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Interpretation of Small and Medium Enterprises on EMKM Financial Accounting Standards

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ABSTRACT

SAK EMKM was prepared and approved by the Indonesian Institute of Accountants as a guideline for SMEs to be able to apply accounting records so as to provide convenience in preparing financial reports. The purpose of this study was to find out how the interpretation of Small and Medium Enterprises (SMEs) on the Financial Accounting Standards for Micro, Small and Medium Entities (SAK EMKM). This study used a descriptive method by conducting interviews and filling out questionnaires to 20 SMEs from various business sectors including trade, service and industry businesses located in Percut Sei Tuan-Batang Kuis District. The results of this study indicate that SMEs in Percut Sei Tuan-Batang Kuis District do not understand SAK EMKM as a guide for managing business finances to produce structured, relevant, reliable and understandable financial reports. Some MSMEs have managed finances regularly by keeping records or simple bookkeeping without preparing financial reports, and recording business finances is not based on SAK EMKM, and some do not keep financial records at all. Education, experience, and routine habits are factors that cause SMEs to not understand SAK EMKM.

Keywords: Enterprises, EMKM.

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INTRODUCTION

Small and Medium Enterprises (SMEs) participate in economic development in Indonesia. SME development can absorb a lot of labor which is a solution to reduce unemployment and poverty (Kaya & Koch, 2015); (Qamruzzaman & Jianguo, 2019); (Schans, 2015). One of the important things in determining the progress and development of SMEs is neat and orderly financial management. Well-managed business finance is a measure of the success of SMEs by keeping records and producing accountable financial reports. To produce financial reports that are accountable or accountable, it is necessary to have standards in their preparation.

Several reasons for the importance of financial reports for MSMEs, namely as business planning, being able to find out financial position every month, easy to control costs, easy to get loans from banks, to calculate taxes to be paid, as information and tools for decision making (Purwantiningsih, 2020) .

The special financial reporting standards for SMEs or SMEs that apply in Indonesia are SAK EMKM or Financial Accounting Standards for Micro, Small and Medium Entities. SAK EMKM is a standard that is made simple because it regulates general transactions carried out by EMKM (IAI, 2018b). This SAK EMKM was made because many UKM players did not know how to make a complete, detailed and comprehensive Financial Report ("DUNIA UKM. Example of a Special MSME Financial Report in Accordance with SAK EMKM," 2022). Financial Reports can be said to be an important component for presenting all transactions from SME business activities. The preparation of financial reports based on SAK EMKM will certainly produce financial reports that contain financial information that is easy to understand, accurate and relevant, thus making it easier for SMEs to obtain credit or loan funds in developing their business.

It is hoped that the process of recording accounting so as to produce financial reports in accordance with SAK EMKM can facilitate SMEs in preparing their financial reports (Qimyatussa'adah, Sasmito W. Nugroho, H. R. P. H, 2020). Accounting as an important instrument in running a business, whether you like it or not, must be understood and implemented by Small and Medium Enterprises (Bartolini, Gardini, & Savioli, 2014);(Damak-Ayadi, Sassi, & Bahri, 2020). Without accounting, it means that the business runs without clear goals, whether the business being run makes a profit or loss, or even the business does not experience development at all (Perera & Chand, 2015). If there is no development in the business, this indicates that the UKM is headed for bankruptcy. Without the implementation of effective accounting, a business that is fine at first will eventually go bankrupt (Saragih & Surikayanti, 2015).

SAK EMKM is a standard that is made simple because it regulates general transactions carried out by EMKM and the basis for measurement is purely using historical costs so that EMKM simply records its assets and liabilities at their acquisition cost (IAI, 2018a). However, the implementation of SAK EMKM is still very low which has an impact on the quality of the financial reports produced is also low. SMEs have not implemented it because they consider it time consuming because they have to record financial transactions and compile financial reports every month (Isna Ardila, Zurriah, & Suryani, 2019). In addition, the application of SAK EMKM is not easy because in its application it requires sufficient understanding for SMEs.

An initial survey conducted on several UKM players in Percut Sei Tuan-Batang Kuis Sub-District, through short interviews, found that they only recorded simple business finances without any financial reports. They also do not really know the importance of accounting records to assess the performance of their business. From these conditions, this study aims to find out how UKM actors interpret SAK EMKM in Percut Sei Tuan-Batang Kuis District.

METHOD

Descriptive analysis as a research approach, research data sources use primary data by distributing questionnaires and conducting interviews with SMEs from various business sectors. The population in this study were 30 SMEs in Percut Sei Tuan-Batang Quiz District. The criteria for determining the sample in this study are:

1. The length of business is more than 5 years.
2. Have at least 2 employees
3. Obtain a turnover of between 25 million-200 million/month.

From these criteria, 20 SMEs were obtained as research samples.

RESULT AND DISCUSSION

Interpretation of Small and Medium Enterprises (SMEs) on SAK EMKM

SMEs in the Percut Sei Tuan-Batang District Quiz shows that not a single UKM understands EMKM SAK because they still have limited knowledge of EMKM SAK information. Respondents as SMEs not only do not understand SAK EMKM, they do not even know and have never heard if there is a guideline or standard that can be used as a reference for managing finances to be neater and more organized. This limited knowledge and ignorance is due to the low level of education of the respondents, namely as much as 80% only have high school education.

The lack of basic accounting knowledge makes SMEs do not understand how the process of recording their business financial transactions, let alone make financial reports in accordance with SAK EMKM. In fact, understanding SAK EMKM will make it easier to make financial reports so that the performance and wealth of the company can be known (Kusuma, I.C., & Lutfiany, V, 2018). For SMEs, there is no need to bother preparing financial reports because from the beginning the business was started until now their business is still running without financial reports.

As many as 50% of SMEs have been running a business between 5-10 years. UKM actors prioritize experience rather than having to learn accounting. Routines and habits make them feel familiar with the ins and outs of their business finances. For them, there is no need to record financial transactions, inventory, accounts payable, income and profits. For them all of that is stored and recorded in their heads or they just have to remember it. If asked how much profit will be obtained for sure, the answer is as long as someone buys the merchandise, it means there is a profit. In fact, it is not certain that with sales there is definitely a profit. Because the profit obtained is not only seen from sales but also must be deducted by the costs that have been incurred. If MSME actors have financial records, then MSME actors can find out how far their business is developing, whether business conditions are improving,

declining or in conditions that are running in place or no progress at all (I Ardila, Febriaty, & Astuti, 2021).

Most business owners are unable to distinguish between business activities and personal activities, so company assets are recognized as personal property and vice versa, making it difficult to clearly identify the economic entity (Subrata, H. P., Sulistyo, S., & Yogivaria, D. W, 2016). This can be proven from the results of the study that there are 50% of SME entrepreneurs in Percut Sei Tuan-Batang Kuis District who still mix business and personal finances, they think that business finance is personal finance too, the reason is because they run a business to provide for their personal and family life.

20% of SMEs have made records for sales activities, purchases, amounts owed and receivables, payment of employee salaries using the services of employees. It's just that these records are not in accordance with EMKM's financial accounting standards and there are also no financial reports produced from recording these activities. Whereas if SMEs have financial reports, these financial reports can be used as a barometer of business development and provide an overview of the company's financial condition (Biduri, Wardani, & Hariyanto, 2021). Financial reports are important for small business entrepreneur who wish to expand their business by applying for additional capital or funding loans to financial institutions, banks or cooperatives (Carey, 2015); (Maelah & Yadzid, 2018).

There are around 30% of SMEs doing financial records in their company or business. However, recording is still simple, namely recording incoming and outgoing money. This happens because SMEs do not have accounting knowledge. Accounting provides information about economic activity and the condition of SMEs to business owners and interested parties, and SMEs should apply accounting even if it is simple for the internal needs of the company or business that is being run (Saragih & Hafsah, 2020).

IMPLICATIONS

The implications of this research are for MSME entrepreneurs to start managing business finances by applying accounting so that businesses are run better financially, and attend accounting and outreach training related to SAK EMKM organized by the government or academics.

CONCLUSION

Based on the results of the discussion of the research that has been done, it can be concluded based on the description of the discussion above that the SMEs in Percut Sei Tuan-Batang Kuis District do not have an understanding or are not aware of the existence of SAK EMKM, so that in business activities they do not use SAK EMKM at all as a guideline for managing finance. There are those who manage finances only based on habit, experience, and memory without any financial records, and there are those who have kept records simply.

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