

Understanding of SMEs in the preparation of MSME bookkeeping based on Financial Accounting Standards for Micro, Small and Medium Entities (SAK EMKM) in the Community of Pahlawan Village, Batubara Regency, North Sumatra

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Abstract: MSME initiatives help create jobs and are very important in helping Batubara District in solving its financial problems to boost the local economy and improve the welfare of its residents, especially in Pahlawan village, Tanjung Tiram District. The purpose of this study is to determine how well the understanding and readiness of MSME actors and the Pahlawan village community in Batubara Regency to implement MSME bookkeeping based on Micro, Small and Medium Entity Accounting Standards (SAK EMKM) in 2023, which is beneficial for MSME business continuity for MSME actors. Primary and secondary data are used to collect data. Primary data was obtained from the distribution of questionnaires and secondary data was obtained from data from the Cooperative and MSME Office of Coal Regency. This study used a sample of 30 people from Pahlawan village, Batubara Regency, including MSME actors. Because this study discusses the understanding of MSME bookkeeping based on the Financial Accounting Standards of Micro, Small and Medium Entities (SAK EMKM) in Coal Regency, Therefore, descriptive qualitative research methodology in the form of words instead of numbers is used to present the data in this study.

Keywords: MSME, SAK EMKM, Understanding

Introduction

MSME actors and the general public who do not understand MSME bookkeeping based on the Financial Accounting Standards of Micro, Small and Medium Entities (SAK EMKM) as regulated in Law No. 20 of 2008 concerning Micro, Small and Medium Enterprises. This law regulates business entities or organizations that can compile/report and account for their finances (which meets the definition of a business entity without meaningful public accountability) both for internal interests and for external interests using the Financial Accounting Standards of Micro, Small and Medium Entities (SAK EMKM).

One of the basic assumptions of this standard is the concept of a business entity, which must be able to separate the owner's personal wealth from the wealth and results of the entity's business, as well as between a business / entity and other businesses / entities. This standard was created only to regulate EMKM transactions in general, and the basis for its measurement is purely based on historical fees, so EMKM only records its assets and liabilities at its acquisition

cost. Entities that meet the requirements for using EMKM SAK should still consider whether the provisions outlined in this EMKM SAK are appropriate and meet the entity's financial reporting requirements. As a result, the entity must consider the financial reporting framework to be used, whether based on the EMKM SAK or other IFRS, taking into account the ease of use provided by the EMKM SAK and the information needs of users of the entity's financial statements.

So far, financial records are mostly done traditionally. Based on the Financial Accounting Standards of Micro, Small and Medium Entities (SAK EMKM) used by micro, small and medium entities without significant public accountability, they can prepare their business financial statements on an accrual basis used. The components of the financial statements consist of information about assets, liabilities, and equity as of a certain date and are presented in the statement of financial position. Some of the causes of MSMEs have not been able to compile and record their financial statements due to the owner's lack of understanding of the importance of recording financial statements, discipline, incompetent human resources.

Based on this, the purpose of this activity is to provide adequate knowledge to MSME actors in Pahlawan Village in managing their business finances better and accountably. Thus, the benefits that will be obtained in this activity are Micro, Small and Medium Enterprises (MSMEs) can account for their finances to village officials and the surrounding community.

Based on the condition of the partners above, some of the problems that must be resolved by the proposer team are that partners have not realized how important good financial reporting is for business continuity. Partners do not yet have knowledge and skills regarding accounting financial records in accordance with generally accepted Financial Accounting Standards.

Literature Review

The Financial Accounting Standards Board of the Indonesian Institute of Accountants published the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP) in 2009, aimed at small and medium enterprises. However, when applied to micro, small, and medium-sized entities, this standard is considered less simple; therefore, DSAK IAI publishes Accounting Standards that are simpler and easier to understand by micro, small and medium This standard is known as the Financial Accounting Standard for Micro, Small and Medium Entities (SAK EMKM). This standard became effective on January 1, 2018. EMKM SAK has simpler accounting arrangements than ETAP SAK because it regulates transactions that

are often carried out by EMKM. SAK ETAP is a financial accounting standard designed for use by entities with little public accountability, but producing general-purpose financial statements for their users. Meanwhile, SAK EMKM is designed to be used by micro, small and medium entities that do not have public accountability. SAK EMKM's financial statements only have three components, namely the balance sheet, income statement, and notes to the financial statements. The basis for measuring the elements of financial statements is only historical cost, and there is no measurement of impairment recognition, except in the financial services sector which follows the provisions of related regulations.

SAK EMKM (2016) explained that the issuance of SAK EMKM is a guideline for preparing financial statements for micro small businesses engaged in various types of businesses. Also equipped with Illustrative Examples and Basic Conclusions (DK) to make accounting standards easier to understand for Micro, Small and Medium Enterprises. The issuance of SAK EMKM is expected to assist Micro, Small and Medium Enterprises in preparing financial statements, making it easier for business actors to access funding.

SAK EMKM is created with the aim that all business units can prepare financial statements in accordance with predetermined standards. Because every company wants its business to grow, it must make various efforts to improve its performance in each period. One of the efforts that must be done by the company is to convince the public that the business being run can be accounted for. This form of accountability can be implemented by compiling and presenting financial statements in accordance with established standards. This is intended to assist company management in obtaining various conveniences, such as making company policy decisions in the future.

The Micro, Small and Medium Entities Financial Accounting Standard (SAK EMKM) is designed for use by entities that are not subject to public scrutiny. An entity without significant public accountability is one that lacks significant public accountability and publishes financial statements only for general financial purposes to external users. External users include owners who are not directly involved in the management of the business, investors, shares, and so on. Whereas an entity with significant public accountability is an entity that has filed or is in the process of submitting a registration statement to the capital market authority or other regulator in the context of issuing securities in the capital market, and the entity controls assets in a fiduciary capacity for a large group of people, Such as banks, insurance business entities, brokers and / or securities traders, pension funds, mutual funds, and investment banks.

The understanding of MSME managers towards the Financial Accounting Standards of Micro, Small and Medium Entities (SAK EMKM) will support the process of implementing financial statements based on SAK EMKM which can help MSMEs in developing their business. Djuharni (2012) states that "comprehension learning outcomes are the highest type of learning when compared to knowledge learning types". Understanding can be categorized into 3 levels, namely:

1. The lowest level is translation comprehension, starting from translating in the true sense, interpreting and applying principles. In this case, business actors are expected to be able to translate the meaning of accounting and understanding of applicable financial accounting standards.
2. The second level is interpretive understanding, that is, connecting the lowest parts by knowing the next part or connecting some parts of the graph with events, distinguishing the main and non-essential. At this level the research subjects provide opinions on recording carried out during business activities, knowledge in grouping parts of financial statements.
3. The third level is the level of extrapolated meaning. In this case it means that a person is able or can see behind what is written, can estimate, predict based on the understanding and conditions presented in the form of ideas or symbols, as well as the ability to make conclusions related to circumstances and consequences. At this level, researchers find out the understanding of research subjects regarding the presentation of parts of financial statements carried out by business actors in accordance with the understanding.

According to Bloom, the ability to understand based on the level of sensitivity and degree of absorption of material can be divided into three levels, namely:(Noviatika, 2020)

1. Translating (translation), defined as the transfer of meaning from one language into another language in accordance with the understanding obtained from the concept. It can also be interpreted from an abstract conception into a symbolic model to make it easier for people to learn it. In other words, translating means being able to understand the meaning contained in a concept. An example is translating the meaning of accounting basics.
2. Interpretation this ability is broader than translating, this ability to recognize and understand. Interpreting can be done by relating past knowledge with other knowledge acquired next. For example, doing accounting records during business activities.

3. Extrapolation demands higher intellectual abilities because one must be able to see other meanings of what is written. Make estimates about consequences or expand perceptions in terms of time, dimension, case, or problem. For example, an understanding of the presentation of parts of financial statements. Laporan keuangan adalah sarana utama dimana manajemen entitas mengkomunikasikan informasi keuangan kepada pemangku kepentingan seperti pemegang saham, kreditur, serikat pekerja, lembaga pemerintah, dan manajemen. (Trisha, 2019)

Financial statements are a structured presentation of the financial position and performance of an entity (Pradipta & Suryono, 2017). According to SAK EMKM, the purpose of financial statements is to provide information about the financial position, financial performance, and cash flow of entities that is useful for most report users in making economic decisions by anyone who is unable to request specific financial statements to meet these information needs. These users provide resources to entities such as creditors and investors. (Janrosl, 2018)

The following are various types of financial statements based on SAK EMKM:

1. Statement of financial position at the end of the period

Financial statements in which there are assets, liabilities, equity of the entity at the end of each reporting period. The items that include the statement of financial position are; a) cash and cash equivalents, b) receivables, c) inventories, d) fixed assets, e) accounts payable, f) bank debt, and g) equity. There is no format or order of the accounts in its presentation. However, the presentation of an entity's asset items can be sorted by liquidity and liability items by maturity order.

2. Income statement during the period According to SAK EMKM

The income statement is a description of an entity's financial performance for a period. In the income statement is provided Information about the financial performance of the entity consisting of income and expense information during the reporting period. The items included in the entity's income statement are: a) revenue, b) financial expenses, and c) tax expenses.

3. Notes to financial statement

According to SAK EMKM (Hidayanti et al., 2020) Notes to financial statements contain a statement that the financial statements are in accordance with SAK EMKM, an overview of accounting policies, additional information, and details of certain

items that describe important and material transactions, so that it is useful for users to understand the financial statements. The type of additional information and various details presented depend on the type of business activity carried out by the entity. Each item presented in the financial statements will cross-reference to the relevant information in the notes to the financial statements.

Result and Discussion

This research was conducted to determine the level of understanding and readiness of Micro, Small and Medium Enterprises about accounting and SAK EMKM. The statement on the questionnaire for the Comprehension variable is divided into two indicators, one for the basic understanding of accounting and another for the understanding of Financial Accounting Standards of Micro, Small and Medium Entities (SAK-EMKM). In terms of questionnaire readiness variables, there are perception indicators and supporting facilities in the application of financial statements based on SAK EMKM.

1. Understanding variables with basic accounting indicators.

Tables 4.4 and 4.5 show the calculation results for each statement processed by the researcher. Based on the table, the average respondents in this case the community and micro actors understand 78.1% and 58.2% of small businesses, respectively, while they do not understand 16.6% of micro enterprises and 21.8% of small businesses. The remaining 5.4% said micro-enterprises were neutral, and 20% said small businesses were neutral. This shows that respondents in this case micro and small business managers in Tanjung Tiram District have a basic understanding of accounting, although there are still some respondents who have a basic understanding of accounting that is not optimal when viewed side by side.

According to the data obtained, respondents or micro business actors in terms of knowledge about the meaning and purpose of accounting do not understand what accounting is and its usefulness in managing their business, and small businesses do not understand it by 20%. This is evidenced by the statements of respondents who do not understand that accounting is the science of recording, classifying, and summarizing financial transactions and business activities, and that the purpose of accounting is to record and provide financial information to owners and interested parties.

In addition, it is also seen that there are still respondents or managers of micro and

small businesses who do not understand that assets are assets that are fully owned by business owners and assets consist of current assets, fixed assets, intangible fixed assets and deferred assets expenses/costs. This can be seen from the responses of respondents of micro business actors who on average expressed lack of understanding, with statements ranging from 11.8-35.3%, and small businesses by 40%.

The understanding of respondents in this case micro and small business managers in terms of knowledge about debt can be revealed based on responses from several micro business respondents who stated that they did not understand around 11.8% and small businesses around 20-40% with the statement of one type of debt, namely long-term debt is all obligations that will be repaid within a period of more than one year, In addition, some people claim not to understand the income statement received in advance, which includes all receipts for the current year but not income until the end of the period.

In terms of basic accounting knowledge about capital, about 17.6% of micro business respondents and 20% of small business respondents do not understand that capital is the excess value of a company's assets over its debt. Regarding the statement of the final results of the accounting process, financial statements, and financial statements, as many as 23.5% of micro enterprises and 20% of small businesses stated that they did not understand the statement.

According to the discussion above, small businesses with more than \$300,000,000 in revenue understand the basics of accounting better than microbusinesses with less than \$300,000,000 in revenue. Similarly, MSME actors are dominated by women aged 40-60 years with equivalent high school education backgrounds and businesses that have been established for more than 20 years, So based on the results of the questionnaire with a statement of basic understanding of accounting, micro and small businesses can be said to understand the basics of accounting on average.

1. Understanding variables with indicators of Micro, Small and Medium Accounting Standards (SAK EMKM).

Tabel IV- 6.

Understanding Variables with Indicators of Understanding of SAK EMKM (Micro Enterprises)

No	Pernyataan	SP (5)		P (4)		N (3)		TP (2)		STP (1)	
		F	%	F	%	F	%	F	%	F	%

1.	Understanding of accounting standards for MSMEs	1	5.9	1	5.9	3	17.6	12	70.6	0	0
2.	Understanding of the issuance of SAK EMKM	0	0	1	5.9	0	0	14	82.4	2	11.8
3.	Understanding of the objectives of SAK EMKM	0	0	0	0	1	5.9	14	82.4	2	11.8
4.	Understanding of the accounting process	0	0	1	5.9	1	5.9	13	76.5	2	11.8
5.	An understanding of SAK settings EMKM	0	0	0	0	0	0	15	88.2	2	11.8
6.	Understanding of measurement for EMKM SAK	0	0	0	0	0	0	15	88.2	2	11.8
7.	Understanding of recognition for SAK EMKM	0	0	0	0	2	11.8	13	76.5	2	11.8
8.	An understanding of report components SAK EMKM based finance	0	0	0	0	1	5.9	14	82.4	2	11.8
Average		0.13	0.74	0.38	2.2	1	5.9	13.8	80.9	1.8	10.3

Source: SPSS processed data

Based on table IV.6, as many as 12 respondents in this case micro business actors who answered 8 statements have expressed their understanding of the Financial Accounting Standards of Micro, Small and Medium Entities, which is 2.94%, while the lack of understanding is around 91.2% and their neutrality is 5.9%.

Tabel IV- 7.

Understanding Variables with Indicators of Understanding of SAK EMKM (Small Business)

No	Pernyataan	SP (5)		P (4)		N (3)		TP (2)		STP (1)	
		F	%	F	%	F	%	F	%	F	%
1.	Pemahaman mengenai standar akuntansi untukUMKM	1	20	0	0	1	20	3	60	0	0

2.	Pemahaman mengenai penerbitan SAK EMKM	0	0	1	20	0	0	4	80	0	0
3.	Understanding of the objectives of SAK EMKM	0	0	1	20	0	0	4	80	0	0
4.	Understanding of the accounting process	0	0	1	20	0	0	4	80	0	0
5.	Understanding of EMKM SAK settings	0	0	1	20	0	0	4	80	0	0
6.	Understanding of measurement for EMKM SAK	0	0	1	20	0	0	4	80	0	0
7.	Understanding of recognition for SAK EMKM	0	0	1	20	0	0	4	80	0	0
8.	An understanding of report components SAK EMKM based finance	0	0	1	20	0	0	4	80	0	0
Rata-Rata		0.12	2.5	0.9	17.5	0.13	2.5	3.88	77.5	0	0

Source: SPSS processed data

Based on table IV.7, as many as 5 respondents in this case small business actors who answered 8 statements have expressed their understanding of the Financial Accounting Standards of Micro, Small and Medium Entities, which is 18%, while lack of understanding is approximately 77.5% and neutral 2.5%.

Tables 4.6 and 4.7 show the calculation results for each statement processed by the researcher. Based on the average table of respondents, in this case, micro entrepreneurs stated that they did not understand by 91.2%, small businesses by 77.5%, and neutral to micro enterprises by 5.9% and small businesses by 2.5%. The remaining micro business respondents said they understood that around 2.76% for micro enterprises and only 19.5% for small businesses. This shows that respondents in this case micro and small business managers in Tanjung Tiram District do not understand SAK EMKM from side to side.

Based on the data obtained, 70 - 94% of respondents or micro business actors in terms of issuing SAK EMKM stated that they did not understand the issuance of Financial Accounting Standards for Micro, Small and Medium Entities, and 60 - 80% of small business businesses said they did not understand. This can be seen from the responses of respondents who stated that they were not aware of any standards governing the accounting process of MSMEs, namely: SAK EMKM which came into effect on January 1, 2018 with the intention to be used by entities that

do not or have not been able to meet the accounting requirements regulated in SAK ETAP and regulated in SAK EMKM are MSMEs that are included in the criteria of Law No. 20 of 2008.

Furthermore, it can be seen that from the point of measurement of SAK EMKM, respondents or managers of micro and small businesses who do not understand the basis of measuring SAK EMKM are historical costs, so that recording assets and debts at the acquisition price is sufficient. This can be seen from the responses of respondents to micro business actors who on average stated that they did not understand the statement, which was around 88%, and small businesses by 80%.

The understanding of respondents in this case micro and small business managers in terms of the introduction of SAK EMKM and the components of the financial statements of SAK EMKM can be revealed based on responses from several respondents of micro businesses who stated that they did not understand around 88 - 95% and small businesses who stated that they did not understand around 80% with the measurement statement for SAK EMKM prepared using accrual assumptions, business continuity, and the concept of a business entity. Accrual assumptions, namely assets, debts, equity, income, and expenses, are recognized or recorded at the time of occurrence or on the date of acquisition, and the concept of business entity is that business entities must be clearly separated by business owners, then with reports on the components of financial statements based on IFRS. EMKM, which includes the Statement of Financial Position, Income Statement, and Financial Statement (Statement of compliance and account details).

Based on the above discussion, it is clear that micro-enterprises with revenues of less than \$300,000,000 are foolless than micro-enterprises with revenues of more than \$300,000,000 in terms of using EMKM SAK to prepare financial statements. Similarly, MSME actors are dominated by women aged 40-60 years with educational backgrounds equivalent to high school and businesses that have been operating for more than 20 years, In accordance with the results of the questionnaire with a statement of understanding of SAK EMKM, micro and small business actors on average can express their incomprehension of the application of SAK EMKM-based financial statements.

1. Variabel Kesiapan dengan indikator persepsi dan fasilitas pendukung dalam penerapan laporan keuangan berdasarkan SAK EMKM.

Tables 4.8 and 4.9 show the calculation results for each statement processed by the

researcher. Based on the average table of respondents in this case micro entrepreneurs expressed unpreparedness by 56.47% and for small businesses by 46%, while neutral statements were given by 9.42% of respondents for micro enterprises and 12% for small businesses. The rest of the microenterprise respondents stated that only about 34% are ready, while 42% are ready for small businesses. This shows that respondents in this case micro and small business actors in Tanjung Tiram District are not ready to implement financial statements based on SAK EMKM can be seen from side to side.

Based on the data obtained, respondents or micro and small business actors as many as 17-65% of respondents stated that they were not ready to implement financial statements based on SAK EMKM. This is evidenced by the statements of respondents who are not ready with the statement of the importance of accounting standards in improving the quality of financial reporting information that can be used in business development. In addition, some respondents are not always ready to record every transaction that occurs in their business, or keep evidence of every transaction that occurs. Furthermore, respondents stated that they were not prepared for statements about the importance of monitoring every development of their business and were not prepared to always separate their business finances from their personal finances.

The readiness of respondents in this case micro and small business actors in terms of supporting facilities can be known based on responses from several micro business respondents who stated around 58 - 88% were not ready and small businesses around 40 - 80% with statements that all transactions that occur in business are supported by computer systems and also use accounting software and accounting information systems. In addition, his unpreparedness, as evidenced by his response to the statement, revealed that he needed the help of an accounting expert in compiling financial statements according to standards.

Based on the discussion above, it is clear that micro enterprises with revenues of less than \$300,000,000 are less prepared than micro-enterprises with revenues of more than \$300,000,000 in terms of the use of financial statements based on SAK EMKM. Similarly, MSME actors are dominated by women aged 40-60 years with educational backgrounds equivalent to high school and businesses that have been operating for more than 20 years, In accordance with the results of the questionnaire with the readiness statement of SAK EMKM, micro and small businesses on average stated that they were not ready to implement financial statements based on SAK EMKM.

The times require every MSME actor to be more creative in the process of implementing a business. Activities to equip MSME Human Resources (HR) in developing their business, providing information related to business information and entrepreneurial management, facing business competition with competitors and marketing through a mentoring process and simple bookkeeping learning. (Muttaqien et al., 2022).

In addition, financial management skills in terms of financial planning are one of the abilities that must be possessed by Micro, Small and Medium Enterprises (MSMEs) by increasing their financial planning knowledge. The existence of good financial management skills can carry out effective, efficient, and useful financial planning, so that business actors are expected to increase the level of welfare in running their business. (Nafa Faiqotul Azizah et al., 2022)

Conclusion

Based on the results of the author's research on the understanding of SMEs in the preparation of MSME bookkeeping based on the Financial Accounting Standards of Micro, Small and Medium Entities (SAK EMKM) in the Pahlawan Village Community of North Sumatra Batubara Regency, conclusions can be drawn based on the answers obtained that:

The community and MSME actors in Batubara Regency, especially Tanjung Tiram District, have mastered the basics of accounting. In terms of understanding the basics of accounting, the level of understanding is micro 78.1% and small 58.2%. However, according to the results of the questionnaire, MSME managers only know the basics of accounting, while understanding the Accounting Standards for Micro, Small and Medium Entities (SAK EMKM) In this study, the results show that MSME managers do not understand SAK EMKM, as evidenced by the level of understanding that is less micro 91.2% and small 77.5% about accounting treatment based on SAK EMKM. In fact, the socialization of SAK EMKM in Tanjung Tiram District is still very small, and the community and MSME actors are less active to participate in the socialization carried out by the Coal Regency MSME Cooperative Office, so that there are still many people and MSME actors who do not understand accounting treatment, not even a few MSME actors who know the application of SAK EMKM

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