

# Application of Financial Accounting Standards for Micro, Small and Medium Entities to the Preparation of Financial Statements in MR MSMEs

Syarifah Madhuri Ritonga<sup>1</sup>, Husni Mubarak<sup>2\*</sup>

<sup>1,2</sup>Sekolah Tinggi Ilmu Manajemen sukma, Manajemen, Sekolah Tinggi Ilmu Manajemen Sukma, Medan, Indonesia  
Email: <sup>1</sup>syarifahmadhuri96@gmail.com, <sup>2\*</sup>husnimubarak0707@gmail.com  
(\* : [husnimubarak0707@gmail.com](mailto:husnimubarak0707@gmail.com))

## Abstract

The purpose of this study is the purpose of this study is to apply financial accounting standards for micro, small and medium entities (sak-emkm) in preparing financial reports for UMKM MR. Data analysis used a qualitative descriptive method. Qualitative descriptive method is a research method that seeks to describe and interpret objects with what is there. The results of the report that describe the condition of the object or subject under study are in accordance with what is there, in other words that describe descriptively systematically the objects and objects under study and must be precise. The data in this study were obtained from interviews conducted by researchers with informants. The interviews were conducted using an unstructured method and were carried out as relaxed as possible, with the aim of digging up more and deeper information from the informant. Accounting system in order to obtain more accurate data and to facilitate the process of analysis and preparation of financial reports using Micro, Small and Medium Entities (AK-EMKM). The results of the study show that (1) the business obtains a profit that is not too large or not comparable to the costs incurred, (2) The cost of raw and auxiliary materials is too high while the income/sales are not too much/not comparable, (3) the capital spent is sufficient large but the profits are relatively small, (4) the use of cash for business is not optimal so that business development is relatively slow, calculated for more than 40 years the business has been established, (5) withdrawals are quite large every month, because the business owner does not pay himself or does not calculating the energy that has been expended, so that to meet his daily needs he takes business money.

**Keywords:** Financial Accounting Standards for Small and Medium Micro Entities, Financial Reports on MSMEs

## 1. INTRODUCTION

Micro, Small and Medium Enterprises, commonly referred to as MSMEs, are business actors engaged in various business fields, which include the interests of the community (Hasanah, Muhtar, & Muliastari, 2019) Micro, Small and Medium Enterprises (MSMEs) have an important position in the economy in Indonesia by contributing to increasing state revenue and also providing employment so as to minimize the problem of unemployment in Indonesia. The development of Micro, Small and Medium Enterprises is also evidence of being a national economic savior in the event of an economic crisis shock, as evidenced in 1997-1998 MSMEs were still able to stand and operate. If we look at the development of existing MSMEs, the number of MSMEs continues to show an increase and is even able to absorb 85 million to 107 million workers until 2012. This proves that MSMEs can benefit the country.

However, there are still many problems that face the development of MSMEs. According to (Sihombing, 2014) Small business failure can be caused by 1) low management competence 2) lack of experience 3) weak financial control 4) failure to develop strategic planning 5) uncontrolled growth 6) poor business location. The lack of completeness in recording business financial reports with the correct method or standardization is also one of the obstacles that is often found in several MSMEs. The reason that is often put forward by business owners is that they do not know the preparation of correct reports and just rely on memory because these business activities are carried out every time and the main focus of business actors is only on handling production. records are made simply and only record capital, expenses and profits earned. Accounting is the process of identifying, recording, and reporting economic data or information that is useful for assessment and decision making. (Hanggara, 2019).

According to (Indonesian Accounting Association, 2018) explains that the Financial Accounting Standards for Micro, Small and Medium Entities (SAK EMKM) are standards that have been made and ratified by a professional organization that houses all Indonesian accountants, namely the Indonesian Accounting Association or IAI. The Financial Accounting Standards for Micro, Small and Medium Entities (SAK EMKM) in MSMEs are specifically designed as a benchmark for MSMEs in preparing financial reports. Financial Accounting Standards for Micro, Small and Medium Entities (SAK EMKM) have been effective since January 1, 2018. SAK EMKM is compiled in a simple manner to make it easier for MSME actors to use it. The components contained in the SAK EMKM financial statements only consist of the Balance Sheet, Income Statement and notes to the financial statements. Although it is quite concise, it does not change much principles that have generally been implemented at this time. However, in reality, the application of SAK EMKM is still very low and is not needed by MSME owners because it is considered burdensome for small and medium business owners. This is because the owner does not know the importance of recording financial statements for the development

of his business.

Previous research by (Nuvitasari, Citra Y, & Martiana, 2019) stated that the financial statements prepared and presented by UD.Karya Tangi Banyuwangi are still very simple and not in accordance with SAK EMKM because MSME owners do not understand and understand the standards of financial statements specifically for MSMEs, after applying UD.Karya Tangi Banyuwangi's financial statements based on SAK EMKM as a whole, prepared and presented with the same amount. The application of financial statements in accordance with SAK EMKM presents financial statements consisting of three components, namely the statement of financial position, some statistics and notes to financial statements. Meanwhile, research by (Mutiah, 2020) states that MSMEs have problems in preparing financial reports, namely limited thinking about managing financial reports and an inadequate number of Human Resources (HR) in preparing financial reports. Financial statements based on EMKM SAK, namely the Statement of Financial Position, Income Statement, and Notes to Financial Statements.

MR's business is an MSME in Pematang Siantar with tofu and tempeh products. The business continues from generations of MR's family and is quite capable of surviving. However, business owners do not provide management in good and correct financial records, where there is no recording process carried out and the owner only relies on memory and small notes, this can have an impact on the unclear flow of cash in and out, payables, receivables and even existing assets and will not be clearly documented. Based on this initial phenomenon, the researcher considers it important to conduct research with the title "Application of Financial Accounting Standards for Micro, Small and Medium Entities (SAK-EMKM) in Preparing Financial Statements at MR MSMEs". The purpose of this study is to apply the Financial Accounting Standards for Micro, Small and Medium Entities (SAK-EMKM) in the preparation of financial statements at MSMEs MR.

## 2. METHODOLOGY

### 2.1 Basic Research Framework

The types of data in this study are:

1. Primary data, is obtaining data from interviews with various parties including business owners and employees. And supporting data from the object of research.
2. Secondary Data, is data obtained by researchers that is already available, in the form of documents related to the preparation of financial reports.

The data sources used in this study are:

1. Internal data is data obtained from the object of research including income and expenditure reports carried out during the interview process.
2. External data is data sourced from outside the object of research such as the internet and literature study.

The data collection methods used in this study are as follows:

1. Documentation Study, is the collection of data by researchers sourced from existing documents on the object of research.
2. Interview is a method carried out by researchers by asking directly to the owner of UMKM MR regarding the preparation of financial statements carried out by UMKM MR.
3. Observation, is a direct observation of UMKM MR.

### 2.2 Data Analysis Method

The data analysis method in this study uses a qualitative descriptive method. Qualitative descriptive method is a research method by describing and interpreting the condition of the research object in accordance with field facts, so that it can be said that descriptive research clearly describes the facts and conditions studied precisely. The data in this study were obtained by conducting interviews with informants who could provide clear and detailed information. Interviews were conducted by asking unstructured questions, this was done so that researchers could dig deeper for information related to the research topic. It is intended that the author get very accurate data so that in the future it will facilitate the process of analyzing and preparing financial reports using the Financial Accounting System for Micro, Small and Medium Entities (SAK-EMKM).

### 3. RESULTS AND DISCUSSION

**Table 1.** Statement of Financial Position

<u>Laporan Posisi Keuangan</u>			
<u>Bulan Mei 2022</u>			
<b>ASET</b>			
<u>Aset Lancar</u>			
Kas	Rp	18,357,000	
Perlengkapan	Rp	30,000	
Total Aset Lancar			Rp 18,387,000
<u>Aset Tetap</u>			
Gedung	Rp	150,000,000	
Akumulasi Penyusutan Gedung	Rp	(40,500,000)	
Peralatan	Rp	21,680,000	
Akumulasi Penyusutan Peralatan	Rp	(10,660,000)	
Mesin Diesel	Rp	2,000,000	
Akumulasi Penyusutan Mesin Diesel	Rp	(975,000)	
Mesin Penggiling	Rp	3,000,000	
Akumulasi Penyusutan Mesin Penggiling	Rp	(1.462.500)	
Total Harta Tetap			Rp 123.082.500
<b>Total Harta</b>			<b>Rp 141,469,500</b>
<b>LIABILITAS</b>			
Utang Usaha	-		-
Utang Bank	-		-
<b>EKUITAS</b>			
Modal	Rp	132,291,000	
Prive	Rp	(5,000,000)	
Saldo (Laba)	Rp	14.178.500	
<b>JUMLAH EKUITAS</b>			<b>Rp 141.469.500</b>
<b>JUMLAH LIABILITAS &amp; EKUITAS</b>			<b>Rp 141,469,500</b>

**Table 2.** Income Statement

<u>Aneka Cemilam Nusantara Umami Dira</u>		
<u>Laporan Laba/Rugi</u>		
<u>Bulan Mei 2022</u>		
<u>Pendapatan</u>		
<u>Pendapatan Tunai</u>		<u>Rp 109,200,000</u>
<u>Beban :</u>		
<u>Beban Bahan Baku &amp; Penolong</u>	<u>Rp 78,000,000</u>	
<u>Beban Gaji</u>	<u>Rp 13,000,000</u>	
<u>Beban Listrik</u>	<u>Rp 1,000,000</u>	
<u>Beban Perlengkapan</u>	<u>Rp 120,000</u>	
<u>Beban Penyusutan Peralatan</u>	<u>Rp 164,000</u>	
<u>Beban Penyusutan Mesin Diesel</u>	<u>Rp 15,000</u>	
<u>Beban Penyusutan Mesin Penggiling</u>	<u>Rp 22,500</u>	
<u>Beban Penyusutan Gedung</u>	<u>Rp 100,000</u>	
<u>Beban Transportasi</u>	<u>Rp 2,600,000</u>	
<u>Total Beban</u>	<u>Rp 95,021.500</u>	-
<u>Laba Bersih</u>		<u>Rp 14,178,500</u>

From the results of research and preparation of financial reports that the authors conducted through various methods including direct interviews with business owners, preparation of financial reports and analysis of UD MR's financial transactions, the authors can conclude several main problems, including:

1. The business earns profits that are not too large or not proportional to the costs that have been incurred.
2. The cost of raw and auxiliary materials is too high while the income / sales are not too much or not proportional to the existing expenses.
3. The capital spent is quite large but the profit earned is relatively small.
4. The use of cash for business has not been maximized so that business development is relatively slow, calculated that it has been more than 40 years since the business was established.
5. Taking pride is quite large every month, because the business owner does not pay himself or does not calculate the energy that has been spent, so that to meet his daily needs the owner takes or uses business money.

From the results of the research conducted by the authors, it was found that UD UMKM. MR does not have a special recording of financial statements, recording all existing transactions is done only by using memory or small notes on purchase invoices. This is considered a very important problem to be given a solution or solution, because in a business, recording reports is an important thing to do, the fundamental thing about the importance of a financial report is that all transactions, costs and expenses in carrying out the business process can be recorded so that businesses can see the financial position of the business.

According to the owner of UD MR MSME, the business owner does not know and does not understand how to record financial reports in accordance with accounting science, the owner does not know the importance of a financial report in running a business and also does not understand the purpose of making financial reports.

MSMEs also do not provide personnel specifically for recording all forms of business financial transactions. In every company, the financial and accounting sections play an important role in determining the direction of company planning, therefore the financial section must function properly, so that those who need it will be able to obtain these financial reports and help them in the decision-making process as expected, especially for business owners. help him in the decision-making process as expected, especially for business owners. (D. S. Purba et al., 2021)

Financial management or financial management is planning, organizing, directing and controlling activities such as procurement and utilization of business funds. This means applying general management principles to business financial resources. Financial management can also be explained as the process of making decisions, organizing, controlling and planning finances using information from accounting to assist businesses in achieving financial goals.

Financial management for Small and Medium Enterprises (SMEs) will encourage SMEs to develop with the right managerial, the following tips can be done among others:

1. Separate personal and business money.  
SMEs in their daily lives sometimes mix business money and personal money, and that is a mistake that is often done.
2. Plan the use of money  
The use of money must be well planned, even if you already have a large capital. Sales and revenue targets must be in line with the spending plan. Do not spend money if it does not match the capital plan, spending must provide benefits. Do a profit and loss analysis.
3. Keep financial records  
Recording business income and expenses is very important, complete records will show where the money is used. Recording is done in a cash book that records the entry and exit of money. And match the balance with the records every day. Apart from using books, financial recording using financial software will make the recording process easier.
4. Turn cash flow faster  
Businesses not only manage profits, turning cash flow needs to be a concern. In addition, financial management is also how to manage receivables, and inventory. The term of credit sales is the same as credit purchases, so that the goods purchased do not accumulate, this is so that cash can rotate quickly.
5. Keep an eye on assets, debts and capital  
Well-organized administrative records will control the amount of inventory in the warehouse. Also buyer receivables and bills from suppliers. Keep records in a structured and neat manner to avoid mistakes or unconscious loss of assets. Hiring a professional can be an option when the business owner cannot do it all.
6. Set aside profits for business development.  
At least set aside 10 percent to business capital, the profit earned from running a business for business development. Sustainability and business survival will encourage and direct investment in profitable fields.
7. Calculate profit correctly  
A well-run business will generate profits, but there are times when the profits earned do not know how much. Therefore, it is important to calculate the costs incurred. (D. S. Purba et al., 2021)

UMKM UD. MR should prepare financial reports with the Financial Accounting Standards for Micro, Small and Medium Entities, SAK EMKM is an accounting standard that was created to make it easier for micro, small and medium enterprises to run their businesses, where it is expected to be able to realize more independent and more advanced MSMEs, including MSMEs can organize records on business financial reports, and be able to produce accounting information whose role is very important in achieving business success. Micro, Small and Medium Enterprises need a financial management strategy, where the strategy is made with the aim that these MSMEs can run well and be able to increase their business productivity. One of the financial management efforts is to prepare financial reports for each period to determine business development from time to time. (M. A. Purba, 2019)

#### 4. CONCLUSIONS

Based on the research and analysis of the authors, it can be concluded that UMKM UD. MR does not apply the preparation of financial reports to the business being run, in the absence of preparing business financial reports and placing personnel who understand recording financial reports, UMKM UD. MR has never known clearly and with certainty the profit from the business being run because there is no distinction between business and personal finances, as well as costs, there is no distinction between business needs and personal needs, this can be seen from the high use of business finances when recording financial statements by the author. UMKM UD. MR also does not know the profit and loss business because there is no recording of financial reports so that the business does not know the financial position of the business, as evidenced by the business that has been running for 40 years but there is no rapid development in the business being run, it even looks slow.

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