

## EXPLANATION OF THE APPLICATION OF SAK EMKM IN MICRO, SMALL AND MEDIUM ENTERPRISES

Feby Ramadhani Hariyono

Departement of Accounting, STIE Widya Gama Lumajang, Indonesia

Email: febyramadhani19@gmail.com

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### ABSTRACT

This study aims to find out how the application of SAK EMKM in the preparation of MSME financial reports and what are the obstacles faced by MSMEs in preparing financial reports. This research uses descriptive qualitative research method. Data collection techniques used are observation, interviews, and documentation. The results of the study indicate that MSME Bersama Jaya does not apply SAK EMKM in the preparation of its financial statements, because the owners of MSME Bersama Jaya do not understand SAK EMKM regarding the presentation of financial statements. The owner considers that the records made are clear and effective. The obstacles for UMKM Bersama Jaya in implementing SAK EMKM, are the lack of knowledge of the owners of UMKM Bersama Jaya about SAK EMKM, the lack of professional accounting staff at UMKM Bersama Jaya, and the owners do not understand recording and preparing financial reports.

Keywords: EMKM, UMKM, Financial Report



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### INTRODUCTION

Small and medium-sized enterprises (SMEs) are one of the economic activities carried out by most of the Indonesian people. The existence of small and medium enterprises (SMEs) needs to be supported in order to survive, expand business opportunities and employment opportunities. The number of entrepreneurs in Indonesia's MSME sector is the largest among other countries, especially since 2014. The number of MSMEs in Indonesia continued to grow from 2015, 2016 to 2017. The number of MSME actors increased by 3.1 percent, according to the Central Statistics Agency for SMEs in Indonesia. For 2017 and the following year, it is estimated that the number of MSME actors will increase.

In line with the development of MSMEs in reporting their financial statements, the Financial Accounting Standards for Micro, Small and Medium Enterprises (SAK EMKM) have now been published. The application of this accounting standard is intended to provide an overview of the performance of MSME management in the past and prospects in the future, so that it can be used by both MSME management and members as well as external parties who have other interests

related to MSMEs. Since SAK EMKM came into effect, different opinions have emerged regarding the effectiveness, efficiency, convenience and usefulness of the new standard. Entities that can use this standard are companies without public accountability, namely companies that do not have material public accountability and companies that produce general financial reports for external users.

With the existence of SAK EMKM, of course, it is hoped that MSME actors can make books so that they can present more meaningful financial reports, with the aim of making it easier for investors to obtain financial assistance for MSME entrepreneurs. Although quite concise, but does not change the principles that are generally applied today.

In the business world, business people are expected to be able to manage their business properly and appropriately, especially in terms of managing financial reports. Many people think that managing financial statements is very easy and simple. However, in reality there are still many business actors who do not understand in managing and presenting their financial reports, they tend to ignore standard financial administration rules. many MSMEs have not prepared accounting information properly in accordance with SAK EMKM, most of them still use simple accounting. Access to financial institutions is very important for the sustainability of MSMEs, because with this access MSMEs can develop their businesses and receive an injection of funds from financial institutions. One of them is by presenting financial statements as a reference for financial institutions to assess whether or not the MSME is feasible. According to PSAK number 1 (revised 2009), financial statements are a structured examination of a company's assets, financial position, and profit position.

The purpose of financial statements is to provide information about a company's net assets, financial position and results of operations that is useful for various users to make economic decisions about individuals who may not require certain financial statements, meeting certain information needs. To achieve its objectives, financial statements also show what management has done (stewardship) or management's responsibility for the resources entrusted to it. A financial report has several characteristics that make the information contained in it useful to its users. These characteristics include (1) Understandable, (2) Relevant, (3) Reliability, and finally (4) Comparability. Financial reports for Micro, Small and Medium Enterprises (MSMEs) have been regulated in the Financial Accounting Standards for Micro, Small and Medium Entities SAK EMKM issued by the Indonesian Institute of Accountants (IAI) which is effective as of January 1, 2018 The aim is that small and medium enterprises can prepare their own financial reports that can also be audited and obtain an audit opinion so that the company it manages can use its financial statements to obtain funds for business development.

The existence of Financial Accounting Standards for Micro, Small and Medium Enterprises (SAK EMKM) conducted by IAI for small and medium enterprises, its existence is not yet widely known by small and medium business owners and the lack of socialization is the main factor in the lack of understanding of SAK EMKM in the environment. SMEs. According to Nurlaila (2018) with the title of applying financial accounting standards for micro, small and medium entities (SAK EMKM) to Sukma Cipta Ceramic, Dinoyo Malang, he said that the MSMEs he studied had not implemented SAK EMKM in recording their financial statements as well as research conducted by Ari Nurul. Fatimah (2017) with the title Analisisn implementation of five small businesses in the implementation of IFRSs EMKM district purworejo, he said that of the five businesses that yes conscientious just there are some businesses that are ready to merapkan SAK EMKM in recording financial statements of our joint efforts jaya are SMEs engaged in wood industry. This company does not pay attention to the usual accounting system, where the process of recording costs is not carried out properly. The recording of factory overhead costs and other non-manufacturing costs (general selling costs and administrative costs) is often ignored so that the actual costs incurred are not taken into account and are not included in the report and result in MSME financial statements being inseparable. personal assets and business results. This causes the management to be

inaccurate in profit planning and cost control, and the management is not able to prepare financial reports adequately in accordance with the guidelines or standards that have been set. Management can set prices more easily and be confident that they have clear information about the cost of the work or units to be sold.

## **METHODS**

This study used research methods with a qualitative approach. The method used in this study uses a qualitative approach because qualitative research emphasizes more on the process, so qualitative research in looking at the relationship between variables is interactive (influence each other). This can be used to examine the relationship between MSME owners and the selection of their business financial records. And qualitative research can describe the problem in detail and be more sensitive to the object being observed. The technique of taking research subjects using snow-ball sampling technique. The snow-ball sampling technique is part of the non-probability sampling technique, where what is meant by snow-ball sampling is that researchers select respondents sequentially. If the data collection on the first respondent is complete, the researcher asks the first respondent to provide recommendations to the second respondent, then the second respondent also provides recommendations to the third respondent, and so on. This process snow-ball continues until the researcher obtains sufficient data. The process of systematic research and compilation of data obtained from interviews, field notes and documentation, organizing data into categories, dividing them into units, synthesizing them, organizing them into schemas, selecting what is important and what is important to study, and drawing conclusions so that easily understood by self and others. Activities in data analysis, namely data reduction (data reduction), data display (data presentation), and conclusion drawing/verification (conclusions).

## **RESULTS AND DISCUSSION**

Together Jaya is a privately owned company founded in 2016 by Mr. Riswan. The establishment of this company was pioneered by Mr. Riswan himself in terms of entrepreneurship, besides being able to help in terms of family income, it can also open up job opportunities in the wider community. Currently, in running his business, Mr. Riswan is assisted by several of his employees in terms of managing financial reports and marketing. Together Jaya is a business engaged in the sale and purchase of plywood, which at first only bought goods or rejected or rejected plywood and then marketed it. As time goes by, seeing the plywood market is getting busier, Mr. Riswan tries to innovate by reprocessing reject or rejected plywood into better or higher value goods with processing techniques, namely repair and paste.

The organizational structure that exists in the Joint Jaya business is unwritten and very simple. Based on the results of observations and interviews with business owners, the organizational structure of MSME Bersama Jaya can be described as follows: 1 Owner (owner): a) Job description Responsible for the company directly, b) Supervise every business activity, c) Decision holder the most decisive, 2. Financial administration: a) Cash manager (responsible for the company as a whole), b) Prepare financial reports (in this case according to his version), 3 Marketing department: a) Plan strategic steps in terms of product marketing to the public, b) Provide input to the owner in terms of marketing, c) Marketing the product to the public, 4. Production employees: Manage goods or reject or reject plywood that is purchased and then reprocessed with repair and temple techniques, until the goods are ready to be marketed.

The results of interviews conducted with the owners of the Joint Jaya business, it shows that understanding of the financial statements is still low, even the owners of the Joint Jaya business admit that they do not understand and do not know directly from the authorities regarding financial

statements. The owner of Bersama Jaya also admitted that he was not aware of the recording and preparation of financial statements in accordance with accounting science.

Joint Owner Jaya does not understand the importance of preparing financial statements for his company, He does not consider the preparation of financial statements important. He admitted that preparing financial statements was too complicated and time-consuming. The preparation of financial statements is very important, because the recording and preparation of financial statements can be used to determine the company's financial position and performance. The company's financial position and performance can be used as company monitoring in estimating the company's development. Accurate and relevant recording and preparation of financial reports can be used as information to internal and external parties regarding the management and development of the company (karisma: 2016).

Joint owner Jaya does not know the purpose of making financial statements. He does not know what the purpose of the financial statements is, this is because the owner himself is part of the financial manager in his company. The purpose of financial statements is to provide information on the company's financial position that is useful for most users of financial statements in order to make economic decisions and show management's responsibility for the use of resources entrusted to management.

The results of interviews, observations, and documentation conducted on the owner of Bersama Jaya, he admitted that during his business he had never recorded the preparation of financial statements in his business, this was because he did not know the preparation of financial statements in accordance with accounting science. The manager only performs a record in the form of a simple record sourced from transaction evidence. Recording is done, namely sales transactions, purchase transactions, cash in, cash out, proof of payment transactions for receivables and debts. These forms were made by the owner of Bersama Jaya in accordance with the understanding and needs of Bersama Jaya. Joint Owner Jaya compiled the form not based on accounting knowledge, but only to the extent of his knowledge.

The recording by the owner of Bersama Jaya is still not in accordance with the science of accounting, because the recording does not show the stages as in the accounting cycle and the recording can only be understood by the owner. Financial records should be able to provide information to external parties about the company's financial information, so that records must have the characteristics of being easy to understand, relevant, and accurate.

The records carried out by the owner of Bersama Jaya also do not show accurate results, because he does not record regularly and the company's finances are still mixed with personal finances. Regarding the recording that is not carried out regularly, the manager admitted that he did not have time to record and prepare financial statements in a coherent manner because the owner managing the company himself did not have the manpower to record the company's finances. Meanwhile, related to the company's finances being mixed with personal finances, the owner admitted that the company's finances were still mixed with personal finances. This happens, when the owner receives income, the finances are immediately spent on personal needs and company needs without being taken into account first. In its implementation, the accounting system carried out by Bersama Jaya is still not in accordance with SAK EMKM because the recording of financial statements is not in accordance with the accounting cycle and does not have any type of financial statements in accordance with accounting standards.

The results of the study indicate that the accounting system carried out by MSME Bersama Jaya is still not in accordance with SAK EMKM because the recording of financial statements is not in accordance with the accounting cycle and does not have any type of financial statements in accordance with accounting standards. The results of this study are in line with the research of Thesar Juniardi (2017), Astra Convection does not apply SAK EMKM in the preparation of its

financial statements. This shows that the company has not been able to measure the level of the company's financial performance and has not been able to know the company's development. The importance of the company's financial statements can be used as information to internal and external parties about the management and development of the company.

The application of SAK EMKM to small and medium-sized enterprises, especially UMKM Bersama Jaya, has a positive effect on the company. This shows that the owner of the company already knows that there are accounting standards that are used as guidelines in preparing financial statements for the development of their business continuity. The financial statements made can be useful for the company and other parties.

UMKM Bersama Jaya did not apply SAK EMKM in the preparation of its financial statements, this was based on several reasons, namely: 1. Lack of knowledge of the owners of UMKM Bersama Jaya about SAK EMKM regarding the presentation of financial statements, Managers only do a Recording in the form of a simple record sourced from the proof of the transaction. 2. There is no professional accounting staff at MSME Bersama Jaya. The manager admits that he does not have accounting staff who can represent the owner in preparing financial statements in accordance with SAK. This is because the owner has not dared to hire an accounting staff to simply do the preparation of financial statements. 3. The owner of MSME Bersama Jaya admitted that he did not consider the preparation of financial reports important. The owner admits that a privately managed company does not require the preparation of financial statements, because the most important records are records that can be understood by the owner. The owner of the UMKM Bersama Jaya also admitted that compiling complex financial reports only takes time.

Special constraints, not implementing the preparation of financial statements in accordance with SAK EMKM. This is in line with research conducted by Juniardi (2017) and Egi Ramadhani (2017), the lack of understanding of SAK EMKM. Based on these results, it can be concluded that education and expert accounting personnel play an important role in helping to implement SAK EMKM in companies to measure the level of company development, and company financial performance.

## CONCLUSION

MSME Bersama Jaya did not apply SAK EMKM in the preparation of its financial statements, because the owners of MSME Bersama Jaya did not understand SAK EMKM. The owner considers that the records made are clear and effective. The constraints of UMKM Bersama Jaya in implementing SAK EMKM, are as follows: lack of knowledge of the owners of UMKM Bersama Jaya about SAK EMKM, the absence of professional accounting staff at UMKM Bersama Jaya, and owners do not understand the importance of recording and preparing financial statements.

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