

## **Analysis of Implementation of Financial Accounting Standards for Micro, Small and Medium Entities in the Preparation of Financial Statements in MSME Ernov Bali**

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**Abstract:** *SAK EMKM is a Financial Accounting Standard for Micro, Small and Medium Entities which is made simpler than SAK ETAP. There are 3 financial statements that must be prepared by MSMEs, including statements of financial position, profit and loss, and notes to financial statements. This research uses descriptive qualitative method. This research was conducted for 6 months covering preparation to implementation. The research subjects are owners and employees of MSME Ernov Bali and the object of research is the financial report of MSME Ernov Bali in 2021. Data collection techniques are carried out by interview and documentation. The results showed that MSME Ernov Bali had not fully prepared financial statements in accordance with SAK EMKM. Therefore, it is recommended that MSME Ernov Bali improve its financial statements to make it easier to prepare financial reports.*

**Keywords:** *MSME, Financial Report, SAK EMKM*

### **1. Introduction**

The growing population in Indonesia is a factor that can affect people's welfare. Businesses that are currently well known and growing rapidly in Indonesia and are in great demand are MSMEs [1] stated that MSMEs have the potential to advance welfare and economic conditions. Then [2] added that an entrepreneur can have a role in creating jobs. Based on data from the Ministry of Cooperatives and Small and Medium Enterprises (2021), the number of MSMEs in Indonesia reached 64.2 million in March 2021 and gross domestic product (GDP) reached 61.07% or 8,573.89 trillion rupiah. However, many MSMEs do not make financial reports in accordance with SAK EMKM, supported by research from [3] which concludes that MSMEs do not really need accounting knowledge and understanding.

SAK EMKM is a standard that is designed to be lighter because there are transactions that are often used by MSMEs. SAK EMKM will certainly make it easier to carry out business development activities both in gaining access to capital from investors and banks. Then according to [4], if MSMEs make financial reports based on SAK EMKM then they will have reliable financial reporting. The research [5], stated that Sukma Cipta Ceramic MSMEs had not fully implemented SAK EMKM and MSME understanding. Furthermore, [6] explained that CV Mavesa Jaya MSMEs did not understand the procedure for making financial reports appropriately, and [7] stated that the opening The one owned by

Rizky Busana Shop is still very simple because it only makes a summary of the amount of cash, receivables, inventories, and payables at the end of the month. MSME Ernov Bali has made financial reports but has not fully followed SAK EMKM, namely as follows:

**Table 1.** Report of Ernov Bali's Financial Position in 2021

<b>ASSET</b>	
Cash	63.204.500
Inventory	175.900.000
<b>TOTAL ASET</b>	<b>239.104.500</b>
<b>LIABILITY &amp; EQUITY</b>	
Account Payable	7.500.000
Tax Payable	422.500
Capital	250.000.000
Retained Earning	73.170.976
Net Income for the Year	28.850.000
<b>TOTAL LIABILITY &amp; EQUITY</b>	<b>359.943.476</b>

Based on the table, Ernov Bali's MSME financial reports are inappropriate and unbalanced. Financial statements are a very important component to see business performance [8], and SAK EMKM (2016) provide an explanation of the state and finances of SAK EMKM entities. Therefore, it must be studied further on how to recognize, measure, and present in the preparation of the financial statements of MSME Ernov Bali and the application of SAK EMKM in the financial statements in order to know the application of SAK EMKM in the recognition, measurement, and presentation of the preparation of financial statements prepared by MSME Ernov Bali.

## 2. Method

The type of research used is qualitative with a descriptive approach. The place to carry out the research is MSME Ernov Bali. The research was carried out for six months, from February to July 2022. The data source consisted of primary data, namely from interviews and secondary data from the financial report data of MSME Ernov Bali in 2021. The validity of the data used was source triangulation, then the data analysis technique used in this study is a comparative descriptive method, the analysis technique is carried out by comparing the theory or data obtained related to the applicable standards in compiling financial reports, namely SAK EMKM with the practices that occur in these SMEs and in this study, a comparison of financial statement data made by MSME Ernov Bali with a theory based on SAK EMKM was carried out.

## 3. Result and Discussion

Entity, Micro, Small and Medium Financial Accounting Standards are used specifically for MSMEs. With the existence of SAK EMKM, it can be a reference for MSMEs, especially for MSME Ernov Bali so that they can be more developed and independent in carrying out accounting records, and can develop information about accounting that has an influence on the sustainability of their business. There are three types of financial statements based on SAK EMKM, income statement, financial position, and CALK. The following is a financial report that is processed based on SAK EMKM.

**Table 2.** Profit and Loss Statement Ernov Bali based on SAK EMKM

<b>Ernov Bali</b>	
<b>Profit and Loss Statement</b>	
<b>For Years Ended Per 31 December 2021</b>	
<b>Description</b>	<b>Amount (Rp)</b>
<b>Revenue</b>	
Revenue	84.500.000
<b>Total Revenue</b>	<b>84.500.000</b>
<b>Cost of Good Sold</b>	
Beginning Inventory	156.300.00
Purchase	54.700.000
Ending Inventory	175.900.000
<b>Total Cost of Good Sold</b>	<b>35.100.000</b>
Gross Profit	<b>49.400.000</b>
<b>Administration &amp; General Expenses</b>	
Salary expense	84.500.000
Transportation expenses	750.000
Office Supplies	25.000
Phone expense	875.000
Electricity expense	1.250.000
Other General & Administrative Expenses	250.000
Building Rent Expense	15.000.000
<b>Total Administration &amp; General Expenses</b>	<b>103.017.500</b>
<b>Net Profit (Loss) Before Tax</b>	<b>(53.617.500)</b>
PP Tax Burden 23	422.500

**Table 3.** Statement of financial position Ernov Bali based on SAK EMKM

<b>Ernov Bali</b>	
<b>Statement of Financial Position</b>	
<b>On December 31, 2021</b>	
<b>ASSET</b>	
<b>Current Assets</b>	
Cash	63.204.500
Inventory	175.900.000
<b>Non Current Assets</b>	-
<b>Total Assets</b>	<b>239.104.500</b>
<b>LIABILITY &amp; EQUITY</b>	
<b>LIABILITY</b>	
Account Payable	7.500.000
Tax Payable	55.000
<b>EQUITY</b>	
Capital	250.000.000
Retained Earning	35.222.000
Net Income for the Year	(53.672.500)
<b>TOTAL LIABILITY &amp; EQUITY</b>	<b>239.104.500</b>

The income statement is a report that provides information about how the company is performing in relation to business continuity over a certain period of time. MSME Ernov Bali can define the accounts in the income statement as well as evidenced by the preparation of an income statement by MSME Ernov Bali then in the profit and loss statement MSME Ernov Bali has recognized revenues and expenses, then measured them using historical costs and presented them to each income group or burden. The income statement is obtained from income minus expenses, MSME Ernov Bali uses a final tax, which is based on PP 23 of 2018 at a rate of 0.5% so that MSME Ernov Bali records a tax burden of Rp.

422,500.23 of 2018 from January to December which is calculated through gross turnover or sales multiplied by the rate of 0.5%.

#### b. Statement of Financial Position

The statement of financial position is part of the financial statements that show what the financial position of a company or MSME is like. The statement of financial position of MSME Ernov Bali has not classified or described several accounts such as current assets and fixed assets and the separation of accounts between liabilities and equity then MSME Ernov Bali is not correct in recording last year's profit (loss) and this year's profit (loss). the nominal between assets and liabilities and equity is not balanced for that number should be recorded in accordance with the profit or loss in last year's report and this year's profit (loss) written with the profit (loss) earned in 2021.

#### c. CALK

The notes to the financial statements are the part of the financial statements that contain information and details relating to certain accounts. The notes to the financial statements serve to complete the information needed for translation in a descriptive format, the notes to the financial statements can then explain the numbers contained in the financial statements.

Based on the results of the research carried out, it was explained that the recording of financial statements carried out by MSME Ernov Bali was classified as less tidy. The recording process has been using a computer assisted by using excel to input income and expenses. MSME manager Ernov Bali is too focused on compiling the income statement so that the statement of financial position becomes unbalanced. The employee from MSME Ernov Bali already knows about the account items in the income statement and statement of financial position but does not understand in detail the components. Then the presentation of financial statements at MSME Ernov Bali is not in accordance with SAK EMKM, this can be seen from the recognition, measurement, and presentation stages. MSME Ernov Bali has correctly acknowledged the items related to each account, but in the measurement stage MSME Ernov Bali is still confused, for example in the statement of financial position, MSME Ernov Bali incorrectly recorded last year's profit and loss and current year's profit and loss. So that the understanding of accounting related to the preparation of financial statements has not been fully mastered by MSME Ernov Bali. There are many factors that cause the lack of knowledge possessed in making financial statements. So, it is recommended that MSME Ernov Bali use SAK EMKM in the preparation of its financial statements so that it can be easier to find out the performance conditions of the business being undertaken.

The results of this study have limitations on the object of research, namely this research focuses on one MSME, namely MSME Ernov Bali. Furthermore, it only focuses on discussing the three components of the financial statements, namely the statement of financial position, income statement, notes to financial statements for the 2021 period.

## 4. Conclusion

The conclusion of this study shows that MSME Ernov Bali has not fully prepared financial reports in accordance with SAK EMKM, then in the recognition, measurement, and presentation of financial statements made by MSME Ernov Bali has not fully complied with the applicable SAK EMKM. There are several discrepancies such as errors in measuring liabilities, then incomplete presentation as evidenced by the absence of account classification.

MSME Ernov Bali does not present notes on financial statements so that MSMEs are still having difficulties in knowing how to obtain information about their accounting policies and information about the accounts contained in the financial statements. MSME Ernov Bali can learn more about how to prepare appropriate financial reports in accordance with SAK EMKM in order to understand how the sustainability of their business is going, then the preparation of good financial reports can be useful in conducting performance assessments as a comparison for the previous year.



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