

ANALYSIS OF THE APPLICATION OF FINANCIAL REPORTING BASED ON FINANCIAL ACCOUNTING STANDARDS FOR SMALL AND MEDIUM MICRO ENTITIES IN MSMEs

(Case Study Of Irin Jaya Cakalang Fish Processing MSMEs In Bojong Village)

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ABSTRACT

The various cultures that exist in Indonesia can be processed and turned into commodities with market value so that they become the basis for the growth of micro, small and medium businesses. However, it needs to be emphasized that MSME players still lack awareness and must be provided with education regarding the relevance of financial openness in their businesses. So far, the MSME registration procedure is still quite simple. In fact, some of them have not documented or prepared financial reports in accordance with the Financial Accounting Standards for Micro, Small and Medium Entities (SAK EMKM) which have just been established. This research aims to describe whether the financial reports of the Irin Jaya Cakalang Fish Processing UMKM in Bojong Village are in accordance with SAK EMKM or not. Data collection was carried out by means of interviews, observation and documentation. This research uses a qualitative method with a descriptive approach. Based on the research results, it shows that the records at the Irin Jaya Cakalang Fish Processing UMKM are not in accordance with SAK EMKM. Irin Jaya Cakalang Fish Processing UMKM has not prepared a financial position report, profit and loss report and notes to financial reports in accordance with SAK EMKM. Apart from that, Irin Jaya Cakalang Fish Processing MSMEs face obstacles in implementing SAK EMKM, namely the lack of knowledge of MSME owners about financial reports in accordance with SAK EMKM, the owners do not have accounting staff who understand preparing financial reports according to SAK EMKM, and MSME owners consider it unimportant to prepare financial reports. the most important thing is to get a lot of profit.

Keywords: *Financial Reports, UMKM, SAK EMKM.*

INTRODUCTION

With the current era of globalization, particularly in developing countries like Indonesia, there is an increasing emergence of innovative communities. The necessity to keep pace with global developments is crucial for sustaining amidst the not always

stable economic conditions. To meet livelihood needs, many individuals are not merely content with being employees but seek additional ventures, such as establishing Micro, Small, and Medium Enterprises (MSMEs) (Handayani, 2020).

Armanda (2020) asserts that despite being small-scale, MSMEs should not be underestimated as their presence in the economy plays a significant role in Indonesia's economic growth and development. Furthermore, given the intensifying competition in today's job market, MSMEs also have the capacity to absorb a large workforce from the jobs they generate.

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in job creation, simultaneously assisting the government in reducing unemployment rates (Widiastawati & Hambali, 2020). According to Sularsih & Sobir (2019), the role of MSMEs lies in employing a significant workforce and having the capability to empower local resources and produce general public necessities at affordable prices. Well-managed and developed MSMEs will undoubtedly realize a robust business sector, one that requires good administration support.

One of the vital economic players in Indonesia is the Micro, Small, and Medium Enterprises (MSMEs) sector, especially concerning the amount of workforce it can absorb. Currently, MSMEs are experiencing a positive trend, with their numbers increasing steadily each year. This positive trend will have beneficial impacts on Indonesia's economy (Aribowo, 2021).

The presence of Micro, Small, and Medium Enterprises (MSMEs) in the national economic structure is so crucial that further efforts are needed to ensure their sustainability. Government Regulation of the Republic of Indonesia Number 17 of 2013 Article 49 regarding the implementation of Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises stipulates that "in efforts of guidance and supervision as described in article 49, business license holders are obliged to conduct their business activities in accordance with the granted license, comply with the requirements stated in the business license, compile business activity records referring to financial statements

presentation that separates assets used for business and non-business assets." Although the requirements for keeping business activity records have been clearly stipulated in the regulation, in reality, many MSME practitioners have not implemented accounting records according to the established standards.

According to information from the Coordinating Ministry for Economic Affairs of the Republic of Indonesia, MSMEs play a very important role in the Indonesian economy, accounting for 99% of all business units. The contribution of MSMEs to GDP also reaches 60.5%, and to employment absorption is 96.9% of the total national workforce. Gross Domestic Product (GDP) is the calculation of the value of goods and/or services of a country and foreigners living in that country for one year. Considering this significant role, support from all parties is required to develop and realize MSMEs that are advanced, independent, and modern. There are 3 contributions of MSMEs in the Indonesian economic cycle, especially in the lives of small communities, namely as a means to level the small community economy and increase foreign exchange (Armanda, 2020).

Micro, Small, and Medium Enterprises are small-scale economic activities but have a significant impact on the economy of a region and their ability to absorb labor (Aribowo, 2021). In this regard, MSMEs can be a cornerstone for improving the economy of a region because they can withstand compared to other large businesses that tend to experience setbacks in business. Certainly, the primary goal of every business is to make as much profit as possible, and business practitioners also have specific goals besides achieving significant profits, namely assisting government programs in reducing unemployment rates in Indonesia, especially in Purbalingga Regency. Therefore, financial statements prepared in accordance with generally accepted accounting principles applicable to MSMEs

are required.

MSMEs in their financial reporting now have the Micro, Small, and Medium Enterprises Financial Accounting Standards or abbreviated as SAK EMKM. These standards were established as simple accounting standards that can be used by Micro, Small, and Medium Enterprises (Herwiyanti et al., 2020). The problem now is that many MSME practitioners do not implement accounting according to SAK EMKM because their main focus is on profit without complicating financial statements, so MSME practitioners only apply daily records and do not end with financial statements. This is due to several aspects, one of which is the limited education and knowledge of MSME practitioners, so there is no understanding of Financial Accounting Standards (Aribowo, 2021).

Financial statements are information provided to users related to the condition of the company, and their purpose is to describe the company's condition and decision-making. However, with the existence of financial statements, it is not necessarily fully capable of assessing the overall performance of the company; there must be good and appropriate analysis of financial statements. Every business that has been established has a principle to achieve certain goals; therefore, the principle of every establishment of a business generally has the same goal, only differing in priority. Financial statements, in essence, are information about the finances of a company that can be used to see the company's condition and evaluate its performance over a certain period (Adila et al., 2021).

In general, business owners are already familiar with accounting, but their records are still very simple and insufficient due to a lack of understanding of good financial statements. A company can be said to be effective and efficient if it has implemented the preparation of financial statements in accordance with the procedures and steps established in

accounting. In the preparation of a company's financial statements, it must be clear and can be used to show the financial condition of the company (Anggraini, 2022).

Therefore, there is a need for the availability of simpler accounting standards due to limited human resources. In order to help MSMEs meet their financial reporting needs, the Financial Accounting Standards Board of the Indonesian Institute of Accountants (DSAK IAI) in 2016 compiled and ratified the Micro, Small, and Medium Enterprises Financial Accounting Standards (SAK EMKM). The issuance of SAK EMKM is a form of support from IAI as a professional organization of accountants in improving the enforcement of transparency and accountability of financial reporting entities, as well as encouraging the growth of the MSME sector in Indonesia. SAK EMKM is designed to meet the financial reporting needs of micro, small, and medium-sized entities (Uno & Kalangi, 2019).

These standards are expected to support around 57.9 million MSME practitioners in Indonesia in preparing their financial statements without having to deal with the complexities of current Financial Accounting Standards. SAK EMKM was formed as a much simpler accounting standard compared to the Standards for Entities Without Public Accountability (ETAP). Technically, SAK EMKM fully adopts the historical cost measurement basis, allowing MSMEs to record assets and liabilities at acquisition value. Although every entity is required to carry out accounting records, obstacles such as limited knowledge of accounting, the complexity of the accounting process, human resource limitations, the assumption that financial statements are not a priority in business, and the absence of regulations requiring MSMEs to prepare financial statements have made the implementation of accounting records and financial statement preparation difficult, especially for MSMEs (Harrison, 2012).

The Cakalang Fish Processing MSME Irin Jaya is one of the MSMEs in Purbalingga, specifically in Bojong Village, Purbalingga Sub-district, Purbalingga Regency. The Cakalang Fish Processing MSME has been operating since 2004. This MSME is engaged in the manufacturing sector, specifically Cakalang Fish Processing in Purbalingga Regency. This MSME is classified as a small business, with annual sales (revenue) in 2019 of approximately Rp. 2,000,000,000 (two billion rupiah). According to Article 6 of Law Number 20 of 2008, small businesses have a net worth of more than Rp. 50,000,000 (fifty million rupiah) up to a maximum of Rp. 500,000,000 (five hundred million rupiah) excluding land and buildings for business premises, or have annual sales of more than Rp. 300,000,000 (three hundred million rupiah) up to a maximum of Rp. 2,500,000,000 (two billion five hundred million rupiah).

Interviews with the managers of the Cakalang Fish Processing MSME revealed several problems faced by the Irin Jaya Cakalang Fish Processing MSME, namely that so far, cost accounting has not been conducted properly, and recording does not comply with SAK EMKM. Overhead factory costs and non-production costs (general selling expenses and administrative expenses) are often overlooked, so these costs, which have actually been incurred, are not accounted for properly in the financial statements according to the guidelines or standards set. Having increasing sales requires better and systematic financial reporting. However, in the Cakalang Fish Processing MSME, cost/income recording is still done in a simple manner without using a system. The recording done only involves customer orders, purchases and sales, and there is no dedicated workforce for accounting record management, which should be a tool for business development.

This research is motivated by previous research conducted by Susanto & Ainy (2019) which showed that the

financial statements presentation of the Fresh Fish MSME did not comply with SAK EMKM. The research showed that the Fresh Fish MSME still uses very simple financial statements, and the recording is manual and limited to recording only income and expenses. The difference from previous research lies in the research object using the manufacturing business field, namely Cakalang Fish Processing located in Bojong Village.

Based on the description above, financial reporting based on SAK EMKM is important because it can help business practitioners in running their businesses. Therefore, the researcher is interested in conducting research with the title "Analysis of the Application of Financial Statements Based on the Financial Accounting Standards of Micro, Small, and Medium Enterprises (Case Study of the Cakalang Fish Processing MSME in Bojong Village).

LITERATURE REVIEW

Financial Reports according to the Indonesian Accounting Association (2016) financial reports are a structured presentation of the financial position and financial performance of an entity. In other words, this financial report functions as an information tool that connects the company with interested parties that show the financial health of the company and financial reports are usually accompanied by notes on the financial reports (Hery, 2016)

The purpose of financial reports according to the Indonesian Accounting Association (2016) is to provide information on the financial position, financial performance, and cash flow of an entity that is useful for most users of financial reports in making economic decisions, the purpose of financial reports is to provide information on the financial position, financial performance, and cash flow reports of an entity that is useful for a large number of users in making economic decisions or anyone who is not in a position to request special financial reports to meet

certain information needs that are a form of accountability regarding the ability to company owners regarding growth or decline, and allow for comparison with other similar companies.

Financial Accounting Standards for Micro, Small and Medium Entities, SAK-EMKM is a guideline in preparing ETAP financial statements. SAK EMKM is intended for use by entities without public accountability. An entity without public accountability is an entity that does not have significant public accountability, and publishes financial statements for general purposes for external users (Fitriyyah et al., 2020). In preparing financial statements fairly, it is important to honestly present the impact of transactions, events and other conditions that are in accordance with the definitions and recognition standards for assets, liabilities, income and expenses. The fair presentation process in financial statements requires entities to provide information with the aim, Relevance of information can be used by users for the decision-making process. Accurate representation of information in financial statements accurately represents what will be represented and is free from material errors and bias. The comparability of information in an entity's financial reports can be compared between periods to identify trends in financial position and performance. Information in an entity's financial statements can also be compared between entities to evaluate financial position and performance. The understandability of the information presented can be easily understood by users. Users are assumed to have adequate knowledge and a willingness to study the information with reasonable diligence.

Micro, Small and Medium Enterprises (MSMEs), Based on Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs), the definition and criteria of MSMEs that apply in Indonesia have been determined, the definition of MSMEs as follows: Micro Business is a productive business owned by

individuals and/or individual business entities that have a maximum net worth of IDR 50,000,000.00 and annual sales results of a maximum of IDR 300,000,000.00.b. Small Business is a productive economic business that stands alone which is carried out by individuals or business entities that are not subsidiaries or branches of companies owned, controlled or are part of either directly or indirectly of medium-sized businesses or large businesses that have a maximum net worth of IDR 50,000,000.00 and annual sales results of a maximum of IDR 500,000,000.00.c. Medium Enterprises are independent productive economic enterprises carried out by individuals or business entities that are not subsidiaries or branches of companies owned, controlled or are part of either directly or indirectly with small businesses or large businesses with a maximum net worth of Rp. 300,000,000.00 and annual sales results of a maximum of Rp. 2,000,000,000.00.

RESEARCH METHODS

The location of this research was carried out at the Irin Jaya Cakalang Fish Processing in Bojong Village RT 03 RW 01 Purbalingga District, Purbalingga Regency. The data that will be used in this research is divided into two data, namely: Primary Data, primary data is research data obtained by researchers through direct interviews with informants, namely Mr. Riswanto as the business owner, Mrs. Syariah as the finance department and Mr. Irin as the head of production. Secondary Data, secondary data is data that can provide information and can be used as support, where the data is obtained from the results of other people's activities. Secondary data is also obtained directly through documents, reports and notes.

The data collection technique used in this research uses: Interview, an interview is a meeting of two people to exchange information through questions and answers, so that meaning can be contributed to a particular topic. Interviews are used as data

collection if the researcher wants to conduct a preliminary study to find problems that must be researched. This data collection technique is based on self-reports, or at least on personal knowledge and/or beliefs (Sugiyono, 2022). Researchers will conduct interviews with 3 sources, namely business owners or people who are at the top of the organizational structure and have full control over all operational aspects of the company, who is in this position, namely Mr. Riswanto. The financial staff is the person who handles the company's finances with the task of recording the company's financial condition, whose position is Mrs. Syariah. Meanwhile, the head of production for the Irin Jaya Bojong Cakalang Fish Processing MSME is Mr. Irin with the task of supervising the implementation of the production process, from initial raw materials to finished goods in accordance with the standards set by the company.

Observation, observation is a way of collecting data by going directly to the field regarding human behavior, work processes and natural phenomena. Observation is a form of observation where the researcher is active as an observer in a certain way. Observation is a study that is deliberate and carried out systematically, planned and directed towards a goal by observing and covering complex phenomena of one or a group of people in everyday life (Sugiyono, 2022). In this study, researchers collected data by direct observation of the existence of SAK EMKM in the Cakalang Fish Processing UMKM Irin Jaya Bojong.

Documentation, documentation is a record of past events, which can be in the form of writing, drawings or someone's monumental works. Documentation is a record of past events. Documentation studies are a complement to the use of observation and interview methods (Sugiyono, 2022). The documentation that researchers collected was in the form of archival documents, notes related to SAK EMKM at the Cakalang Fish Processing UMKM Irin Jaya Bojong.

RESULTS AND DISCUSSION

General description of the research location, According to Sugiyono (2022), a research location is a place where the social situation is related to the target or problem to be researched. Determining the research location is a very important stage in qualitative research because determining the research location means that the object and objectives have been determined, making it easier for the writer to conduct research. The research location is in Bojong Village, Purbalingga District, Purbalingga Regency

Overview of Irin Jaya Cakalang Fish Processing, Irin Jaya Cakalang Fish Processing is an MSME located in Bojong Village, Purbalingga District, Purbalingga Regency. The vision, mission and structure of this organization are as follows: vision to become a provider of high quality and most complete fish food products in Indonesia. Mission providing the best service to customers by prioritizing quality products, establishing good cooperation with suppliers in good faith and mutual benefit, establish good relations with the surrounding community, committed to continuing to develop superior honest and loyal human resources.

Financial reports are the final product of the accounting process, and are one of the factors that need to be considered when making decisions (Gaol, 2021). Financial reports are an accounting process that can be used to communicate financial data to parties responsible for running the business at the Irin Jaya Cakalang Fish Processing MSME. The results of an interview conducted with Mr. Riswanto as the owner revealed that "I had never recorded the preparation of the business's financial records when it was first established. This MSME only keeps basic records based on proof of transactions. The recording is only limited to expenses and income." Meanwhile, SAK EMKM requires each entity to present financial reports in the form of a Financial Position Report, Profit and Loss Report and Notes to

Financial Reports. All SAK EMKM financial reports include the Financial Position Report, Profit and Loss Report, and Notes to Financial Reports which contain an overview of the main accounting policies and other explanatory information.

MSME Revenue as of December 31, 2023

Marketer Name	Kg	Price/Kg	Income
Junaidi	24.840	Rp. 29.000	Rp. 720.360.000
Idin	18.720	Rp. 29.000	Rp. 542.880.000
Yoto	15.120	Rp. 29.000	Rp. 438.480.000
Income	58.680		Rp. 1.701.720.000

MSME capital as of December 31, 2023

Information	Price
Land and Buildings	Rp. 400.000.000
Vehicle(car)	Rp. 110.000.000
Amount Of Capital	Rp. 510.000.000

MSME Inventory As of December 31, 2023

Fish Supplier	Kg	Price/Kg	Amount
MrDarsin (Banyumas)	9.600 kg	Rp. 25.500	Rp. 244.800.000
MrParno (Cilacap)	9.600 kg	Rp. 25.500	Rp. 244.800.000
MrTanto (Jatilawang)	9.600 kg	Rp. 25.500	Rp. 244.800.000
Amount of stockpile	28.800kg		Rp.734.400.000

MSME Equipment as of December 31, 2023

Information	Quantity	Unit Price	Amount (Rp)
Plastic	30packs	Rp.5000	Rp.150.000 x 12 month = Rp. 1.800.000
Wood	3 cubic	Rp.150.000	Rp. 450.000 x 12 month = Rp. 5.400.000
Sawdust	40 bag	Rp.10.000	Rp. 400.000 x 12 month = Rp. 4.800.000
Pertamina Dex	-	-	Rp. 50.000 x 12 month = Rp. 600.000
Salt	5 quintal	Rp.90.000	Rp. 450.000 x 12 month = 5.400.000
Paper	30 kg	Rp.4.000	Rp. 120.000 x 12 month = Rp. 1.440.000
Rubber Bracelet	15 kg	Rp.13.500	Rp. 202.500 x 12 month = Rp. 2.430.000

Fuel	-	-	Rp. 1.050.000 x 12 month = Rp. 12.600.000
Equipment			Rp. 34.470.000

Financial Position Report This financial position report contains accounts such as cash and cash equivalents, receivables, inventories, fixed assets, trade payables, bank loans and equity. An entity includes accounts and account sections in its statement of financial position when relevant to understanding the entity's financial status. SAK EMKM is an accounting standard for micro, small and medium entities where, SAK EMKM was prepared to encourage and facilitate micro, small and medium enterprises in preparing financial reports, SAK EMKM does not regulate the format or order of presentation of accounts. However, an entity may display asset accounts in order of their liquidity, followed by liquidity accounts in order of maturity. The Cakalang Fish Processing MSME Irin Jaya, which prepares the accounting report, has not submitted a financial position report because the owner does not understand how to do it according to standards. The owner makes a bookkeeping report that only the owner understands and understands.

Based on the results of interviews with the owner of the Cakalang Fish Processing MSME, Irin Jaya, he still lacks understanding and is confused about making a bookkeeping report that meets the criteria. This is supported by the statement of Mr. Riswanto as the business owner who said that "I still don't understand and am confused about bookkeeping that meets the criteria, the financial reports that are made are only recorded simply." This MSME does not prepare a financial position report. Owners do not pay attention to assets and liabilities correctly and accurately. Owners also ignore their personal assets, as well as the company's liabilities and equity. The calculations carried out by UMKM Irin Jaya are simpler and not prepared clearly, this shows that UMKM Irin Jaya does not implement SAK EMKM.

Income Statement An income statement is a report that shows the ability of companies or business entities to generate profits in a certain time period, for example one month or one year (Gaol, 2021). An entity's income statement may include the following accounts: 1) Revenue can be interpreted as an increase in company wealth due to sales of company products in the context of normal business activities. 2) Operating Expenses are economic sacrifices made by a company to obtain goods and services that will be used in normal business and are useful during a certain period. Business expenses consist of various expenses that differ from one another, such as salary expenses, transportation expenses, electricity and telephone expenses, and so on. An entity presents accounts and parts of accounts in the profit or loss statement when such presentation is relevant to understanding the entity's financial performance. The income statement includes all income and expenses recognized in a period, unless SAK EMKM requires otherwise. SAK EMKM regulates the treatment of the impact of corrections to errors and changes in accounting policies which are presented as adjustments to previous periods and not as part of profit or loss in the period in which the change occurred. Irin Jaya Cakalang Fish Processing UMKM did not prepare a profit and loss report as it should. The profit and loss calculation carried out by MSMEs is obtained from sales proceeds minus the costs used and shows inaccurate results, because it does not involve production costs and the price used as a basis refers to the standard cost price. Based on the results of an interview with the finance department, Mrs. Syariah, admitted that income was only obtained from sales.

Notes to Financial Reports Notes to this financial report contain a statement that the financial report is prepared in accordance with SAK EMKM, an overview of accounting policies, as well as additional information and certain account details that explain important and material transactions,

making it easier for users to understand the report. Additional information and details provided vary depending on the entity's business activities. Notes to financial statements are presented systematically as long as each account in the financial statements can be cross-referenced with related information in the notes. Irin Jaya Cakalang Fish Processing UMKM did not prepare notes to the financial reports because they did not understand the information presented in the notes to the financial reports.

Obstacles Faced by Irin Jaya Cakalang Fish Processing MSMEs in Implementing SAK EMKM, Irin Jaya Cakalang Fish Processing UMKM does not apply SAK EMKM in its financial reports. This is due to the existence of inhibiting factors that make it difficult to implement SAK EMKM. From the research conducted, the researcher analyzed several things that hinder the implementation of SAK EMKM in the financial reports of Irin Jaya MSMEs, namely: Lack of knowledge of Irin Jaya MSME owners regarding SAK EMKM in presenting financial reports, managers only make records in the form of simple recording of income and expenses. The owner of MSME Irin Jaya admitted that he did not have accounting staff who could represent the owner in preparing financial reports in accordance with SAK EMKM. This is because the owner does not have the courage to hire accounting personnel to simply prepare financial reports. The owner of MSME Irin Jaya considers that preparing financial reports is not important, apart from being difficult to implement, it also wastes time and money. The most important thing for Irin Jaya MSME owners is how to generate large profits without the hassle of implementing accounting.

CONCLUSIONS AND SUGGESTIONS

Based on the results of the research and discussion regarding the application of the preparation of SAK EMKM in the financial reports of the Irin Jaya Cakalang Fish Processing UMKM, the following

conclusions can be drawn: 1. Management only makes reports on business activities that they classify as financial reports. Even though the report is still far from meeting financial accounting standards. This report is intended to regulate management finances. However, the manager of the Cakalang Fish Processing MSME, Irin Jaya, ensures orderly and accurate transactions by making transaction notes. This shows that they are trying to write reports that at least comply with accounting standards or accounting bookkeeping. 2. Management of the Irin Jaya Cakalang Fish Processing UMKM has not implemented a good accounting cycle, including journalizing transactions, publishing to the ledger, making trial balances, adjustments, worksheet balances, and issuing financial reports. 3. Irian Jaya Cakalang Fish Processing UMKM has not prepared a financial position report, profit and loss report and notes to financial reports in accordance with SAK EMKM. 4. Irin Jaya Cakalang Fish Processing MSMEs face obstacles in implementing SAK EMKM, namely the lack of knowledge of MSME owners about financial reports in accordance with SAK EMKM, owners do not have accounting staff who understand preparing financial reports according to SAK EMKM, and MSME owners consider it unimportant to prepare financial reports. the most important thing is to get a lot of profit.

Based on the conclusions of the research results, the researchers put forward the following suggestions: 1. Irin Jaya Cakalang Fish Processing MSMEs are expected to be able to produce financial reports that comply with SAK EMKM, because compliance with appropriate standards is very important. Financial reports prepared according to standards can be used to assess business success. In addition, this also helps ensure the completeness of previously prepared notes. 2. IAI is expected to be able to carry out extensive outreach and guidance regarding the introduction of SAK EMKM, so that

MSME players can prepare financial reports according to applicable standards and use their financial reports as a decision-making tool. 3. It is hoped that future researchers will be able to conduct research in different fields, for example the culinary sector and be able to obtain more complete financial reports so that research regarding the application of SAK EMKM to MSMEs in Indonesia becomes more varied. The recommendation of this research is that it is hoped that future researchers will examine financial reports with different objects with more complete financial reports so that research regarding the application of SAK EMKM to MSMEs in Indonesia becomes more varied.

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