

Application of Financial Statements of Micro, Small and Medium Enterprises (MSMEs) Based on Financial Accounting Standards of Micro, Small and Medium Entities (SAK-EMKM)

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ABSTRACT

The purpose of this study is to provide input in the preparation of Optima Digital Printing financial statements to comply with Financial Accounting Standards for Micro, Small, and Medium Enterprises (SAK-EMKM). The method used in this study is a qualitative method. The data used are primary data and secondary data, in primary data researchers make observations and interviews and SAK-EMKM. Secondary data is documentation obtained from the financial statement data of Optima Digital Printing. The result of this study is that Optima Digital Printing does not apply financial statement recording standards in accordance with SAK-EMKM in its financial statements.

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INTRODUCTION

Financial Accounting Standards micro, small and medium entities (SAK EMKM) were created to meet the needs of micro, small and medium entities in preparing their financial statements, EMKM is an entity without significant public accountability that meets the criteria and definitions of micro, small and medium enterprises as in Indonesian laws and regulations, namely Law No. 20 of 2008 for at least two consecutive years (IAI, 2018). Financial statements based on the exposure draft of SAK EMKM consist of at least a statement of financial position at the end of the period, a statement of income for a period and notes to financial statements containing (IAI, 2016).

MSMEs create a lot of jobs, so that in Indonesia MSMEs can reduce the poverty rate (Rachmawati, 2020). As a result of the data collection of the Central Statistics Agency (BPS), the MSME business sector is generally divided into two, namely the agricultural and non-agricultural business fields. Most MSMEs develop from family industries and their consumers come from the lower middle class, however, during the economic crisis, MSMEs are more consistent than large companies. The following is a table of data on the development of Micro, Small and Medium Enterprises (MSMEs) and Large Enterprises in 2018-2019:

Table 1 Development of Micro, Small and Medium Enterprises (MSMEs) and Large Enterprises in 2018-2019

No	Indicators	Unit	2018		2019		Developments in 2018-2019	
			Sum	Share (%)	Sum	Share (%)	Sum	Share (%)
1	Micro, Small and Medium Enterprises (MSMEs)	Unit	64.194.057	99,99	65.465.497	99,99	1.271.440	1,98
	- Micro Enterprises	Unit	63.350.222	98,68	64.601.352	98,67	1.251.130	1,97
	- Small Business	Unit	783.182	1,22	798.679	1,22	15.547	1,99
	- Medium Enterprises	Unit	60.702	0,09	65.465	0,1	4.763	7,85
2	Large Enterprises	Unit	5.550	0,01	5.637	0,01	87	1,58

Source: Ministry of Cooperatives and SMEs of the Republic of Indonesia

Based on the data above, the Ministry of Cooperatives and SMEs of the Republic of Indonesia stated that the number of MSME units has a share of 99.99% of all business actors in Indonesia, while large companies are only 0.01%. Currently, MSME players face many problems and one of them is that it is difficult to get bank credit loans for business capital due to weak human resources (HR) when making financial reports, the understanding of MSME actors affects the enactment of SAK EMKM (Kasir, 2020). The preparation of financial statements in accordance with the Financial Accounting Standards of Micro, Small and Medium Entities is a form of improving the quality of financial statements and will have an impact on increasing the credibility of these financial statements. Preparation of financial statements of an entity in the Financial Accounting Standards of Micro, Small and Medium Entities (SAK-EMKM) using the basic assumptions of accrual and business continuity (IAI, 2016). Until now, there are still many MSMEs that do not practice accounting and have difficulty in preparing their financial statements. Therefore, I as a researcher want to raise the object of research on Optima Digital Printing. Optima Digital Printing is engaged in printing and accepts all kinds of printing such as banners, stickers, A3+ prints and many more. Just like most MSMEs, Optima Digital Printing has not applied the Financial Accounting Standards of Micro, Small and Medium Entities (SAK-EMKM) to its financial statements. Optima Digital Printing's financial statements are still very simple, only recording cash out and cash in.

Based on the current financial statements, it is necessary to evaluate the process of accounting activities implemented in Optima Digital Printing. With this study, researchers want to provide an understanding of financial statements in accordance with the Financial Accounting Standards of Micro, Small and Medium Entities (SAK-EMKM), namely an explanation of financial position statement accounts at the end of the period; profit/loss statement; and notes to financial statements containing additions and details of relevant accounts. With the application of the Financial Accounting Standards of Micro, Small and Medium Entities (SAK-EMKM) in the financial statements of Optima Digital Printing, it is hoped that these financial statements can be used for the interests of the company and can be used as evaluation material so that they can make accountable decisions. From the description above, researchers are interested in conducting research on "Application of Financial Statements for Micro, Small and Medium Enterprises (MSMEs) Based on Financial Accounting Standards of Micro, Small and Medium Entities (SAK-EMKM) Case Study: Optima Digital Printing in Majenang District".

LITERATURE REVIEW

Financial Statements

Financial statements present information for making decisions. Financial statements are the final result of the accounting process used as a communication tool between companies and other parties related to finance (Sodikin & Riyono, 2019). In addition, financial statements are also the main medium for an entity that is used as a means of communicating financial information by management who have interests such as investors, creditors, labor unions, management and government agencies (Kartikahadi, 2019).

The Indonesian Accounting Association (IAI) in SAK ETAP 2009 states that financial statements have objectives according to the information perspective and accountability perspective (M. Saputra et al., 2017). According to the information perspective, the objectives of the financial statements are:

- a. Presenting financial position information for an accounting period (assets, liabilities and equity);
- b. Financial performance within the company (revenue, expense, profit/loss);
- c. Knowing the current cash flow

The purpose of financial statements according to the perspective of accountability is to show the results made by management on the resources that have been entrusted. From these objectives, the financial statements also play an important role in decision making for a manager. In achieving its objectives, financial statements can show a manager's responsibility for data sources (IAI, 2016). The components of financial statements according to SAK ETAP in 2009 in research by M. Saputra et al. (2017) are as follows:

- a. Balance
This balance sheet lists the company's financial position (assets, liabilities and equity) in a certain period.
- b. Profit and loss
This profit/loss calculation describes the total operating results, both costs and profit/loss in the company in certain periods.
- c. Statement of Changes in Equity
Statement of Changes in Equity is financial statements that display changes in equity caused by the company's operations and transactions during a certain period.
- d. Cash flow statement
The cash flow statement provides information about cash inflows and outflows for a period.
- e. Notes to financial statements (CALK)
CALK contains additional information presented in the financial statements and also provides details of the amounts in the financial statements and information on accounts that do not have recognition criteria in the financial statements.

Micro, Small and Medium Enterprises (MSMEs)

Micro, small and medium enterprises (MSMEs) are activities in entrepreneurship that are able to encourage economic growth and equitable distribution of income increases and maintain national economic stability (Purba, 2019). MSMEs are an important part of the economy in Indonesia, because MSME business units in Indonesia are more numerous than large industries. In addition, MSMEs contribute to providing employment so that they can accelerate the process of Indonesia's economic development (Suci, 2017). MSMEs are a form of business that has an important role in improving the Indonesian economy. MSMEs are also an inseparable part of people's lives and become an alternative in meeting the daily needs of people (Pranatasari et al., 2022).

MSMEs are businesses or business activities run by individuals, households, or small business entities and also various types of businesses that currently exist with the aim of earning large profits (Sofiyanto et al, 2022). In order for the existence of an MSME to continue and also develop in economic growth, a good processing system is needed (Fajri, 2022). The constraints faced by MSMEs are very varied, some of which are: capital, education level and technology. This was proven after research was conducted in Pajangan District, Bantul (Sidik & Imliah, 2021).

According to Law No. 20 of 2008 Micro, Small and Medium Enterprises (MSMEs) are productive economic businesses owned by individuals and/or individual business entities and are not subsidiaries or branches of companies that are owned, controlled or become part of either directly or indirectly from medium-sized businesses or businesses that meet the criteria of a small business. Criteria for Micro, Small and Medium Enterprises (MSMEs) according to Law no. 20 of 2008 are as follows:

1. Micro Business, is a productive economic business owned by individual or individual business entities which has a maximum net worth of IDR 50,000,000.00 and maximum sales of IDR 300,000,000.00 per year.
2. Small Business, is an independent productive economic business carried out by individuals or business entities that are not subsidiaries which have a maximum net worth of IDR 50,000,000 and maximum sales of IDR 500,000,000 per year.
3. Intermediate Business, is a productive economic business that stands alone or an individual-owned business entity that is not a subsidiary that has a maximum net worth of IDR 300,000,000.00 and maximum sales proceeds of IDR 2,000,000,000.00 per year.

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

Definition of SAK-EMKM

The Financial Accounting Standards for Micro, Small and Medium Entities (SAK-EMKM) were created to meet various needs regarding financial reporting for EMKM, this standard is intended for entities that are unable to meet the accounting requirements of SAK ETAP (IAI, 2018). The Indonesian Accounting Association (IAI) formulated the Financial Accounting Standards for Micro, Small and Medium Entities (SAK-EMKM) by applying several characteristics for an entity. These characteristics are as follows: (a) An entity without significant public accountability, (b) An entity that publishes general purpose financial statements for external users. The elements of financial position information in accordance with SAK EMKM are as follows:

(1) Asset

Assets are resources owned by the entity that arise from past events and the entity expects to provide economic benefits in the future. The historical cost of an asset is the amount of cash or cash equivalents paid to acquire the asset at the time of acquisition. The entity presents current assets and non-current assets separately in the statement of financial position. It is said to be a current asset if it is realized or used for the normal operating cycle, assets held for trading, assets realized within twelve months after the end of the period and assets in the form of cash or cash equivalents unless their use is limited from use to settle liabilities of at least twelve months after the end of the period.

(2) Liability

Liabilities are obligations of an entity for events that occurred in the past and the settlement of which results in an outflow from the entity of resources embodying economic benefits. The historical cost of the liability is the amount of cash or cash equivalents received or expected to be paid to meet the obligations in the course of business. The entity presents current and long-term liabilities separately in the statement of financial position. It is said to be a short-term liability when it is expected to be settled within the normal cycle time, held for trading, the obligation will be settled within twelve months after the end of the period and the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the period.

(3) Equity

Equity is the right to assets owned by the entity after deducting all of its liabilities. The measurement of paid-up capital by the company can be in the form of cash or cash equivalents, it can also be non-cash assets recorded under the laws and regulations. The presentation of share capital, additional paid-in capital and retained earnings/losses are included in the equity group in the statement of financial position.

Measurement of Financial Statement Elements

Measurement is the process of determining the amount of money used to recognize the value of assets, liabilities, income and expenses in the financial statements. The basis for measuring elements of financial statements in accordance with the Financial Accounting Standards for Micro, Small and Medium Entities (SAK-EMKM) is historical cost and fair value (IAI, 2016).

Disclosure of Financial Statement Elements

Asset

An asset account is recognized in the statement of financial position when it is probable that future economic benefits will flow to the entity and the asset account has a cost that can be measured reliably. And conversely, an asset account is not recognized when the economic benefits do not move to the entity even though the expenditure has been incurred (IAI, 2016).

Liability

A liability account will be recognized in the statement of financial position when the expenditure of a resource that has economic benefits is ascertained to be carried out in order to settle an entity's obligations and the amount settled can be measured reliably (IAI, 2016).

Income

The income account in the income statement will be recognized if the increase in economic benefits is related to an increase in assets or a decrease in liabilities and can be measured reliably (IAI, 2016).

Expenses

An expense account in the income statement will be recognized when a decrease in future economic benefits related to a decrease in assets or an increase in liabilities has occurred and can be measured reliably (IAI, 2016).

Presentation of Financial Statements

Fair presentation is the presentation of financial statements based on the requirements of ED SAK EMKM. These requirements are that financial statements must present honest information on the effects of transactions, other events and conditions (IAI, 2016). The objectives that must be achieved by the entity to present information in accordance with fair presentation requirements include:

(1) Relevant

This information can be used by users to make decisions.

(2) Accurate representation

The information presented must be accurate and free from material error and bias.

(3) Comparability

The information can be compared with information in other periods and other entities to identify the position and performance of a financial.

(4) Understanding

The information presented is easy to understand by users of financial statements. The preparation of financial statements in accordance with SAK EMKM at least consists of a statement of financial position at the end of the period, a profit/loss report for one period and notes to the financial statements (IAI, 2016).

RESEARCH METHOD

This study uses qualitative research methods. According to Siyoto and Sodik (2015 in Andaningsih and Setyowati, 2022) explain that qualitative research is research that is closely related and closely related to an interpretation by adjusting to phenomena or events that refer to and focus on the problems that occurred during the research.

The subject taken by the researcher is the financial statements belonging to Optima Digital Printing. In this study, the data collection techniques carried out were by means of observation, interviews and documentation.

RESULTS AND DISCUSSION

The owner does not record financial statements in accordance with SAK-EMKM due to a lack of understanding of accounting science so that the recording can only be understood by the owner. The recording carried out does not have the stages of the accounting cycle, so it is not in accordance with accounting science. Meanwhile, the financial statement standards contained in SAK-EMKM have three main components, including; statements of financial positions, income statements and notes to financial statements. Transactions made on Optima Digital Printing are as follows:

- 1) Sales transactions that include cash sales;
- 2) Purchase transactions that include the purchase of equipment;
- 3) Expense payment transactions which include salary expenses, electricity loads and so on.

From the results of observations made by researchers, the researchers made financial statements in accordance with the standards contained in SAK-EMKM on the basis of financial statements belonging to Optima Digital Printing. This research was conducted with the aim of being a recommendation for the preparation of financial statements in accordance with SAK-EMKM, besides that this research can also be used as a guide for Optima Digital Printing in the preparation of subsequent financial statements. The preparation of financial statements carried out by researchers is made based on SAK-EMKM in accordance with the conditions and characteristics of Optima Digital Printing, as follows:

Profit/Loss Statement

The income statement is made so that Optima Digital Printing can find out whether the company is profitable or even at a loss (IAI, 2016). The calculation of profit and loss is revenue during the 2021 period minus expenses in the 2021 period. Optima Digital Printing has not compiled an income statement in its books. This is because the owner does not understand the preparation of financial statements in accordance with accounting science and SAK-EMKM.

Table 2 Optima Digital Printing Profit/Loss Statement

Optima Digital Printing Profit/Loss Statement		
December 31, 2021		
Income		
Business income	xxx	
Other income	xxx	
Total Income		xxx
Expenses		
Electric expense	xxx	
Salary	xxx	
Equipment expense	xxx	
Total Expenses		xxx
Profit/loss before income tax		xxx
Income tax expense		xxx

Profit/loss after income tax

xxx

Source: Data processed by researchers

Equity Change Report

The equity change report is made so that Optima digital printing can find out the capital flows that occur. The change report will generate final capital consisting of the amount of initial capital in 2021 with profit for the current year 2021 (IAI, 2016).

Table 3 Optima Digital Printing Equity Change Report

Optima Digital Printing Equity Change Report December 31, 2021	
Initial capital 2021	xxx
Current year profit	xxx
Final capital	xxx

Source: Data processed by researchers

Statement of Financial Position

The statement of financial position is made so that Optima digital printing can find out the position of the accounts. The statement of financial position contains accounts of assets, liabilities and equity (IAI, 2016). In SAK-EMKM does not specify the format rules in the recording of such accounts. Optima Digital Printing has not compiled a statement of financial position on its books, because the owner does not understand how to compile financial statements in accordance with accounting standards. The owner does not take into account the assets, liabilities and equity of his company.

Table 4 Optima Digital Printing Statement of Financial Position

Optima Digital Printing Statement Of Financial Position December 31, 2021	
Assets	
Current Assets	
Cash and cash equivalents	xxx
Receivable	xxx
Equipment	xxx
Total current assets	xxx
Fixed assets	
Land	xxx
Building	xxx
Vehicle	xxx
Equipment	xxx
Total fixed assets	xxx
Accumulated depreciation	
Building	xxx
Vehicle	xxx
Equipment	xxx
Total accumulated depreciation	xxx
Total assets	
Liability and Equity	
Bank Debt	xxx
Initial capital	xxx

Current year profit	xxx	
Total of Liabilities and Equities		xxx

Source : Data processed by researchers

Notes to Financial Statements (CALK)

Notes to financial statements (CALK) contain additional information about Optima digital printing that is not included in the financial statements. Notes to financial statements consist of statements of financial statements prepared based on SAK-EMKM standards, an overview of accounting policies and additional information regarding important transaction accounts (IAI, 2016).

Table 5 Optima Digital Printing Notes to Financial Statements
 December 31, 2021

Optima Digital Printing Notes to Financial Statements December 31, 2021		
1. General		
Optima Digital Printing is an individual-owned MSME, this company was founded in 1991 and has been running for 31 years and is located in Majenang District.		
2. Overview of Important Accounting Policies		
a. Declaration of compliance		
The financial statements are prepared in accordance with the Financial Accounting Standards for Micro, Small and Medium Entities.		
b. Basic preparation		
The basis for preparing the financial statements is historical cost and assuming accrued costs. The currency used in the recording of these financial statements is Rupiah.		
c. Accounts receivable		
Account receivables are presented at the amount invoiced.		
d. Inventory		
Inventory costs include the cost of purchasing raw materials.		
e. Fixed assets		
Fixed assets are carried at cost. Property and equipment are depreciated using the straight-line method with no residual value.		
f. Revenue and expense recognition		
Sales revenue is recognized when invoices are issued. Expenses are recognized when incurred.		
g. Income tax		
Income tax follows the applicable tax provisions in Indonesia.		
3. Cash		
Cash		xxx
4. Accounts receivable		
Receivable		xxx
5. Expenses		
Salary		xxx
Electricity		
Equipment		xxx
6. Bank debt		
Bank debt		xxx

7. Profit Balance

Profit balance is the accumulated difference between income and expenses.

8. Income

Operating revenues	xxx
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9. Income tax expenses

Income tax	xxx
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Source : Data processed by researchers

Processing Interview Result Data using Atlas.ti 22

The steps to use Atlas.ti 22 software are as follows:

- 1) Enter the interview result document by clicking Add Documents then click the document to be selected.

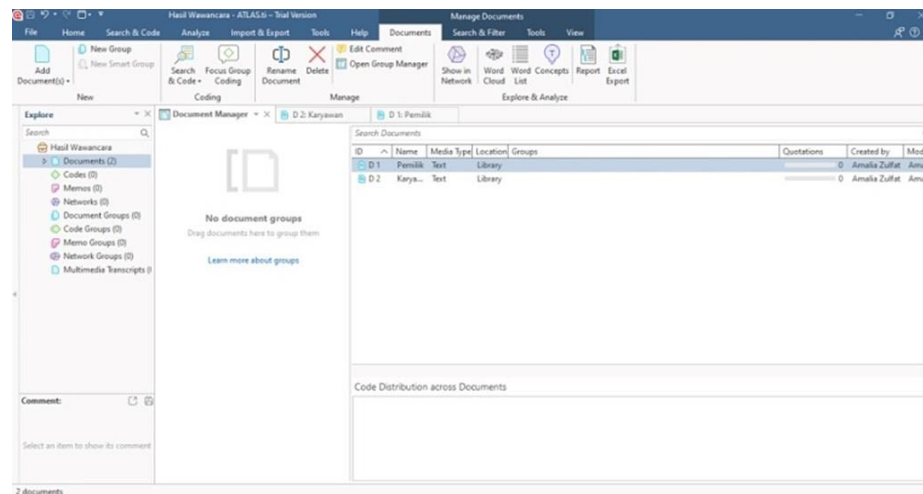


Figure 1 Add documents

Source: Data processed by researchers

- 2) Interpreting the answers from the interview so that they can be classified in a code by coding.

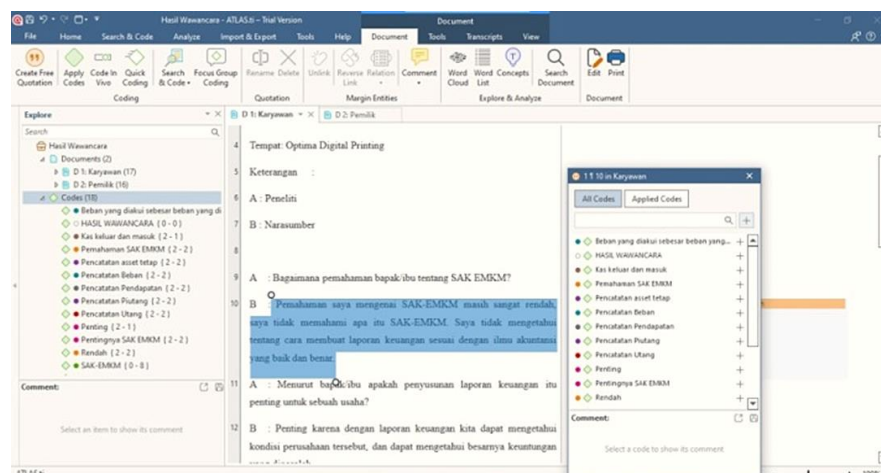


Figure 2 Coding process

Source: Data processed by researchers

3) Visualize the results of the analysis by right-clicking on the document > Show in Network.

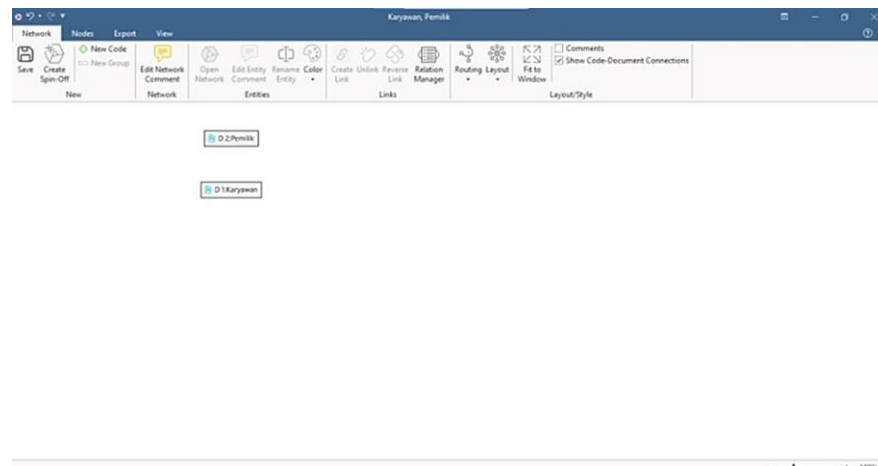


Figure 3 Network view
 Source: Data processed by researchers

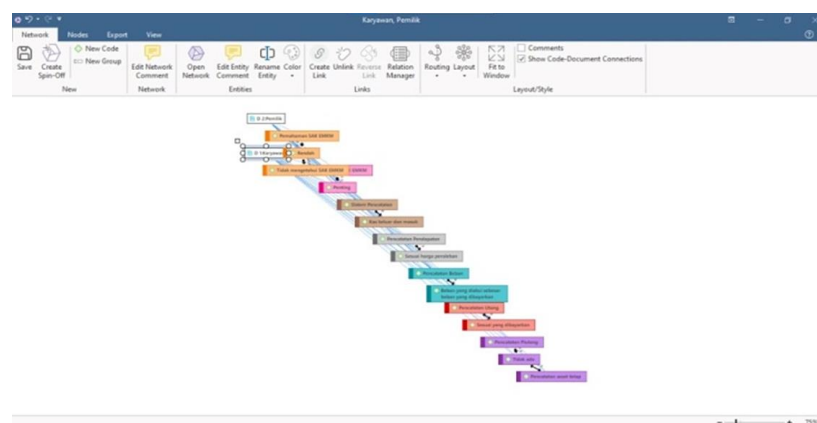


Figure 4 Data visualization view
 Source: Data processed by researchers

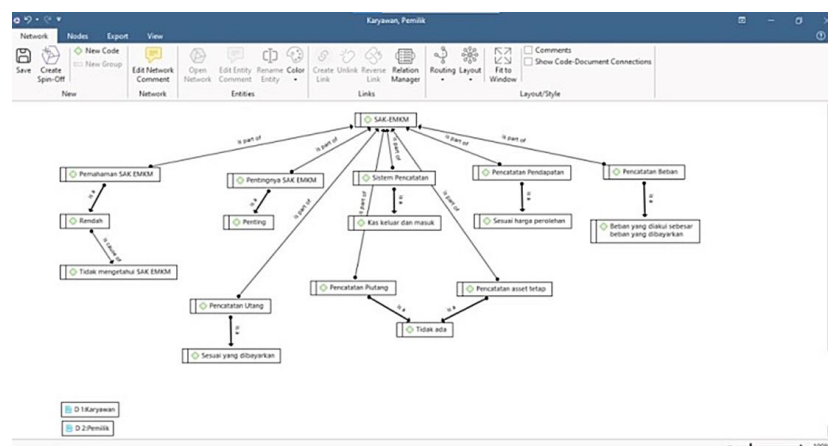


Figure 5 Data classification
 Source: Data processed by researchers

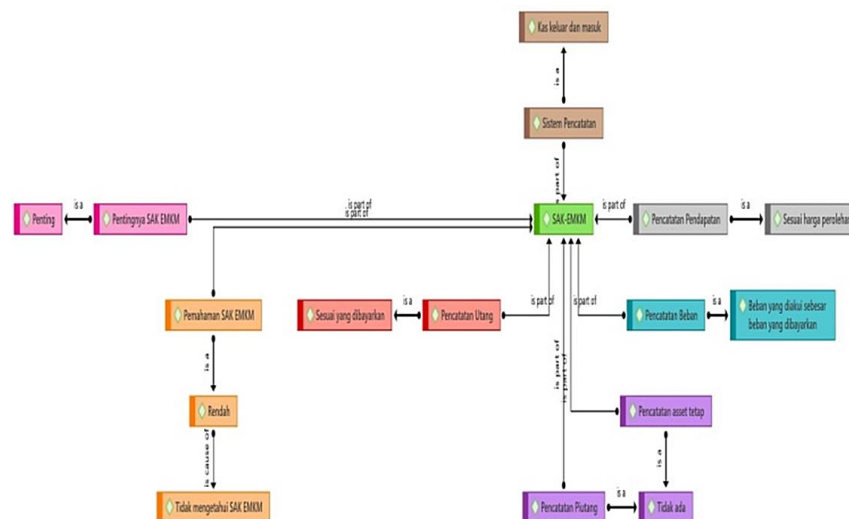


Figure 6 Results of Data Processing with ATLAS.ti 22

Source: Data processed by researchers

From the results of data processing with ATLAS.ti 22 software, it shows information that the source argues that recording financial statements in each business actor is important, but the source's understanding of SAK-EMKM is still low and does not even know SAK-EMKM directly. The recording system carried out is only cash out and cash in, and the recording of income is recorded according to the acquisition price where the income is recognized according to the price acquisition on sales. The burden is recognized as large as the costs incurred by Optima Digital Printing, as well as debt accounts. Then on the books, there is no recording of receivables and fixed assets.

CONCLUSION

The conclusion of this study is that Optima Digital Printing does not apply financial statement recording standards in accordance with SAK-EMKM in its financial statements, in its books it only records income and expenses. The factors that influence it are inadequate human resources because they have not mastered knowledge or lack of understanding of the standards for recording financial statements in accordance with SAK-EMKM. Financial statements prepared by researchers based on SAK-EMKM in the form of profit/loss statements, equity change statements, financial position statements and notes to financial statements. The report is made simply which can help Optima Digital Printing to produce accurate information in accordance with SAK-EMKM.

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