

Implementation of Small and Medium Enterprise Financial Reporting Standards in Small and Medium Microbusiness Furniture Machines in Moyo Village, Moyo Hilir District, Sumbawa

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Abstract— *This study aims to find out (1) how furniture maker in Moyo village MSME understands SAK-UMKM (2) how to record and prepare financial statements of furniture maker in Moyo village, and to find out if financial statements apply to SAK-UMKM MSME (3) Obstacles faced by furniture manufacturers in registering and compiling financial statements that relate to SAK-UMKM. This study uses a qualitative descriptive research method. The sampling method used is purposeful sampling and snowball sampling. Data collection methods used include interviews, observation and documentation. The data validation method used is source triangulation and method triangulation. The data analysis used is an interactive analysis model. The results showed: (1) Furniture makers' understanding of the Financial Reporting Standards for Micro, Small, and Medium Enterprises (SAK-UMKM) is still low (2a) Financial statements made by furniture makers are limited to business reports that are made in accordance with the understanding and the needs of every furniture maker. (2b) Furniture makers do not use SAK-UMKM when preparing financial statements because furniture makers do not understand SAK-UMKM. (3) Obstacles for furniture makers in implementing SAK-ETAP, namely: lack of knowledge of furniture makers about SAK-UMKM, lack of professional accounting staff for furniture makers, lack of understanding by furniture makers of the importance of accounting and financial reporting, and ineffective communication from competent parties about SAK-UMKM.*

Indexed Terms— *Financial accounting, SAK-UMKM, SMEs.*

I. INTRODUCTION

At present, the development of development in Indonesia in all areas has begun to increase significantly. After the 1998 currency crisis, the Indonesian government began to improve development regulation in Indonesia. Developments taking place in all areas, one of which is the economy and industry. Increasing development in the economic and industrial fields cannot be separated from the role of companies in Indonesia. Companies in Indonesia, both large and MSMEs, contribute greatly to the development of the domestic economy and industry. Micro, small and medium enterprises grew and developed until Indonesian independence. MSMEs are regulated by Law No. 20 of 2008 on micro, small and medium enterprises. With the introduction of this law, micro, small and medium-sized enterprises receive business guarantees and equity, in addition, its implementation can also increase the position, role, and potential of MSMEs in realizing the economy, equity, and increasing incomes of the population, creating jobs and alleviating poverty.

MSMEs in ancient times were very reliable and could be used to sustain people. MSMEs in ancient times was carried out by people without external capital. The efforts made by the people before independence were very independent and did not use bank funds. In the post-independence era, especially when Indonesia was hit by a currency crisis, many large companies went out of business and laid off their employees, but MSMEs were proven to be able to survive and save the country's industry from a monetary crisis.

However, MSMEs face many challenges. One of the problems that MSME participants face is that MSME

participants do not understand the importance of registering and preparing financial reports. The recording and preparation of financial statements is essential for MSME entities to more accurately and up to date determine the financial position and performance of the company. In addition, by producing clear and accurate financial statements, MSME participants facilitate tax filing and increase business capital.

Due to these issues, IAI (Indonesian Accountants Association) has issued special accounting standards for micro, small and medium-sized enterprises to help MSMEs prepare accurate and up-to-date financial statements. The accounting standards issued by IAI specifically for MSMEs are known as SAK-UMKM. SAK-UMKM entered into force on January 1, 2011 and was made public. SAK-UMKM is a financial accounting standard for micro, small and medium enterprises. SAK-UMKM (2018) explains that the intended entity is an entity that is not publicly liable and an entity that publishes financial statements for general purposes to external users.

SAK-UMKM is compiled and published by IAI as a guide for MSMEs in preparing financial statements. Financial statements according to Muljanto (2020) are the result of a series of accounting processes that will be used as a basis for determining the position and performance of an enterprise. Financial reports can help companies in more up-to-date and accurate monitoring of the company finances. Given the importance of preparing financial statements for companies, IAI has issued special accounting standards for MSMEs. IAI released SAK-UMKM in May 2018, then IAI held socialization for the public to better understand the importance of preparing financial statements and preparing financial statements in accordance with accounting standards. Preparing financial statements in accordance with SAK-UMKM will produce up-to-date and accurate financial statements because the preparation of financial statements in accordance with SAK-UMKM includes several qualitative characteristics that exist in financial statements. The qualitative characteristics of financial statements according to SAK-UMKM (2018) are relevance, ease of understanding, reliability, completeness, content over form, sound judgment,

materiality, timeliness, and balance between costs and benefits.

However, the reality is that many MSMEs did not keep proper records and did not prepare financial statements with reference to SAK-UMKM. This is in line with research findings by Narsa, Widodo and Kurnianto (2020), which show that MSMEs do not apply SAK-UMKM when preparing financial statements, but companies can overcome capital problems by being able to obtain credit from banks. The same is true for Tyas and Fachriah (2020), which found that reporting on a company's biological assets does not fully comply with SAK-UMKM. It is known from two studies that some MSME companies do not implement SAK-UMKM. This happened due to the ineffectiveness of state socialization for the implementation of the SAK-UMKM for MSME,

One of the MSMEs that still exists is the MSME Furniture Craftsmen in Moyo Village. Most of the inhabitants of Moyo Village make a living as farmers and furniture makers. Moyo Village furniture artisans sell their products to the international market. Furniture makers usually work with factories to export goods abroad. Master furniture makers use a cubic formula when determining the cost of production. Moyo has shown progress and thoroughness in dealing. However, with the level of education and understanding that each artisan has, this will result in different financial management for each artisan. Based on this situation, the level of education and understanding will affect the registration and preparation of financial statements carried out by furniture makers in Moyo Village.

Based on the phenomenon against this background, the formulation of the problem in this study is as follows.

- a) How do furniture makers at an MSME in Moyo Village, Moyo Hillir District, Sumbawa Regency understand the Financial Accounting Standards for Micro, Small and Medium Enterprises (SAK-UMKM)?
- b) How is the registration and preparation of financial statements in the MSME in Moyo Village, Moyo Hillir District, Sumbawa Regency? Does the registration and preparation of financial statements by furniture makers qualify

under the Financial Accounting Standards for Micro, Small and Medium-sized Enterprises (SAK-ETAP)?

- c) What barriers exist for MSME furniture makers in Moyo Village, Moyo Hillir District, Sumbawa Regency, to register and prepare financial statements related to the Financial Accounting Standards for Micro, Small and Medium Enterprises (SAK-UMKM)?

Based on the description of the problem statement described above, the research objectives are formulated as follows:

- a. This study aims to determine the extent to which MSME furniture makers in Moyo Village, Moyo Hillir District, Sumbawa District, understand the Financial Accounting Standards for Micro, Small and Medium Enterprises (SAK-ETAP).
- b. Investigate the registration and preparation of financial statements by MSME furniture makers in Moyo Village, Moyo Hillir District, Sumbawa Regency, and whether the registration and preparation of financial statements referred to the Financial Accounting Standards for Micro, Small, and Medium Enterprises. enterprises (SAK-UMKM).
- c. Find out the registration and reporting limitations of MSME furniture makers in Moyo Village, Moyo Hillir District, Sumbawa Regency, which are related to the Financial Accounting Standards for Micro, Small, and Medium Enterprises (SAK-UMKM).

II. RESEARCH AND METHOD

This study uses a qualitative descriptive research method. The sampling method used is purposeful sampling and snowball sampling, when in the sample taken the emphasis is not on the quantity, but on the depth of information from the sample as a data source. Data collection methods used include interviews, observation, and documentation. The data validation method used is source triangulation and method triangulation. The data analysis used is an interactive analysis model.

III. RESULTS AND DISCUSSION

From the results of interviews conducted with furniture makers in Moyo village, it appears that furniture makers still have a poor understanding of

SAK-UMKM. Most furniture makers admitted that they did not understand and did not know directly from the authorities about SAK-UMKM. The furniture maker in Moyo Village also admitted that the furniture maker did not know how to keep records and prepare financial statements in accordance with accounting sciences. This is because as follows:

- a. The educational level of furniture makers in Moyo village is still low, most of the furniture makers in Moyo Village have relatively low education. Most of the furniture makers in Moyo Village have only graduated from elementary and junior high school, so the furniture makers do not have good and correct accounting knowledge. The financial management carried out by furniture makers is limited only by the understanding of furniture makers. Typically, the financial management and costing of production carried out by master furniture makers uses a formula that has been passed down from generation to generation from previous craftsmen. However, the calculation using this formula does not give accurate and relevant results, since the calculation of the cost of goods does not take into account the items included in the cost of production.
- b. Furniture makers do not understand the importance of accounting and financial reporting, most furniture makers do not attach importance to accounting and financial reporting. Most furniture makers have recognized that filing and filing financial statements are too complicated and timetime-consuminghe recording and preparation of financial statements is very important because the recording and preparation of financial statements can be used to determine the financial position and performance of a company. The financial position and performance of the company can be used as a monitoring of the company in assessing the development of the company. Accurate and up-to-date recording and preparation of financial statements can be used as information for internal and external parties regarding the management and development of the company.
- c. Ineffective socialization by the authorities in relation to SAK-UMKM. According to the results of surveys conducted with the furniture makers of the Moyo village, it was shown that the majority

of furniture makers admitted that they did not receive socialization from the authorities in relation to SAK-UMKM, so the idea of furniture makers about SAK-UMKM is still very low.

From the results of surveys, observations, and documentation conducted on furniture makers in the village of Moyo, it is clear that most of the furniture makers do not keep records and do not prepare financial statements. However, some furniture makers admit to making simple financial records in accordance with the furniture makers' needs.

Most of the furniture makers admitted that they did not keep records and did not prepare financial statements. Furniture makers only use proof of transactions as financial documents. The evidence of transactions used by the furniture makers is compiled by the furniture makers according to their understanding and needs of the furniture makers. Proof of transactions are notes or invoices, as well as travel documents. The certificate of transactions used by furniture makers is made in 2 copies, the first copy is used for clients, and the second copy is used as a company archive. The archive note is used as a reminder whether the customer is paying in full or on credit. This shows that furniture makers paid attention to accuracy in financial management.

The proof of trade is also used to calculate the profit of the company. The profit of the company is calculated by adding up all sales in the memo file and then subtracting the evidence of the transaction from the purchase of raw materials and auxiliary materials. From here, furniture makers will know the profit of the company. However, furniture makers usually do not calculate company profits, because furniture makers are not too concerned with calculating profits, so it is difficult for most furniture makers to provide information about the company's profit margin.

According to the results of surveys, observations, and documentation, only a few furniture makers keep financial records. The master furniture makers make records according to the understanding and needs of the furniture masters. The records held by furniture makers are simple records derived from evidence of a transaction. The records are weekly cash forms, sales forms, accounts receivable forms, raw material, and auxiliary material purchase forms, accounts payable

forms, and employee payroll forms. These molds are made by master furniture makers according to the understanding and needs of furniture makers. Master furniture makers draw up forms not on the basis of accounting knowledge, but only on the knowledge of furniture makers.

It is known that the records made by furniture makers still do not correspond to accounting science, because the records held do not show the stages, as in the accounting cycle, and the record can only be understood by the furniture makers themselves. Financial statements must be able to provide external parties with information about a company's financial information, so the reports must be easy to understand, up-to-date and accurate.

The records made by furniture makers also do not show accurate results, because furniture makers keep records irregularly, and company finances are still mixed with personal finances. As for the records that are not regularly held, the masters admitted that they did not have time to keep records consistently because the masters, who run the company themselves, do not have the manpower to keep track of the company's finances. Meanwhile, due to the company's mixed-finance with personal finance, masters admit that company finances are still mixed in with personal finances. This happens when furniture masters receive income, finances are immediately spent on personal needs and the needs of the company without taking into account preliminary accounting. As for the preparation of financial statements, almost all furniture makers do not properly prepare financial statements. Documents used by furniture makers are used as records as well as financial statements.

Financial statements in accordance with SAK-UMKM consist of a profit and loss statement, a statement of changes in equity, and a balance sheet. However, for manufacturing companies, the company uses the cost of goods produced a statement, which is used as information about the cost of carrying out the manufacturing process.

- a. production cost report, is a report on the activities of the production department for one reporting period. The Production Cost Statement is a report of physical production and the costs allocated to production. Most furniture makers do not

properly report the cost of manufactured goods. The calculation of the cost of production, carried out by master furniture makers, is carried out according to the generally accepted formula, namely, according to capacity formula. The cubing formula used by craftsmen is less accurate because it does not include manufacturing costs, and the base price refers to the factory price reference.

- b. income statement, the income statement is one of the financial statements in SAK-UMKM. The income statement in accordance with SAK-UMKM (2018) presents the income and expenses of the enterprise for the period. The income statement includes all items of income and expenses recognized for the period. Most furniture makers do not properly report the cost of manufactured goods. The calculation of the cost of production, carried out by master furniture makers, is carried out according to the generally accepted formula, namely, the cubic capacity formula. The cubing formula used by craftsmen is less accurate because it does not include manufacturing costs, and the base price refers to the factory price reference.
- c. Statement of changes in equity, the statement of changes in equity in accordance with SAK-UMKM (2018) presents the profit or loss of an entity for a period, items of income, and expense that are recognized directly in equity for that period. Nearly all furniture makers in Moyo Township do not report changes in equity under the SAK-UMCM. Crafters also do not prepare a statement of changes in equity according to the understanding of each crafter. Artisans do not take into account the final capital in each period.
- d. Balance, The balance sheet according to SAK-UMKM (2018) presents the assets, liabilities, and equity of an enterprise on a certain date until the end of the reporting period. Furniture makers do not agree balance. Artisans do not count assets and liabilities more clearly and accurately. Most masters take into account owned assets. Artisans also do not take into account the liabilities and equity owned by the company. The calculations that held furniture makers are simpler and not clearly spaced, so it is clear that furniture makers in the village of Moyo do not use SAK-UMKM.

The application of SAK-UMKM in recording and preparing the financial statements of a company can determine the financial position of the company and the performance of the company, which is very useful in making economic decisions since the preparation of financial statements with reference to SAK-UMKM has characteristics such as easy to understand, relevant, materialistic, reliable, content over form, sound judgment, completeness, comparability, timeliness, and cost-benefit balance. Thus, the preparation of financial statements with reference to the SAK-UMCM allows you to find out the financial position and performance of the company, which is useful to users in making economic decisions so that companies can take them into account when making company decisions by examining financial statements. Furniture makers do not keep records or bookkeeping and do not prepare relevant financial statements with SAK-UMKM for several reasons, namely:

- a. Lack of knowledge of furniture masters about SAK-UMKM. Furniture makers keep records or bookkeeping and prepare financial statements according to the knowledge of each craftsman and the needs of the furniture company.
- b. Lack of professional accounting staff for MSME furniture makers. Master furniture makers admit that they do not have accounting staff who could represent the owner in record-keeping or financial reporting in accordance with SAK-UMKM. This is because furniture makers did not dare to hire accountants for simple record-keeping or bookkeeping and preparing financial statements.
- c. Most furniture makers admit that they do not attach importance to accounting and financial reporting. Megaku furniture makers, which are private companies, do not require bookkeeping and financial reporting because the most important records are the records that the owner can understand. Artisans also recognize that keeping records or bookkeeping and compiling complex financial statements only takes time.
- d. Ineffective socialization on the part of the authorities in relation to SAK-UMKM, in connection with which furniture makers do not understand accounting or accounting and financial reporting in accordance with SAK-UMKM.

V. CONCLUSION

Based on the discussion, this can be modeled as follows:

- a. Furniture makers' understanding of the Financial Reporting Standards for Micro, Small and Medium Enterprises (SAK-UMKM) is still low
- b. The recording and preparation of financial reports by furniture makers is limited only to business reports, which are compiled in accordance with the understanding and needs of each furniture maker. The entries made by furniture makers do not correspond to the accounting cycle.
- c. Furniture makers do not use SAK-UMKM when preparing financial statements because furniture makers do not understand SAK-UMKM. Masters consider the recordings made to be clear and effective.
- d. Obstacles for furniture makers in the implementation of SAK-UMKM are: ignorance of furniture makers of SAK-UMKM, lack of professional accounting personnel among furniture makers, and lack of understanding by furniture makers of the importance of accounting and financial reporting, socialization by the public competent in SAK-UMKM is less effective.

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