

PREPARATION OF FINANCIAL REPORTS BASED ON SAK EMKM: STUDY ON MSMEs IN ARU ISLANDS, MALUKU

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ABSTRACT

MSMEs are one of the driving forces of a nation's economy because they play an important role in growth and employment in Indonesia, especially in Aru Islands Regency, Maluku-Indonesia. With the development of MSMEs in reporting financial reports, micro, small and medium financial accounting standards (SAK EMKM) were issued, which are expected to provide an overview of the performance of related MSME management. The research objective in this study was to find out whether the preparation of financial reports by MSMEs was in accordance with SAK EMKM. This research is a qualitative research using the case study method by collecting data through interviews and documentation. Based on the results of the study, it shows that MSMEs have not implemented the preparation of financial reports in accordance with SAK EMKM. MSMEs only prepare profit and loss reports which serve as a reference for MSMEs to determine profit or loss conditions, and MSMEs do not prepare balance sheets and notes to financial reports. Both of which are important for MSME to prepare. The preparation of income statements is only simple by utilizing technology as a medium for obtaining knowledge. In addition, there is no understanding from MSME owners as well as preparing financial reports which results in no understanding of how to properly and correctly prepare MSME financial reports in accordance with SAK EMKM

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1. INTRODUCTION

The growth and development of a region cannot be separated from the role of micro, small and medium enterprises (MSMEs) [1]. In recent years, MSMEs in Indonesia have experienced rapid improvements which have had an impact on the national economy. The annual rate of employment increased by 2.15% during each of the last seven years of the study (2012–2018). Likewise, the contribution of MSMEs to Gross Domestic Product (GDP) shows a significant annual average increase of 54% (Ministry of Cooperatives and SMEs 2019). Even though MSMEs have grown, progress seems slow, as they have not fully contributed to reducing the number and percentage of poor people [2]. MSMEs still face various problems and obstacles in influencing their business product competitiveness. The development of MSMEs can absorb more labor, increase income, and encourage economic growth, further reducing the number of poor people and improving their socio-economic conditions [3].

Indonesia is one of the largest countries in the world by population and a developing economy in East Asia. By 2030, Indonesia is forecast to add 90 million people to its consuming class, more than any other country except China and India and become the world's seventh largest economy, overtaking Germany and the UK. Notably, in Indonesia, MSMEs account for 99% of all businesses, contribute almost 60% of GDP, and provide around 89% of private sector employment. The above facts imply that Indonesia's economic growth mainly depends on the growth and promotion of its MSMEs [4].

MSMEs are productive businesses owned by individuals and/or individual business entities that meet certain business criteria [5]. The purpose of empowering MSMEs according to the law is to create a national economic structure that is balanced, developed and just, growing and developing the ability of MSMEs to become strong and independent businesses, and capable of creating jobs, equal distribution of income, economic growth, and alleviating people from poverty. 6]. Financial statements are a tool used as a benchmark to see the performance and resources of a business [7]. The preparation of financial reports requires deeper understanding by an accountant so that the information presented is relevant and of course MSMEs are expected to be able to provide this information so that business continuity is maintained. precise and complete information requires a standard [8]. Standard akuntansi keuangan (SAK) entitas

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mikro kecil dan menengah (EMKM) enforced by the ikatan akuntan Indonesia (IAI) since 1 January 2018 were created to be a reference for preparing EMKM financial reports, besides that with the SAK EMKM stakeholders can benefit from this, for example, SMEs can obtain funding from third parties for business development [9].

Financial reports function as a tool for analyzing financial performance which can provide information about financial position, performance and cash flow, so that this can be used as a basis for making economic decisions. As for the purpose of financial reports, namely to provide information on the financial position and performance of an entity that is useful for a large number of users in making economic decisions, by anyone who is not in a position to request special financial reports to meet these information needs [10].

The current condition is that the majority of MSME entrepreneurs are unable to provide accounting information related to their business conditions and the level of knowledge of MSME actors who are still unable to follow the applicable financial accounting standards in Indonesia, so that Standar Akuntansi Keuangan Entitas Mikro Kecil Menengah (SAK EMKM) are issued as an effort facilitate MSME financial reporting [11]. SAK EMKM is an accounting standard for entities that do not have accountability to the public. With this standard in place, small and medium-sized companies are able to prepare their financial statements to obtain funding and business development. In SAK EMKM, financial entity reports are prepared using accrual basis assumptions and maintaining business, as used by micro, small and medium entities, and using the concept of business entities.

This research focuses on one of the SMEs in the fisheries sector in Aru district because it is the area with the largest fishery potential in Maluku province which is a potential for regional original income. In the end, it is hoped that MSME actors will be able to prepare and present financial reports in accordance with SAK EMKM so that there is alignment of goals between MSME actors and the local regional government. The research objective in this study was to find out whether the preparation of financial reports by MSMEs was in accordance with SAK EMKM.

2. METHOD

This type of research is a case study using a qualitative approach. Case studies are in-depth studies of certain events, environments and situations that allow researchers to express and understand something. Case studies are a more suitable strategy when the subject matter is a research question. If the researcher only has a few opportunities to control the events to be investigated [12]. The case study method focuses on a case intensively and in detail [13]. The subject under investigation consists of one unit which is seen as a case. The case study is a very useful research methodology that combines individual and group interviews with analysis of records and observations.

Qualitative research is aimed at gaining a deep understanding of a situation [14]. Qualitative research method is a research method based on the philosophy of postpositivism, used to research on natural object conditions, (as opposed to experiments) where the researcher is the key instrument, data collection techniques are carried out by triangulation (combined), data analysis is inductive/qualitative, and the results of qualitative research emphasize the meaning of generalizations. At the data collection stage the series of techniques used in qualitative research are focus groups, individual in-depth interviews, case studies, ethnography, based theory, research, and observation [15].

The location in this study is the MSME in the fisheries sector in the Aru Islands, Maluku. The type of research used is descriptive qualitative research, in which the data acquisition is obtained from the results of direct observation of several informants who were interviewed and then an analysis is carried out on the data acquisition and then conclusions are drawn from the results of these observations. Data is a series of information that describes the real condition of a particular object. Sources of data in this study are primary data obtained from interviews and secondary data obtained from financial report documents.

Data collection techniques are the most important step in research, because the main goal of research is to get data [16]. Without knowing data collection techniques, researchers will not get data that meets the applied data standards. data collection is the most important step in research, because the main purpose of research is to get data. Without knowing the data collection method, researchers will not get data that meets the established data standards [17]. The techniques used in data collection are observation, interviews, documentation. Data analysis techniques are the process of systematically searching for and compiling data obtained from interviews, field notes, and also documentation and then making conclusions that are easily understood by oneself and others.

3. RESULT AND DISCUSSION

MSME Financial Report

The objective of financial reports is to provide information on the financial position, financial performance and cash flow statements of an entity that is useful to a wide range of users in making economic decisions by anyone who is not in a position to request specialized financial reports to meet certain information needs. this information is conveyed to MSME actors, this is supported by the owner's statement which states that: *"financial reports are information to find out business profits or losses"* from this statement it is reflected that the owner knows in general the benefits if financial reports are prepared.

EMKM's financial statements consist of 1) Balance Sheet is information on the entity's financial position consisting of information on the entity's assets, liabilities and equity on a certain date, and presented in the statement of financial position. 2) Income statement is information on the entity's financial performance consisting of information on income and expenses during the reporting period, and is presented in the income statement. 3) Notes to financial reports are additional information and details of certain items that explain important and material transactions so that it is useful for users to understand financial statements.

With the above information, it is expected that SMEs can compile and have the three report information so that they can be used as material for consideration in decision making. preparation of the report has not been carried out optimally. this is supported by the owner's statement that: *"the reports that we know are only profit and loss, apart from that we don't know how to make them"* this statement can be concluded that these MSMEs only prepare income statements. This MSME prepares financial reports in a simple manner that focuses only on the income statement. the owner stated that: *"We only make a profit and loss report, so we know the amount of profit we get"*

MSME Financial Report Recording System

This UMKM has a recording system that focuses only on income statements, the preparation of this report is arranged in a simple way. the owner stated that: *"I made this report using excel, I watched YouTube and then I tried to make it. then I also saw the profit and loss report on YouTube and I practiced it "*. These MSMEs prepare financial reports to be used for simple internal information without knowing the specific benefits of the profit and loss report. Understanding the preparation of income statements must be understood by MSME owners, so that the preparation becomes accurate and obtains useful information. in this umkm profit and loss report is only done by the owner. the owner stated that *"the profit and loss report was made by myself, there was no help from other people. I only saw it from YouTube and I tried to make it"* by not having an understanding of the preparation of an income statement, of course, it will have an impact on making decisions that are not right, besides that the presentation of information is not accurate. Gourd-loss report

Table 1. Profit and Loss Report

Information	Debit	Credit
Income		
Tuna Fish	Rp. 12.337.000	
Lema Fish	Rp. 5.300.000	
Baronang Fish	Rp. 7.540.000	
Bahar Fish	Rp. 4.312.000	
Tongkol Fish	Rp. 20.000.000	
Fish egg	Rp. 10.000.000	
crab	Rp. 3.672.000	
Cost		
Pump water		Rp. 900.000
Employee salary		Rp. 15.600.000
Wifi		Rp. 400.000
Bpjs Health		Rp. 393.000
Electricity Cost 197kva		Rp. 6.686.264
Electricity Cost 105kva		Rp. 2.567.826
Bpjs Labor		Rp. 1.178.000
Gallon		Rp. 80.000
Market Shopping		Rp. 1.000.000

Miscellaneous expense Rp. 795.000

The information in Table 1 shows the preparation of the MSME income statement as follows: 1) MSME has 4 columns, namely the Description column, the Debit column, the Credit column, and the balance column. 2) The description column informs about the income component consisting of MSME sources of income including Tuna, Lemma Fish, Baronang Fish, Bahar Fish, Tuna Fish, Fish Eggs, and Crab and the cost component consisting of PAM Water, Employee Salaries, Wifi, Health BPJS, 197KVA Electricity Costs, 105KVA Electricity Costs, BPJS Employment, Gallons, Market Expenditures, and Other Expenses. the other cost component includes the cost of Freon, purchase of nails, purchase of waterpass, purchase of cement etc. excluding costs that are routinely incurred. 3) The Debit Column informs that there is an additional cash inflow due to the sale of the product. 4) The Credit Column informs that there are cash outlays caused by purchases or payments for production purposes. 5) The Balance Column informs that the amount of the final balance every time cash comes in and or cash comes out. Based on the preparation of profit and loss reports that have been prepared by MSMEs, it can be seen that MSMEs have not prepared financial reports in accordance with SAK EMKM because the preparation process is carried out subjectively by the owner. besides that, in the profit and loss report there is no information on net profit before tax, which information is the basis for MSMEs to pay their taxes.

DISCUSSION

Financial reports are fundamental to knowing the health condition of a business. Financial reports have benefits, namely 1) Providing information regarding the financial position, performance, and changes in the financial position of a company that is useful for a large number of users in making economic decisions. 2) The financial statements prepared for this purpose are to meet the common needs of the majority of users. However, financial reports do not provide all the information that users may need in making economic decisions, because they generally describe the financial effects of various past (historical) events, and are not required to provide non-financial information. 3) The financial reports also show what management has done or is management's responsibility for the resources entrusted to it. Users who want to make an assessment of what management has done or are accountable for, do this so they can make economic decisions. This decision may include a decision to invest or sell their investment in a company or a decision to reappoint or change management.

MSME owners must understand the importance of financial reports. Apart from being a tool to see performance and financial position [18]. Financial reports that are made can also be used to obtain financial assistance from third parties [19]. The results obtained show that the financial statements made by MSMEs are only income statements. other reports (balance sheet and notes to financial statements) are not prepared because the owner as the preparer of the financial statements does not have understanding regarding balance sheets and notes to financial statements. the owner only focuses on the profit and loss report because by compiling this report the MSME owner can see the profit or loss conditions of the MSME. This shows that MSMEs have not optimally prepared financial reports in accordance with SAK EMKM. SAK EMKM is an accounting standard intended to meet the financial reporting needs of micro, small and medium entities. Financial reports in SAK EMKM only include profit and loss statements, statements of financial position, and notes on financial statements [20].

The preparation of MSME financial statements is not in accordance with SAK EMKM due to, among other things: 1) Lack of understanding from MSME owners as a preparation of financial reports. According to the results of interviews conducted, the owner only studied the drafting process via YouTube. 2) MSME owners think in the short term and are only concerned with current conditions. so it only prepares a profit and loss statement.

4. CONCLUSION

Based on the results of the study, it shows that MSMEs have not implemented the preparation of financial reports in accordance with SAK EMKM. MSMEs only prepare profit and loss reports which serve as a reference for MSMEs to determine profit or loss conditions, and MSMEs do not prepare balance sheets and notes to financial reports. both of which are important for MSME to prepare. The preparation of income statements is only simple by utilizing technology as a medium for obtaining knowledge. In addition, there is no understanding from MSME owners as well as preparing financial reports which results in no understanding of how to properly and correctly prepare MSME financial reports in accordance with SAK EMKM. It is hoped that if MSMEs can prepare financial reports according to SAK EMKM, MSMEs not only know short-term profits but can also predict future profits and also financial reports prepared according

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to SAK EMKM can be used as material for consideration for third parties to invest funds / provide loans. This research has limitations, including: 1) The communication process with MSME owners uses the telephone due to distance, funds and time limitations. 2) Researchers have difficulty finding MSMEs that have prepared periodic and complete financial reports. 3) Information related to MSME profit and loss reports is confidential, so this research does not include the MSME names and nominal values in the profit and loss table.

As for some suggestions that can be put forward, namely 1) MSMEs should prepare complete financial reports in accordance with SAK EMKM so that they can determine business continuity in the future and obtain ease of obtaining funds. 2) MSMEs should be able to recruit someone who understands the preparation of financial reports. 3) There needs to be attention for local governments to collaborate with related parties to socialize the preparation of financial reports. 4) Further research is expected to be able to make financial report formats according to SAK EMKM properly and correctly.

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