation of financial reports that we know as Financial Accounting Standards (SAK). Financial Accounting Standards are very important because they serve as a reference and limitation for maintaining the quality of Financial Reports, both in form and in the process of preparation. This is because many parties who have an interest in the company, use financial statements as a source of information for making their economic decisions. For example, potential investors use data in financial reports which are then processed into financial information for decision making whether to invest or not. The government also uses data in the financial reports of companies in one industry to assess developments in the business world so that it will have an impact on the regulations that will be set and implemented for the business world. Users of financial reports not only come from external companies but internal parties also use data in financial reports to produce financial information which then becomes one of the bases for decision making and/or performance evaluation in companies.

Financial Reports are a form of accounting information that is structured in a standardized report form in accordance with accounting standards in force in Indonesia. The Financial Statements will present the value of each account which interprets the condition or financial position of the company and the company's performance in the current period. These accounts include: Assets or assets owned by the company, both current assets and tangible and intangible fixed assets, liabilities (source of company spending) including company debt, both short-term debt and long-term debt, owner's equity or capital, sales/income, and costs. According to accounting standards in force in Indonesia, financial statements consist of four main reports, namely statements of financial position, profit and loss reports, reports of changes in capital, reports of cash flows and added notes to the financial statements. The last point is a form of additional information for the explanation of the accounts in the four main reports. Each Report has different functions and objectives but has continuity or influence. This is partly because the financial statements adhere to the principle of *double entry*. The company's Financial Position Report, formerly known as the Balance Sheet, is a description of the assets owned by the company that can be claimed and fully used for company activities and future company development. This asset can also be interpreted as the potential possessed by the company to undergo future periods. The more sufficient the company's assets meet the company's financial management standards for each account in the Assets post, the potential for company business growth can be achieved,



so that the continuity of the company can be maintained (*Going Concern*). The Profit and Loss Report has a role in providing an overview of the company's achievements. The Profit and Loss Report can be used as data in assessing a company's financial performance, assessing sales levels, assessing the efficiency of using costs, and achieving profits per reporting period. Although recently the assessment or evaluation of financial performance based on data in the Profit and Loss Report has been less effective, this does not reduce the function of the report itself. The financial statements consist of four main reports and one explanatory note, namely the notes to the financial statements, but for entities that are classified as micro, it is not uncommon for the notes on the financial statements to have not been made due to the simplicity of the financial statements presented. Reported account posts also sometimes only use a few accounts.

The account posts contained in the financial statements are:

- a) Assets or assets are assets that are owned and can be claimed by the entity because of the economic benefits that will flow to the entity in the future with a value that can be measured reliably, and have an impact on the entity's financial position. Assets can be divided into current assets and fixed assets. In MSMEs, the value or acquisition cost of fixed assets is often neglected, especially in individual micro businesses. This is because it is not uncommon for entrepreneurs to not separate business/entity assets from personal assets. The recognition of assets will continue as long as the economic benefits are still flowing to the entity, but when the economic benefits cease, the recognition of assets should also stop.

Assets presented in the financial statements include the following accounts:

- 1) Current assets are assets whose use or benefit period is only a maximum of 12 months or 265 days, used to support the company's main activities and guarantee the ability to pay the entity's short-term obligations. Current assets include accounts: cash and cash equivalents, trade receivables, inventories (if any), prepaid rent and other prepaid expenses.
 - 2) Fixed assets are assets with a longer useful life, namely a minimum of 12 months or 265 days. Fixed assets as current assets are also used to support the entity's activities but the existence of fixed assets is not intended to be resold.
- b) Liabilities are recognized in the statement of financial position/balance sheet when a number of assets are issued that are reliably measured as a substitute for the settlement of obligations that contain benefits.
 - c) Revenue or sales are recognized in the entity's financial statements when the sale/income transaction has an impact on increasing future economic benefits and is related to an increase in assets or a decrease in liabilities that have occurred. The increase or decrease must be able to be measured reliably.
 - d) Expenses are the impact of recognizing assets or liabilities that are recognized in the financial statements, namely the income statement, due to a decrease in the benefits of an asset or an increase in liabilities that have occurred and can be measured reliably.

Definition of Understanding and Comprehension of Accounting

According to the Indonesian dictionary, the word understand has the meaning of being clever and understanding correctly, understanding is a process, method, deed of understanding or comprehending. (Margi, Marina, & Rusmawati, 2021). One's understanding of the object or process that is understood consists of several levels. Nana Sudjana (2014) also suggests that understanding can be divided into three levels, namely low level understanding, namely understanding only limited to the ability to translate, medium level understanding ability, namely the ability to interpret and the highest level of understanding, namely the ability to extrapolate. Low-level understanding refers to the ability to interpret something that is seen or heard. The second level is understanding interpretation, namely the ability to understand the meaning contained or implied in something heard or seen. (Margi, Marina, & Rusmawati, 2021). This low-level understanding is the minimum owned by MSME entrepreneurs.

Djuharni (2012) put forward the definition of understanding as the ability to get the meaning and meaning of something that is studied or becomes the focus of discussion. When compared with the type of learning knowledge, the type of learning understanding is a higher type of learning. Someone not only learns to add to what he knows but also understands what he learns. (Trisnapuri, 2016). Understanding according to Djuharni has 3 levels as also stated by Nana Sujana in Margi, Marina, & Rusmawati (2021), the following is a description of the three levels of understanding in this study:

- 1) Understanding the recognition of elements in financial statements, namely the process of forming an item in the financial report, both the statement of financial position (balance sheet) and the income statement, which meets the definition of elements of the post with the following criteria:
 - a) It is probable that the economic benefits associated with the item will flow to or from the entity



- b) The item has a value or cost that can be measured reliably
- 2) Understanding of measuring the elements in the statement of financial position (balance sheet) and income statement, namely the process of determining the amount of value used to measure the value of items in the financial statements which includes the assessment of asset items, liability items, items equity items, revenue items, expense items. Measurements made are based on historical value and fair value.
- 3) Understanding relating to the presentation of each item in the financial statements, namely the presentation is done fairly means that the presentation is done honestly in accordance with the conditions of transactions, events and other conditions in accordance with the criteria in recognizing financial statement items, namely recognition of assets, recognition of liabilities, recognition revenue and expense recognition.

Referring to the explanation above, we can conclude that understanding is a process, meaning that there are steps that must be fulfilled until the level of understanding is reached. In this process there are many ways that can be taken, through formal education such as taking education with a background in accounting and finance, through non-formal education such as attending trainings in preparing financial reports, or it can also be pursued through the process of asking and or digging up information yourself and applying what that was studied. This means that MSME entrepreneurs can ask someone, watch tutorials on preparing business/accounting bookkeeping to preparing financial reports or attend training on preparing financial reports. This is possible because open access to information is available. Several government agencies also often conduct financial training for MSMEs. So that each individual can learn and understand something by accessing their own information, both online and offline information. However, the level of understanding and application of bookkeeping and accounting in MSMEs is still relatively low.

Several studies related to the effect of understanding accounting on the application of SAK EMKM have been carried out including by Krisjayanti and Tuban (2020), Romy (2018) which states that understanding accounting has a positive and significant influence on the application of SAK EMKM, because when MSME entrepreneurs understand accounting, of course they have ability to prepare financial reports in accordance with applicable accounting standards, in this case SAK EMKM. (Margi, Marina, & Rusmawati, 2021) this is in line with the results of research also conducted by Margi et al in 2021. Respondents' understanding in this study refers to the definition of understanding presented by Djuhari in Trisnaputri (2016). The development of the definition of respondents' understanding of accounting or business bookkeeping also used the understanding used by Trisnaputri.

METHOD

This research is a qualitative research. Qualitative research according to Amirullah (2016) is research that explains conditions or circumstances based on social and natural facts with researchers as key instruments, research data in the form of descriptive data and reported narratively. (Setyawati & Hermawan, 2018). The research results will emphasize the meaning rather than generalization. This research begins with data, using existing theory as explanatory material which will then end in a conclusion. Research data is primary data, namely data obtained directly from information sources, namely research objects. Data collection techniques using direct interview techniques with respondents. The direct interview technique was used to minimize the gap in understanding of the questions between the researcher and the respondent. The researcher directly conducted semi-structured and in-depth interviews based on the important points on the interview list that had been prepared. Direct interviews were conducted to provide an opportunity for the respondent to understand the meaning of the question by using sentences that are simpler and understandable to the respondent. This is also done to open up the possibility of needing additional questions for explanation. The development of the question items aims to collect adequate information from the condition and description of the respondents, so that the research objectives can be achieved. Deputy heads and hamlet heads were designated as key informants, to determine the direction of interviews with research respondents.

Research related to the understanding of MSME entrepreneurs regarding the application of financial reports is carried out by distributing questionnaires which have the weakness that there is a gap in understanding of the question items as described by the researchers above. In order for the research objectives to be achieved, the researchers conducted research in one hamlet, namely hamlet 10 in Palawan, Serdang Bedagai Regency. One hamlet was chosen so that the characteristics of the respondents were homogeneous. This study measures the understanding of MSME entrepreneurs on financial statements to predict business continuity. Research variables are measured using indicators:



- a) Training on financial management and preparation of business financial reports
- b) Understanding of processes and forms of accounting or business bookkeeping
- c) Understanding of the types and uses of business financial reports
- d) Understanding of the accounts in the business financial statements
- e) Understanding the use of bookkeeping for business
- f) Understanding of the use of financial statements and simple bookkeeping to predict business continuity

RESULTS AND DISCUSSION

The business of making palm sugar that is run by the people in hamlet 10 is a hereditary business from their previous parents. It is not surprising that there is a brown sugar manufacturing business that has been running for more than 40 years and the average business being occupied has been running for 7 to 10 years. The process of making palm sugar still applies simple and traditional processing methods. Most family businesses are carried out and managed by housewives assisted by their children and husbands, this is because husbands have other main jobs such as farming/farming, employees, traders and laborers. The average education of housewives or palm sugar entrepreneurs is elementary to high school, and most have high school/equivalent education. Because this business is a hereditary business, most of the palm sugar entrepreneurs do not have work experience in a different field other than palm sugar processing and farming. It is estimated that the average business turnover reaches Rp. 35,000 to Rp. 225.00 per day or the equivalent of 3 kg-15 kg per day with a selling price per kilo of palm sugar of Rp. 15,000; Production is carried out per day or every three days, depending on the supply of sap water. The main raw material in the form of sap water is obtained from the sap garden itself or from renting sap trees. Each MSME household or business owns 7 to 20 sap trees and/or rents 7-15 sap trees. The rental fee for the sap trees is equal to 1 kg of palm sugar per month per sap tree. So if a base price of IDR 15,000 per kilo of palm sugar is used, then per sap tree that is rented is IDR 15,000 per month. If a palm sugar business actor rents 7 sap trees, the rental fee for the sap trees is IDR 105,000 per month. The production of sap water will certainly have an impact on the production of palm sugar. The more sap water produced, the more palm sugar that can be produced. Summer is the best season for the production of sap water, while in the rainy season, the amount of sap that can be harvested will be less. So you can get an idea that the peak harvest of palm sugar production is in March-May, with an increase in production of up to 100% when compared to now in November. In addition to the cost of renting sap trees, palm sugar production also requires wood in the production process, choosing the use of firewood is considered to minimize production costs.

It is not uncommon for palm sugar entrepreneurs in hamlet 10 (ten) to receive assistance, although this assistance has not been fully felt by all entrepreneurs, but gradually and in turn each palm sugar business actor receives assistance. Assistance comes from both the government and the private sector. Most of the assistance was in the form of supporting tools for palm sugar processing and production costs. Entrepreneurs never think about how to increase business or business income, even though the desire is there. They don't know what steps or paths to take other than expecting cash assistance or equipment from the government or the private sector.

So even though this business has been carried on for generations, and has been running for years, palm sugar entrepreneurs still have not achieved success in the form of business expansion, as well as the development of production methods. There are several entrepreneurs that can cause the above conditions, one of which is due to the absence of good and systematic business management. Especially those related to business financial management. Like all palm sugar entrepreneurs, they have not separated business financial management from household finances, this is because the proceeds or income from selling palm sugar are used to meet household needs. This study used a semi-structured interview method, the interviewer faced directly with the respondent and developed questions based on research indicators.

Results of interviews with respondents

a) **Financial management training and preparation of business financial reports**

Training on preparing financial reports will help MSME entrepreneurs understand the process of preparing financial reports and can encourage entrepreneurs to prepare financial reports. Palm sugar business owners have never attended training in either the process of preparing simple business finances, or the preparation of Financial Reports according to EMKM standards or managing business finances. Nevertheless, some palm sugar entrepreneurs have heard of business bookkeeping, some have an overview that is close to simple business bookkeeping, while some others have never and do not know the form of simple bookkeeping and the form of business financial reports both according to



standards and those that have not referred to accounting standards. finance. Suhairi said that one of the reasons why MSMEs were weak in preparing financial reports was training in preparing financial reports. Setyawati & Hermawan (2018) also revealed that training and coaching would make it easier for MSME entrepreneurs.

b) **Understanding of processes and forms of accounting or business bookkeeping**

Understanding of the accounting process means knowing the flow and steps in preparing financial reports, starting from understanding evidence of transactions, understanding journalism to preparing financial reports. While understanding the business bookkeeping process means understanding the steps for recording related to business transactions. Accounting refers to the process of preparing according to financial standards. The process and form of bookkeeping can be adjusted to the needs and scale of the MSME business. The results of the interviews revealed that all palm sugar entrepreneurs did not know what was meant by accounting and the accounting cycle. Some of them have heard the term accounting but do not know the form or actual accounting process. They understand that accounting is related to financial calculations in large companies. However, they have an overview of business bookkeeping, namely in the form of records of business income and expenses.

c) **Understanding of the types and uses of Business Financial Reports**

Financial reports consist of Balance Sheet Reports, Profit and Loss Reports, Changes in Capital Reports, and Cash Flow Statements. Each financial report has the function of presenting information related to the company's finances. Some respondents did not know exactly what were the reports in the business financial statements. They have never heard of or seen the form of financial statements. They also have never heard of the purpose and use of financial reports for MSME businesses. However, some of them have an overview of the components in the income statement, namely income and expense accounts. They can give an idea that the income statement is used to see the profit earned by the entity.

d) **Understanding of the accounts in the financial statements of the business**

The accounts presented in the financial statements represent the changing financial condition of the entity due to transactions that occur in the MSME entity or business. Every transaction that occurs in the entity will cause a change in the company's financial position, at least two accounts will change. Such as transactions or product sales in cash, it will cause changes in the sales value and changes in the entity's cash value. The number and distribution of these accounts will depend on the size of the entity, the larger the entity, the more numerous and complex the accounts used and presented in the entity's financial statements. Based on the results of interviews with respondents, overall they do not understand what is meant by accounts, how these accounts are used and their distribution in a business unit. They are familiar with several terms that are often used to represent transactions in accounts, including Cash, Sales, Accounts Payable, and expenses. However, they have not been able to distinguish or classify costs based on the type of activity. The term understood capital refers to working capital as is the term in financial management, which is of course different from the understanding of capital in financial accounting (which is used in financial statements). Most entrepreneurs know what business income is and what is meant by business expenses. However, they have not been able to distinguish between production costs and non-production costs. Respondents also understand what is meant by business profits or profits, and business losses.

The results of the research at this point are in line with the results of interviews conducted by Setyawati and Hermawan (2018), namely MSME entrepreneurs know the terms profit/profit and loss. MSME entrepreneurs also understand how to calculate profits/profits or losses. Trinaputri's research (2016) also revealed that MSME entrepreneurs have the ability to define and explain their understanding of account names in financial reports based on a description of their business activities.

e) **Understanding the use of bookkeeping or accounting for business**

Bookkeeping and accounting are useful for recording and classifying business financial transactions. In the accounting cycle, every transaction or business activity will be identified and recorded in the general journal, posted to the general ledger until finally a business financial report will be compiled. Meanwhile, bookkeeping is simpler and easier, only containing records of incoming and outgoing money from each business activity. The results of the interviews show that respondents are more likely to know about bookkeeping when compared to accounting. They know that bookkeeping is a business record that contains records of incoming and outgoing money. However, their understanding is limited to that bookkeeping is useful for knowing the remaining amount of money at the end of each month or at the end of a transaction, besides that they don't understand it.

f) **Understanding of the use of financial reports and simple bookkeeping to predict business continuity**



Business continuity is a condition that is desired by every business owner. Business continuity means describing the belief that the business will continue and grow. The continuity of an entity's business can be predicted using the data available in the entity in the form of financial and non-financial data. Data derived from financial data that is used to predict business continuity can be taken from financial statements, such as business sales data per period can be used to analyze sales growth during the current period and predict the possibility of increasing sales for the next period or in the future. The results of interviews with respondents revealed that respondents did not know that financial statements, accounting records and bookkeeping records could be used to assess business financial performance and predict business continuity.

From the results of the interviews it was also known that MSME entrepreneurs had not separated business finances from family finances, this is indeed what we often encounter in home industry businesses. Because there is no separation of business finances, income and expenses for the business are not detected, sales valuations and so on cannot be known. There is even no provision for part of the profit as retained earnings. So the business that is run is only limited to incoming and outgoing income just like that for business and for family needs. The impact is that businesses cannot increase production capacity, invest in production equipment, add immovable assets such as palm trees, even product development or product diversification. Whereas from palm sugar products other products can be produced which of course have a higher selling value by processing palm sugar into other products such as ant sugar or palm sugar nuts. The low understanding of MSME entrepreneurs on accounting and preparation of financial reports is influenced by several fenterpreneurs. Research related to the understanding of MSME entrepreneurs on financial reports both according to EMKM standards and simple business financial reports has been carried out by several researchers. These studies reveal that there are several fenterpreneurs that affect the level of understanding of MSME entrepreneurs on the application or preparation of financial reports including: level of education, educational background, training in accounting/preparation of financial reports, perceptions of cost and time, the absence of separation of business finances,

The results this study reveals that the level of understanding of the respondents as entrepreneurs is still at the basic level. This is due to the level of education that is not yet supportive, but their educational background helps them understand more about basic matters related to business records but not yet at the level of accounting and preparation of financial reports according to financial accounting standards. They know some of the account terms used in the accounting process or the accounts presented in financial reports, such as revenue/sales, cash, accounts payable and accounts receivable, and expenses. However, they do not know the characteristics and use of these accounts in the financial statements. The results of this study are in line with research conducted by Kurniawati (2012) which said that the low level of education of entrepreneurs also supports the low understanding of entrepreneurs in preparing financial reports. (Santiago & Dwi, 2021). However, Wati et al (2021) revealed a different matter, that the level of education has no effect on the understanding of MSMEs in preparing financial reports. Only the educational background will affect the understanding of MSME entrepreneurs in preparing financial reports.

CONCLUSION

The level of understanding of entrepreneurs is at the basic level, namely at the definition level, some entrepreneurs know several accounts contained in the financial statements, but they still do not know the form and process of preparing financial reports. So do not be surprised if they also have not been able to predict the continuity of their business using data in financial reports. This condition is thought to be due to the lack of training and assistance in business financial management and the preparation of financial reports, and the low knowledge of the benefits of the availability of business financial reports.

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