

# **FINANCIAL STATEMENT FOR SMALL MEDIUM ENTERPRISE (SME) BASED ON ACCOUNTING STANDARDS FOR MICRO, SMALL AND MEDIUM ENTITIES(SAK-EMKM)**

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**ABSTRACT:** Financial statement for Small Medium Enterprise (SME) are very simple and tend to ignore standard financial administration principles. The Indonesian Institute of Accountants has prepared SAK-EMKM (Financial Accounting Standards for Micro, Small and Medium Entities) which came into effect as of January 1, 2018, to make it easier for SMEs to prepare their business financial statement. This study aims to compile a financial report for one of the SME "Cookies" in Bandung based on SAK-EMKM. This research uses descriptive qualitative research methods. The data sources used were primary data in the form of interviews and documentary evidence of transactions. The results showed the financial statements of SME Cookies (one of the brands of cookies in Bandung) in the form of financial position reports, income statements, and notes to financial statements.

**Keywords:** Financial Statement , Small Medium Enterprise (SME), Financial Accounting Standards for Micro, Small and Medium Entities(SAK-EMKM)

## **INTRODUCTION**

MSME is one form of business that is widely established by the community, especially the middle to the lower class, where this form of business is considered more enjoyable than choosing to work tied to one institution, this is because people are free to be creative in managing their own business, not spending too much capital and also doing business. this provides employment opportunities for others.

According to Arliman (2017) "The role of SMEs has a strategic value in strengthening the national economy (people's economy), so the government should give proper attention (strategy and policy) to empowerment (priority and partiality), which is seen as a group of business units that should be integrated with the world. business nationally which later can improve the standard of living and competitiveness. SMEs are the based of entrepreneurship in the process, need to be given more careful attention from various aspects "

Currently, SMEs provide a fairly large contribution and are a form of effort in developing the economy in Indonesia, it was recorded that in 2018 the Role of SMEs was 89,2%, which absorbed 97% of the workforce and contributed 65% to GDP (Gross Domestic Product) so that UMKM itself is dubbed as the little one who plays a role. According to data from the National Development Planning Agency, the Central Bureau of Statistics, and the United Nations Population Fund in 2018, 58.97 million Indonesians were reported as SME business actors from a total population of 265 million.

The Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM) launched as many as 59.91 million micro business units, 59,260 small business units, and 4,987 large business units and this number continues to increase every year especially with the rise of e-commerce and other online sales.

Based on the data above, it indicates that SMEs must maintain their existence and develop their business especially considering the past when the monetary crisis occurred in

1997/1998 which greatly affected national stability both economically and politically. This of course has an impact on the activities of large businesses that have worsened, even many large companies have experienced bankruptcy or bankruptcy, this is due to the inability of companies to produce goods due to the drastic price increasing of imported raw materials, but also due to increased installments. debt where the rupiah exchange rate increases against the dollar, in the banking sector, which acts as a provider of capital for large businesses, has also experienced a downturn so that this situation worsens the national economic condition.

For SMEs, these conditions do not have a too serious impact, even SMEs can survive the problems that occur because the capital that SMEs do independently is relying on their capital from savings and their access to banking is very low. The empowerment of SMEs is a determinant for the future of development in Indonesia where SMEs play a role in anticipating the downturn in the national economy. In general, the goal or target to be achieved is the realization of a resilient and independent Micro, Small and Medium Enterprise (SME) that has high competitiveness and plays a major role in the production and distribution of basic needs, raw materials, and capital to face free competition.

Apart from the large role of SMEs, on the other hand, there are various problems experienced by Micro, Small and Medium Enterprises, including in the management of their own business, this must be paid close attention to because if there is a lack of understanding of business management owned by business actors it can lead to business failure / bankruptcy. One indication of good business management can be seen from its financial management as outlined in the form of company financial reports.

A good company financial report should record by the standards used in general, indeed this will have a good impact on the company because in addition to providing clear information about income and expenses, financial reports also aim to explore the company's performance in the current year as well as reference source of evaluation material in case of loss experienced.

According to the research results of ArriArifin and NgadimanSholihin (2014), Abdul Muchid (2015) and Edi Susanto (2011), it shows that there are still many MSMEs that have not implemented the generally accepted Financial Accounting Standards due to time constraints, lack of human resources, as well as a low of understanding of the recording of financial statements, so that the financial statements are made in a simple and most importantly able to be understood by the maker even though it should have been if the reports made had applied the Accounting Standards, the format used would be easier to understand in general. because it has the same format.

According to Sony Warsono, "The solution to the problem of managing a business is to practice accounting properly and correctly", while in practice the financial management of many MSME players have not performed accounting information maximally or have not even implemented an accounting system at all for their business financial statements.

The rules for making financial reports in Indonesia are regulated in the Financial Accounting Standards for Entities without Public Accountability (SAK ETAP) but the Indonesian Accounting Association (2016) issued new rules that make it easier for MSME business actors to carry out their financial reporting, namely Financial Accounting Standards for Micro-Small Entities And Medium (SAK EMKM) which was issued on October 24, 2016. With this new regulation, it is hoped that it can help 58.97% of MSME players in Indonesia in organizing their financial reports appropriately without having to get caught up in the hassle of financial accounting beforehand. EMKM is so that MSME players can easily get funding from various financial institutions (SAK EMKM, 2016).

IAI (2016) explains that SAK EMKM is a standard for recording financial statements that is much simpler when compared to SAK ETAP, this is because SAK EMKM only consists of three components, namely the Financial Position Report, Profit and Loss Statement, and Notes on Financial Statements while in SAK ETAP consists of five components, namely the Statement of Financial Position, Statement of Profit and Loss, Statement of Cash Flow, Statement of Changes in Equity, and Notes to Financial Statements, besides that in the technical side, SAK EMKM is purely based on historical cost measurement so that MSMEs simply record assets and liabilities at their cost. According to Law no. 20 of 2008 concerning Enterprises, Micro, Small, and Medium Enterprises which are used as references in defining and giving EMKM quantitative vulnerabilities, the Micro Small and Medium Accounting Standards became effective on January 1, 2018, with the option to be implemented early.

One of the SME Cookies in Bandung, which is a business in the field of production and sale of processed pastries which has developed quite rapidly from year to year, these cookies carry out the production and marketing of their products independently both online and offline apart from that to meet market needs. "Cookies "This supplies its products to well-known supermarkets in the city of Bandung, one of which is the Setiabudhi Supermarket. Processed cookies products have classic old recipes that are in great demand by consumers, especially during the big days, cookies are always an invasion of consumers in meeting their needs for pastries.

Based on the outcomes of observations made on one of these brands of cookies, there are obstacles in the preparation of financial statements where the bookkeeping is still very simple and has not implemented accounting records properly by the Accounting Standards for Micro, Small and Medium Enterprises (SAK EMKM).

## **RESEARCH PROBLEM**

The preliminary of MSME financial reports has not been arranged rapidly by applicable regulations. So that many MSMEs in the city of Bandung have not implemented these regulations. This study wants to see how the preparation of financial statements in MSME "cookies" and how the preparation of financial reports should be using SAK EMKM.

## **LITERATUR REVIEW**

### **3.1 Financial Statement**

Accounting produces financial information on an entity, financial information resulting from the accounting process is referred to as financial statements. Financial statements can be used for general or special purposes, financial statements prepared based on standards are general purposes financial statements, while primary purpose financial statements are prepared following specific rules from regulators or in accordance with the specific needs of the user.

According to PSAK No.1 (2015: 2) "Financial reports are part of the financial reporting process. Complete financial statements usually include balance sheets, income statements, changes in financial position statements (which can be presented in various ways, for example, as a cash flow statement, or reports of fund flows), notes and other reports as well as explanatory material that is an integral part of the financial statements. Besides that, it also includes schedules and additional information related to the report, for example, financial information on industry and geographic segments and disclosures of the effects of price changes".

### **3.2 Small Medium Enterprise (SME)**

According to the Law of the Republic of Indonesia No. 20 of 2008 concerning Micro, Small and Medium Enterprises has characteristics including independent management, self-provided capital, local marketing areas, small company assets, and the number of employees engaged is limited, whereas according to Oskar Raja, et al. (2010) UMKM stands for Micro and Small Enterprises. and Medium, although there is no standard definition in the Indonesian encyclopedia dictionary, however, in practice, MSMEs are often associated with limited capital which is generally owned by a person or group of people with the category of society, trying to lower down in doing business.

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

The Indonesian Institute of Accountants has issued Financial Accounting Standards for Entities, Micro, Small and Medium Enterprises (SAK EMKM) which was endorsed by the Financial Accounting Standards Board on October 24, 2016, and became effective for the preparation of financial statements starting January 1, 2018, with the option of early implementation allowed. Based on the scope of the Financial Accounting Standards for Micro, Small and Medium

Enterprises (SAK EMKM), this standard is intended to:

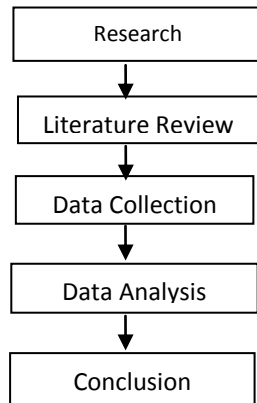
1. Financial Accounting Standards for Micro, Small and Medium Entities (SAK EMKM) are intended for entities, micro, small and medium enterprises.
2. Financial Accounting Standards for Micro, Small and Medium Entities (SAK EMKM) can be used for entities that do not meet the criteria for Entity Financial Accounting Standards without Public Accountability (SAK ETAP).

### **3.4 Financial Statement Based on SAK EMKM**

IAI in SAK EMKM (2016: 8-9) states that fair presentation in financial statements is by the requirements of SAK EMKM and the meaning of complete financial statements for entities where fair presentation requires honest presentation of the effects of transactions, events and other conditions by the definition. and the criteria for recognizing assets, liabilities, income, and expenses. An entity shall provide a complete financial statement at the end of each reporting period, including comparative information.

## RESULT AND DISCUSSION

### 4.1 Research Design



### 4.2 Data Collection and Analysis Technique

This research was conducted at one of the "Cookies" MSMEs in Bandung, West Java, Indonesia. This type of research is qualitative research. Types and sources of research data obtained from primary data from MSMEs with data collection techniques interview, documentation, and observation. Meanwhile, for data analysis using an interactive analysis model which consists of three components, namely 1) data reduction, 2) data presentation, and 3) drawing conclusions and verification.

### 4.3 Result

The business of one of the "cookies" brands in Bandung is a business that was born from home processing. His business is included in the MSME business. At first, he started to process these pastries as dishes for personal consumption and as a dish for guests who came to his house, the recipe for the cake itself is a classic pastry recipe where the original recipe was the influence of the Dutch when they came to Indonesia, even the original writing of the recipe was in Dutch. and the recipe was controlled by the ancestors of the owner of cookies and a recipe from generation to generation. Because many guests liked the cake, they got the idea to make it a business. In 1993, he started the cake business, armed with one employee who helped produce orders, he made production for general needs. In marketing the products it is done on a small scale, both to relatives, and entrusted to supermarkets.

The background for the selection of MSME Cookies is that it has been a business that has been around for a long time and can last up to 13 years. The researcher compiled the financial reports of MSMEs Cookies with several stages, namely the recording stage, the monitoring stage, and the financial reporting stage.

#### 1. The recording stage

At this stage, the researchers recorded proof of transactions in the MSME brand of cookies. Recorded transactions are evidenced by invoices, proof of transfer, notes, receipts, and others. After that, the evidence is sorted according to the order in which the transaction occurs by making journals on certain accounts. Then posted to the ledger of each account.

#### 2. The summarizing stage

From journals and ledgers, the researcher prepares a trial balance before adjusting, then creates an adjusting journal that is used to adjust the actual nominal amount to the amount in the recorded transactions that have been made. After all the adjusting entries are made and posted to the ledger, the trial balance is made from the ledger accounts and is called the trial balance after adjustments. At this stage, the researchers compile a working paper containing a trial balance before adjustment, adjustments, trial balance after adjustment, profit and loss, and balance sheet. This working paper is prepared to facilitate the preparation of MSME financial reports, one of the brands of cookies in Bandung.

3. The reporting stage

At this stage, the researchers compile the financial statements of MSMEs, one of the brands of cookies, in the form of financial position reports, income statements, balance sheets, and notes to financial reports for the period ended 30 November 2019 by SAK UMKM.

**Statement Financial Position**

Based on SAK-EMKM (2016) the statement of financial position presents the assets, liabilities, and equity of an entity at the end of a certain period. The financial position report is made based on information from MSME Cookies.

SME“Cookies”

**STATEMENT FINANCIAL POSITION**

PER NOPEMBER 31, 2019

SME “Cookies” STATEMENT FINANCIAL POSITION Nopember 30, 2020			
Asset		Liabilities and Equity	
<b>Current Asset</b>		<b>Short Term Liabilities</b>	-
Cash	Rp 27.200.000	Account Payable	-
Account Receivable	-	Salaries Payable	-
Inventary:		<b>Long Term Liabilities</b>	-
Raw Material - Auxiliary	Rp 290.200	Bank Loan	Rp 100.000.000
Raw Material	Rp 4.803.500	<b>Total Liabilities</b>	<b>Rp 100.000.000</b>
Finished Goods	Rp 44.423.000		
Supplies	Rp 110.000	<b>Equity</b>	
<b>Total Current Asset</b>	<b>Rp 76.826.700</b>	Share Capital	Rp 224.301.811
<b>Fixed Asset</b>		Retained Earning	Rp 8.456.000
Land	Rp 180.000.000	Prive	-
Building	Rp 120.000.000	<b>TOTAL EQUITY</b>	<b>Rp. 232.757.811</b>
Acc. Depre –Building	(Rp 58.000.000)		
Machines	Rp 5.600.000		
Acc. Depre –Machine	(Rp 4.382.222)		
Vehicle	Rp 139.300.000		
Acc. Depre – Vehicle	(Rp130.796.667)		
Equipment	Rp 13.575.000		
Acc. Depre – Equip.	(Rp 9.365.000)		
<b>Total Fixed Asset</b>	<b>Rp255.931.111</b>	<b>Total Liabilities and Equity</b>	<b>Rp 332.757.811</b>
<b>Total Asset</b>	<b>Rp 332.757.811</b>		

**Financial Statement**

The income statement presents information about income, financial expenses, tax expenses, and net profit or loss of the company (SAK EMKM, 2016). The explanation of the information presented in the MSME Cookies income statement is as follows:

SME “Cookies” INCOME STATEMENT For the Month Ended Nopember 30, 2020		
Sales		Rp 44.423.000
COGS		<u>Rp 21.332.750</u>
<b>Gross Profit</b>		<b>Rp 23.090.250</b>
<b>Operational Expense :</b>		
Salaries Expense	Rp 11.500.000	
Transport Expense	Rp 250.000	
Utilities Expense	Rp 451.750	
Delivery Expense	<u>Rp 2.432.500</u>	
		<u>Rp 14.634.250</u>
<b>Net Profit</b>		<b>Rp 8.456.000</b>

**Notes to Financial Statement**

Notes on the financial statements of SMEs, one of the brands of cookies, are made based on information obtained from the company which has been processed by researchers and adjusted to the SAK-EMKM rules (2016). Notes on the financial statements of SMEs, one of the brands of cookies in the city of Bandung. A financial statement that

the report has been prepared by SAK EMKM, a summary of the significant accounting policies applied, and the measurement basis used in preparing the financial statements.

## CONCLUSION

Based on that discussion has been described in the previous chapter it can be concluded that MSME financial reports "Cookies" (a brand of cookies in the city of Bandung) compiled by researchers based on SAK EMKM presents its financial position presented in the balance sheet as of November 30, 2019 shows the company's total assets of IDR 332.757.811 total liabilities of IDR 100.000.000 and capital of Rp 224.301.811 company net income which shows the company's performance in November 2019 amounting to Rp 8.456.000. Notes on reports finance that presents an overview the general company, that statement preparation of reports using SAK EMKM as the basis for the preparation used, as well as accounting policies applied in financial instruments presented in the financial statements SME "Cookies".

## Limitations

Based on the research, here are the limitations of the study on information seeking and compilation SME "Cookies" financial statement according to SAK EMKM:

Researchers only focus on SME "Cookies" which is SMEs that produce cookies. In SME "Cookies" there is no taxes so that the net profit value is still before deducting the taxes.

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