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**Proceeding Medan International Conference Economics and Business**

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Volume 1, Year 2023

"Entrepreneurship on Global Economics Development in the Era of Society 5.0"

**Determinant of SAK EMKM Implementation in the Preparation of MSME Financial Statements****Moch. Aziz Fachrezi<sup>1\*</sup>, Endang Dwi Wahyuni<sup>1</sup>, Ginanjar Mulya Abadi<sup>1</sup>**<sup>1</sup>Universitas Muhammadiyah Malang

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\*Email: [azizfachrezi@gmail.com](mailto:azizfachrezi@gmail.com)**ABSTRACT**

This study aims to find empirical evidence of the influence of education level and understanding of accounting on the implementation of SAK EMKM in preparing MSME financial reports. The object of this research is the owners of UMKM in Lowokwaru sub-district, Malang City. The sampling technique used the purposive sampling technique with a total sample of 100 SMEs. Data analysis techniques using SPSS statistical tools. Before testing, data testing was first carried out, the results are all data were stated to be valid and reliable. And the results of this study indicate that the level of education has a significant effect on the implementation of SAK EMKM in preparing MSME financial reports, and an understanding of accounting also has a significant effect on the implementation of SAK EMKM in preparing MSME financial reports.

**Keywords:** Education Level, Understanding of Accounting, SAK EMKM

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### INTRODUCTION

MSME is a business that contributes to economic development in Indonesia because the MSME sector is proven to be able to absorb labor and increase people's income. In addition, MSMEs are required to be able to compete and develop, to boost national income. Measure the development of MSMEs, it can be seen from the financial information produced. MSME financial reports show the final results of the process of accounting activities or a summary of financial transactions.

In presenting quality financial reports, special expertise in accounting is required. Several factors affect the quality of financial reports. The first factor is the educational level of MSME managers. The level of education increases the theoretical, conceptual and moral skills of employees. With an adequate level of education, it will be easier for staff in the finance/accounting department to understand and understand the work to be done.

In addition, what influences the quality of financial reports is the accounting understanding of the preparers of financial reports. A person is said to understand accounting if he understands how the accounting process is carried out so that it becomes a financial report based on the principles and standards for preparing financial statements that have been determined. A high level of understanding will produce higher-quality financial reports.

SAK EMKM is a standard that is made simple because it regulates general transactions carried out by EMKM and the measurement basis is purely using historical costs so that EMKM simply records its assets and liabilities at their acquisition cost. Entities that meet the requirements for using SAK EMKM still need to consider whether the provisions stipulated in this SAK EMKM are appropriate and meet the entity's financial reporting needs.

Devi, Herawati, Sulindawati (2017) examined the effect of education level, accounting understanding and business level on the preparation of financial reports, the results of which can be concluded that educational level, accounting understanding and business size have a positive effect on the quality of MSME financial reports. In addition, Agung, and Ira (2018) examined the Implementation of the Implementation of SAK EMKM and its Impact on the Quality of MSME Financial Reporting, the results of which can be concluded that educational background, and educational level. The size of the business and the length of time the company has been established do not affect the entrepreneur's perception of bookkeeping.

The differences from prior research are especially in the field of education level. In Devi, Herawati, Sulindawati's research (2017) education level has a positive impact on the quality of MSME financial reports, whereas, in Agung's research, Ira (2018) education level has no positive effect on the quality of MSME financial reports. From these differences, researchers are interested in researching this topic. Because now more and more MSMEs are popping up. And the purpose of this study was to find empirical evidence of the effect of educational level on the application of preparing financial reports following SAK EMKM, and the effect of understanding accounting on the application of preparing financial reports following SAK EMKM in MSMEs in Lowokwaru District, Malang City.

### METHOD

This type of research uses quantitative research with an associative approach. The research used primary data. The population is all MSMEs in the Lowokwaru District, Malang City. Selection of the sample using purposive sampling. Purposive sampling is a sampling technique with certain considerations. Because there are many MSMEs in the area. Then the sample was taken as many as 100 samples. The data collection technique uses a

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questionnaire that is given directly to the owner of the UMKM or one of the people in charge of the UMKM. The questionnaire was designed according to several predetermined question indicators.

The following are operational definitions and variable measurements used in this study:

The independent variables taken in this study consist of educational level and understanding of accounting.

a. Level of education

This study uses a variable element of the level of education, which is as follows::

1. Educational level of MSME owners.
2. The level of education of MSME employees in the accountant/finance department.
3. The average level of education of employees as MSMEs responsible in other sections.

The elements above, it is broken down into a statement in the questionnaire as follows:

1. The education level of MSME owners is Bachelor.
2. The education level of MSME employees in the accountant/finance section is undergraduate.
3. The level of education of the employee as the person in charge of UMKM in another section is SMA or equivalent.

b. Accounting Understanding

In this study, the variable elements of understanding accounting are assessed from an understanding of the accounting cycle, as follows:

Is it possible to record transactions in a journal and post them to a ledger

1. Can you compile working papers
2. Is it possible to prepare a trial balance
3. Is it possible to make adjusting the journals
4. Is it possible to make a closing journal
5. Is it possible to make a statement of financial position
6. Is it possible to make a profit and loss report
7. Is it possible to make notes on financial reports

The dependent or dependent variable in the research conducted is the application of SAK EMKM.

The application of SAK-EMKM in the preparation of business financial statements aims 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 specific needs. improve business development. MSME assessment has implemented SAK EMKM by looking at the financial reports that have been made by MSME that are following SAK EMKM standards, namely statements of financial position, income statement and notes on financial statements

The data analysis was carried out using the help of the Statistical package for social science (SPSS). Several analyzes are used for hypothesis testing (Ghozali, 2006), namely the t-test, F test, and the coefficient of determination test, but before that, a classical assumption test is carried out to ensure that the model used is good.

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**RESULT AND DISCUSSION**

In this study, the respondents used were MSMEs that had been selected according to the criteria located in Lowokwaru District, Malang City. This study uses a survey method, namely by distributing questionnaires. Researchers collected data for approximately three weeks, by distributing research questionnaires to directly visiting the MSME locations. The number of questionnaires distributed was 100 questionnaires, the researcher always assisted in filling out the questionnaires, and the aim was to ensure that respondents answered thoroughly and accurately.

**Validity and Reliability Test** The validity test shows the extent to which the measuring device measures what is being measured. The validity of an instrument item can be determined by comparing the Pearson Product moment correlation index with a significance level of 5%. Based on the test results, it can be seen that all question items have a significance value of less than 0.05 so it can be said that all question items are valid.

Reliability is an index that shows the extent to which a measuring device can be trusted and relied upon. To test the level of reliability researchers used Alpha Cronbach. The instrument can be said to be reliable if the Alpha value  $> r_{\text{table}}$  otherwise if the Alpha value is less than  $r_{\text{table}}$  then the questionnaire items used are not reliable or inconsistent. Based on the test results, it can be seen that all variables have a Cronbach Alpha coefficient value greater than  $r_{\text{table}}$  (0.195) so it can be said that the question instrument used in this study is reliable.

Testing the hypothesis is done by using Multiple Linear Regression Test. In testing using the ordinary least squares method (ordinary least squares/OLS), the best linear unbiased estimator (BLUE) is required. This requires a classic Assumption Test. The aim is to assess whether there are classical assumption problems in a linear Ordinary Least Square (OLS) regression model. Tests include data normality tests and multicollinearity tests. The test results show that the data is normally distributed and there is no multicollinearity.

After that, it is continued by conducting a hypothesis test. Based on the test results of the coefficient of determination, the adjusted R-square value was 0.939 (93.9%). This means that the ability of the independent variable to influence the dependent variable is 93.9%, while the remaining 6.1% is explained by other variables not included in this research model.

Furthermore, simultaneous testing is carried out using the F test and partial regression model testing is carried out by the t-test. The results of the F test show a significance value of  $0.000 < 0.05$  so that it can be concluded that the hypothesis is accepted, which means that there is an influence of Level\Education\and\Understanding\Accounting simultaneously on the Implementation of SAK ESKM in preparing MSME financial reports. And the results of the t-test for the education level variable show a significance value of  $0.000 < 0.05$ , so it can be concluded that the education level variable partially influences the implementation of SAK EMKM in preparing MSME financial reports. Likewise, the Accounting Understanding variable shows a significance value of  $0.000 < 0.05$ , so it can be concluded that the Accounting Understanding variable partially influences the Implementation of SAK EMKM in preparing MSME financial reports.

Education is closely related to everything related to human development starting from physical development, health skills, thoughts, feelings, will, and social, to the development of faith. A higher level of education will increase the ability to absorb new knowledge (Gray 2006; Van Hermert et al 2011). Muniarti (2002) found that entrepreneurs

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**Proceeding Medan International Conference Economics and Business**

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Volume 1, Year 2023

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with a low level of formal education tend not to have adequate preparation and use of accounting information compared to entrepreneurs who have a higher formal education.

The results of the regression analysis (t-test) on the education level variable yield a significance of 0.000. The significance level of 0.000 is less than 0.05, so it can be seen that the hypothesis states the level of education influences the application of SAK EMKM in preparing MSME financial reports. acceptable. These results are consistent with research conducted by Putu Emy S.D, et al (2017). However, these results are inconsistent with research conducted by Agung and Ira (2018).

The results of this study are following the explanation about Human Resources according to Arfianti and Widodo in Oktafiani (2018) the quality of human resources is the ability of human resources to carry out the tasks and responsibilities given to them with adequate education, training, and experience. So Human Resources with a higher level of education will better understand what financial reports are needed.

The results of the study also show that a higher educational level of MSME owners or employees in the financial sector will understand what financial reports must be made so that MSME financial reports are following SAK EMKM. Respondents who have a higher level of education can prepare financial reports following SAK EMKM. Respondents who have a lower level of education can make financial report ideas that fit well, on average they can only make profit and loss reports and some respondents also cannot make any financial reports properly and correctly.

A person is said to understand accounting if he understands how the accounting process is carried out so that it becomes a financial report based on the principles and standards for preparing financial statements that have been determined. A high level of understanding will produce higher-quality financial reports. It is not only an understanding of accounting that is needed here but the mindset of MSME business actors who think that compiling financial reports is only superficial, which does not meet the terms and conditions to obtain good quality financial reports. Understanding accounting is the extent to which the ability to understand or properly understand accounting both as a body of knowledge and as a process, starting from recording transactions to becoming financial reports. Mahmudi (2010:124).

The results of the regression analysis (t-test) on the accounting comprehension variable yield a significance of 0.000. The significance level of 0.000 is less than 0.05, so it can be seen that the hypothesis states that understanding accounting influences the application of SAK EMKM in preparing MSME financial reports. acceptable. These results are consistent with research conducted by Putu Emy S.D, et al (2017). However, these results are inconsistent with research conducted by Agung and Ira (2018).

The results also show that respondents who have a higher understanding of accounting which refers to an understanding of the accounting cycle can prepare MSME financial reports better according to SAK EMKM, while respondents who have a lower understanding of accounting are unable to prepare MSME financial reports better according to SAK EMKM. Respondents with a lower understanding of accounting on average only recorded transactions in their journals and only made profit and loss reports. A small proportion of MSMEs who have a lower understanding of accounting cannot make any good and correct financial reports.

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**Proceeding Medan International Conference Economics and Business**

---

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**CONCLUSION**

The results of this study indicate that the variables Level of Education (X<sub>1</sub>), and Understanding of Accounting (X<sub>2</sub>) both simultaneously and partially affect the Implementation of SAK EMKM in preparing MSME financial reports. This means that the education level that is higher than MSME owners or employees in finance will understand what financial reports must be made so that MSME financial reports are following SAK EMKM. Respondents who have a higher level of education can prepare financial reports following SAK EMKM. The results of this study also show that respondents who have a better understanding of accounting which refers to understanding the accounting cycle can prepare MSME financial reports better following SAK EMKM.

The researcher realizes that this research has limitations, namely, it is difficult to get respondents who can take the time to be able to answer the questionnaire that the researcher gave. Sometimes it takes time to explain the intent of the existing question items.

The results showed that the variable level of education and understanding of accounting greatly influenced the implementation of SAK EMKM in preparing MSME financial reports. Therefore, the results of this study are expected to provide information for MSME owners in selecting employees who handle the preparation of financial reports so that they pay attention to factors such as education level and understanding of accounting. This aims to help MSME actors prepare financial reports properly which are useful for increasing financial literacy, summarizing financial reporting, and increasing the credibility of financial reports so that they can know the development of the business that is being run, able to control business operational costs, know the number of accounts payable, control assets, to perform tax calculations.

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**Proceeding Medan International Conference Economics and Business**

---

Volume 1, Year 2023

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