

CHART OF ACCOUNT FOR SMALL AND MEDIUM AQUACULTURE BUSINESS IN WEST JAVA CASE STUDY: SANGKURIANG SITU MUKTI

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Abstract. In the globalization era, SME have to get ready to battle in a tight competition. Based on the statement from Indonesian Ministry of Micro, Small, and Medium Enterprises, Several problems that SME usually faced are human resource, funding, marketing, management and technology, and institutional. Two of five crucial problem for SME that author highlighted management. From the author experience of direct participation with the company, Sangkuriang Situ Mukti deals a lot of time on accounting process. The problem arose since the mid of 2015 when management team could not process its financial data and led to ineffective business process. this paper, Chart Account for Small and Medium Aquaculture Business in West Java Case Study: Sangkuriang Situ Mukti, is a part of a whole package of accounting system.

1. Introduction

Based on statistics data from 2009 – 2014 from the ministry of fisheries and maritime West Java, catfish cultivation in West Java always increase its production annually. The data from 2015 showed catfish production in West Java reach 613.120 tonnes. That number was increased compared to the 2014 year that reach 534.774 tonnes. This shows that doing business in catfish cultivation still give a bright opportunity. Therefore, those catfish cultivation player needed accounting system so that investor or new player could understand the performance a group of catfish cultivator or even understanding the whole industry condition.

Sangkuriang Situ Mukti is a company that runs its business catfish cultivation industry. The production site and the office also located in Villa Padjajaran, Kampung Nyalindung, Cileunyi Wetan, Kabupaten Bandung. The company sell fresh catfish from its own production activity directly to its end consumer, catfish vendor in traditional market and restaurant in Jatinangor.

2. Literature Study

The literature study scope covers the related accounting documents, documents describing Sangkuriang Situ Mukti accounting process system, accounting related text book, ED SAK EMKM (Exposure Draft Standard Akuntansi Keuangan Entitas Mikro Kecil dan Menengah), as well as other literature related with the topic. The relationship between all the references will be illustrated on the following sequence:

- At first, the author examine all the documents that is related to the topic. The documents are the business model canvas, company workflow, business process, and organization structure. This documents will give general understanding and framework about the existing accounting system and flow of the organization.
- The author then gathers all the supporting documents sample (bills, and receipt) from each account from the financial report to simulate each transaction affected the related account. This will give a detail understanding of the existing accounting flow and system.

- The author then study the theoretical foundation of accounting, and accounting information system. This will give strong fundamental understanding towards designing organizations accounting system.
- Finally the author match all the gathered information from the following steps with the standards given by ED SAK EMKM

Accounting Definition

Swardjono have two perspectives of accounting definition. Those are as a set of science and as a practice. As a set of science could be defined a study of engineering in the form of the provision of financial information services in an economic environment. As process could be defined as process of providing and reporting information. The processes included are identification , validation , measurement , recognition , classification , mergers, decomposition , summarizing, and presenting financial data.

Besides Swardjono, Weygandt-Kimmel-Kieso defined accounting as a processes of identifying, recording, and communicating the economics event, of an organization to interested stakeholders or users. Because in this occasion the writer is going to discuss accounting from the process perspective, therefore accounting have theree fundamental activities which are:

- Identification, a processes to identified wether an event is a transaction. If the event is a transaction, then what are the financial elements influenced by it. The influence could be increasing or decreasing the value of the elements influenced by the transaction.
- Recording, a process to record every transaction with a certain system, rules and mechanism.
- Communicating, the end product of accounting process is financial report containing financial information to be delivered to stakeholders.



Figure

2.3

Accounting Process

The output of accounting process os financial information inside financial report. There are four types of financial report:

1. Income Statement
2. Owner Equity Statement
3. Balance Sheet
4. Cash flow

Accounting Equation

The fundamental accounting equation is

$$Asset = equity + liability$$

The equation consisted of three elements

- Asset
- Equity
- Liability

Asset represents all economic resources owned by the organization that will bring benefits both at the present and in the future as a form of use of funds. For example, Sangkuriang Situ Mukti owned pools that used for production activities. Liabilities is sources funding of organization that is a loan from a third party. Liabilities could be in forms of debts and obligations. For example, Sangkuriang Situ Mukti borrowed some capital from bank. Therefore Sangkuriang Situ mukti have liabilities to the bank. Equity is a source of funds from the owners or shareholders and the results of activities of organization that brings revenue. Or in other definition the ownership claim on total asset. This definition comes from the equation where equity is the result of asset minus liabilities. For example, the founder of Sangkuriang Situ Mukti invested initial capital for infrastructure and working capital.

Equity consists of share-capital ordinary and retained earnings.

Share – capital ordinary is the amount of money paid in by shareholders and in return for ordinary shares they purchase. For example, Sangkuriang Situ Mukti sold its 30% shares for the sum of money. Then some interested investors will paid some money and they will get percentage of shares.

Retained earnings is determined by revenues, expenses, and dividends.

Revenues are the gross increase in equity resulting from business activities entered into for the purpose of earning income. Revenues will result increasing in asset. In Sangkuriang Situ Mukti, revenues gathered form the sales of Catfish. The company planning to add more revenues channel from training. Expenses are the cost of assets consumed or services used in the process of earning revenue. It will results decreases in equity resulted from business operation. Sangkuriang Situ Mukti example of expenses are employees salary, electricity, depreciation, etc.

Dividends is the net income which is available to be distributed to shareholders. It can be obtained by subtracting all revenues with all expenses. It could be resulted in net income or net loss. The company may decide wether to distribute the dividends or not. The distribution of dividends to shareholders will decrease retained earning. For example, Sangkuriang Situ Mukti held annual general meeting of shareholders. The meeting conclude that the dividends will not be distributed as the company need money for expansion in building infrastructures.

Double Entry System

In double entry system, every transaction recorded in two accounts. This is corresponded with the accounting equation. The value of every account should be in a balance condition.

Micro, Small, and Medium Enterprise (UMKM, Usaha Mikro, Kecil dan Menengah)

Undang – Undang Republik Indonesia Number 20 Years 2008 about Micro, Small and Medium enterprises categorized each of enterprise level into several criterias which are micro enterprise.

- a. Have a maximum total asset Rp50.000.000,00 (fifty million rupiah) excluding land and business building
- b. Have a maximum annual sales of Rp300.000.000,00 (three hundred million rupiah)
small enterprise
- c. Have total asset ranging from Rp50.000.000,00 (fifty million rupiah) to Rp300.000.000,00 (three hundred million rupiah) excluding land and business building
- d. Have an annual sales ranging from Rp300.000.000,00 (three hundred million rupiah) to Rp2.500.000.000,00 (two billion five hundred million rupiah) medium enterprise
- e. Have total asset ranging from Rp500.000.000,00 (five hundred million rupiah) to Rp10.000.000.000,00 (ten billion rupiah) excluding land and business building
- f. Have annual sales ranging from Rp2.500.000.000,00 (two billion five hundred million rupiah) to Rp50.000.000.000,00 (fifty billion rupiah)

Aquaculture

The Japanese Resource Council, Science and Technology Agency defined aquaculture as follows, *“aquaculture is an industrial process of raising aquatic organisms upto final commercial production within properly partioned aquatic areas, controlling the environmental factors and administering the life history of the organism positively and it has to be considered as an independent industry from the fisheries hitherto”*.

Aquaculture also could be defined as cultivating aquatic organism under certain condition (Bardach, 1972).

The organisms of aquaculture could be animal or a plant, offshore or onshore. Examples of animal cultivated by aquaculture activity are tilapia, carp, catfish, shrimps, prawn, etc. The examples of plants cultivated by aquaculture activities are water chestnut, red alga, seaweed, etc. Undang – Undang Republik Indonesia Number 31 years 2004 defined aquaculture in a smaller scope of fisheries. It is said that fish farming is an activity to maintain, raise, and/or breed fish and harvested under controlled environment.

ED SAK EMKM

ED SAK EMKM arranged to fulfill the demand financial reporting for Micro, Small and Medium enterprises. The document addressed for entities that don't meet the accounting requirements set out in SAK ETAP. Entity's financial statements are prepared using the accrual basis accounting assumptions. ED EMKM become effective by January 1st, 2018. Immediate application is recommended.

3. Research Methodology

On building chart of account Sangkuriang Situ Mukti, the author using direct participation, observation, and literature study methodology of research. The author joined the company as director of finance since the early of 2015. Discussions conducted with several company's stakeholders to know their hope towards a better Sangkuriang Situ Mukti accounting system. Besides that, the author collected all supporting documents starting from related company's accounting documents, documents describing Sangkuriang Situ Mukti accounting process system, accounting related text book, ED SAK EMKM (Exposure Draft Standar Akuntansi Keuangan Entitas Mikro Kecil dan Menengah), as well as other literature related with the topic. From this methodology resulted into Sangkuriang Situ Mukti chart of accounts.

4. Research Finding

Sangkuriang Situ Mukti accounts are given the account code to make easier for the recording process. Major account classification based on which statements the accounts are presented. the account code use four digits of code which are consisted of major account classification, financial statement classification, detailed account classification. The company only use four digits of codes to simplify the classification of accounts.



Figure 4.6. Account Numbering Mechanism

The first digit of the code is the major account classification. There are six major account classification which are consisted of

1. Asset
2. Liabilities
3. Equity
4. Revenues
5. Expenses

Asset, Liabilities and Equity are the accounts presented in statements of financial position while Revenues and Expenses are the accounts presented in income statements. the second digit is the sub-account classification consisted of accounts in major account. The last two digits are the detailed account explaining detail information of sub-account. The number of accounts and digit of the code depends on the complexity of transaction conducted by the company.

Below is the chart of account of Sangkuriang Situ Mukti

1000-Assets	Explanation
<u>1100-cash</u>	Available tools to fund all Sangkuriang Situ Mukti needs
1101-BRI	Bank account to receive cash-in
1102-BCA	Bank account for cash withdrawal
1111-Petty Cash	Cash to fund daily company needs
<u>1200-Accounts Receivable</u>	parts of Sangkuriang Situ Mukti rights used by second party
1201-Hikmat	
1202-Cahyo&Risyad	
1203-lhsan	All Accounts Receivable Activities done by shareholders
1204-Angga Group	
1205-Ogi	
1211-Dadang (Customer 1)	
1212-Customer 2	All Accounts Receivable Activities done by customers
121...-Customer...	
1251-Adi (Employee 1)	
1252-Yudhi (Employee 2)	All Accounts Receivable Activities done by Employees
1299-Others	All Accounts Receivable activities done by other than have mentioned before
<u>1300-Inventory</u>	Inventory used for production raw material
1301-Feeding Type 1	
1302-Feeding Type 2	
1303-Feeding Type 3	record the movement and changing volume of feeding
1304-Feeding Type 4	
1311-Fish Stock	record the stock and changing volume of fish
1321-Nutrition	record the stock and changing volume of nutrition
<u>1400-Prepaid Rent</u>	Rent paid in-front
<u>1500-Fixed Assets</u>	all fixed assets owned by Sangkuriang Situ Mukti
1501-Land	Land owned by Sangkuriang Situ Mukti
1511-Buildings	buildings owned by Sangkuriang Situ Mukti
1521-Office Equipment	office equipments is not included stationary
1531-Production Equipment	equipments that help effectiveness of production activity
1551-Infrastructure	example; Plumbing, fish pools, water torrent
1575-Vehicle	Vehicle owned by Sangkuriang Situ Mukti

4000-Revenues

4100-Sales	
4101-Dadang	
4102-Customer 2	Sales transaction from routine customer.
4200-Cost of Goods Sold	
4201-Feeding Type 1	
4202-Feeding Type 2	Economical value used as raw material from types of feeding.
4203-Feeding Type 3	
4204-Feeding Type 4	
4211-Fish Seeds	Economical value used as raw material from Fish Seeds.
4300-Other Income	
4301-Training	other potential source of income that related to the core business.
4302-brokerage comission	

3000-Equity

3100-Owner Equity	
3101- Hikmat	
3102-Cahyo&Risyyad	
3103- Ihsan	The number of Equity owned by these shareholders.
3104- Angga Group	
3105- Ogi	
3200- Profit or Loss Current Year	
	This account close the balance from revenues and expenses at the end of period
3300-Dividends	
3301-Hikmat	
3302-Cahyo&Risyyad	
3303-Ihsan	the number of Dividends shared to these shareholders.
3304-Angga Group	
3305-Ogi	

2000-Liabilities

	Explanation
2100-Accounts Payable	liabilities for operational needs
2101-Fish Seeds Supplier	Accounts Payable from inventory suppliers
2111-Fish Feeding Supplier	
2121-Equipment Store	Accounts Payable from Equipment Store
2131-Office Equipment Store	
2200-Loan Payable	Loan can be repaid in less then 30 days
2201- Lenders 01	Short-Term Liabilities from personal lenders
2201-Lenders 02	
2300-Long Term Liabilities	Loan can be repaid in more than 30 days
2301-Lenders 01	Long-Term Liabilities from personal lenders
2302-Lenders 02	
2311-Debt Bank 01	Long-Term Liabilities from Bank
2312-Debt Bank 02	

5000-Expenses

5100-Salary	
5101-Adi	Transaction on payroll payment to employees.
5102-Yudhi	
5200-Overhead	
5201-electricity	electricity bill on the scope of production site and office.
5202-Gas Money	gas money to help the effectiveness of business process.
5203-Administration	administration cost for transaction related to the business process.
5204-Stationary	the stationary used for .
5205-Interest	interest from Sankuriang Situ Mukti loan or debt.
5300-Accumulated Depreciation	
5311-Buildings	Annual depreciation from each category of fixed asset.
5321-Office Equipment	
5331-Production Equipment	
5351-Infrastructure	
5375-Vehicle	

Figure 4.9. Chart of Account

5. Conclusion

Based on the finding of the research. Chart of accounts for Small and Medium Aquaculture business in Indonesia have to cover all transactions conducted by the company. Company could list transactions they conduct by gathering transaction receipts document. And also all the possibilities of transaction that will be occurred in the future, then categorize those transactions into a simple five accounts categories, asset, liabilities, equity, revenue, and expense.

This research finding should be completed with accounting policy, accounting information system, and format of financial statement to make a complete accounting system. The accounting system also have to be implemented using implementation plan. Simple implementation plan could be make using project management tools. The author hope in the future small and medium enterprises, not only in aquaculture industry, could record its transactions, process those financial data, and make a good financial reporting. The purpose so that every stakeholders, especially management team and owners, could use financial report data for their own interest.