

Research Article

Implementation of Financial Report Preparation in Small and Medium Enterprises (SMEs) Fostered by DEKRANASDA West Java

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Corresponding Author, Email: nopi.hernawati@gmail.com (Nopi Hernawati)**Abstract**

This study aims to 1) Identify the form of accounting implementation based on the EMKM Financial Accounting Standards (SAK EMKM) in Small and Medium Enterprises (SMEs) fostered by DEKRANASDA West Java, and 2) Determine whether the accounting implementation in these SMEs has been in accordance with SAK EMKM. The type of data used is qualitative data, in the form of a questionnaire or statements provided to SME entrepreneurs fostered by DEKRANASDA West Java regarding the implementation of accounting based on the Financial Accounting Standards (SAK). The data analysis uses a descriptive method. The results of the study show that the form of accounting implementation in SMEs fostered by DEKRANASDA West Java in Bandung City and Bandung Regency is still very simple, and on average, it does not comply with the Financial Accounting Standards, as many have not met the stages of the accounting cycle. The challenges faced in preparing financial reports include insufficient technical knowledge in preparing such reports, especially based on SAK, as well as the lack of awareness and discipline among SMEs regarding the importance of complete and standard-compliant financial reports. These reports are essential tools for evaluating the operational results of their businesses. The understanding of SME entrepreneurs fostered by DEKRANASDA West Java regarding the Financial Accounting Standards is still lacking. Overall, the financial report presentation among SME entrepreneurs is approximately 50.72%,



which meets the compliance standards based on the Financial Accounting Standards (SAK).

Keywords: Accounting Implementation, Based on SAK, SMEs

INTRODUCTION

In carrying out its activities, a business entity has the primary objective of obtaining profit. This is especially true for the private sector, whose orientation is profit-driven, such as micro, small, and medium enterprises (SMEs). Although these businesses are individually owned, the primary goal of developing such enterprises is to generate profit. To thrive in the market competition, SMEs must consider profit in every activity they undertake. Profit reflects the ability of the business owner to manage their enterprise effectively. As profit is a reflection of the company's performance, it can increase the trust of other stakeholders such as investors, creditors, and government institutions.

Several SMEs in West Lombok, such as those in Seganteng, still face challenges in managing their finances. This has led to small businesses lacking proper financial reports (Marsiwi et al., 2020). Some SMEs view financial reports simply as records of money amounts (KBBI, n.d.). Entrepreneurs in SMEs tend to focus solely on ensuring the survival of their business amidst the growing competition. As small businesses, it is not uncommon for the owner to handle all activities personally. This results in entrepreneurs not having enough time to properly record and manage financial data. SME owners feel they do not have enough capital to hire financial professionals. Furthermore, they often mix personal assets with business assets.

The financial management issues faced by SMEs lead to the difficulty of growing the business properly, as the concept of business entities, which separates personal interests from business interests, is unclear (Herwiyanti et al., 2017; Ikatan Akuntan Indonesia, 1998). Entrepreneurs also struggle to create accurate plans. Moreover, business owners are unable to determine their profits for each period correctly. Consequently, when seeking additional capital, SMEs find it difficult to obtain loans or financial assistance because they lack financial reports.

According to Martani et al., (2024), accounting is not only meant for business entities. Over time, accounting has also become essential for other entities such as government bodies, foundations, NGOs, and so on. Accounting can be viewed from various perspectives: as a process, an information system, and a set of knowledge (Suwardjono, 2003). Bandung City and Bandung Regency are known as centers for culinary and handicraft SMEs fostered by DEKRANASDA West Java, with 68 SMEs being supported by the institution. Until now, SME entrepreneurs still lack awareness about the importance of using accounting and management in their businesses, with some even not applying any accounting records at all.

METHODS

This study uses qualitative data, which cannot be expressed in numerical units. In this research, qualitative data includes a list of questions or statements given to SME entrepreneurs fostered by DEKRANASDA West Java in Bandung City and

Bandung Regency regarding the implementation of accounting based on the Financial Accounting Standards (SAK). The data analysis is conducted using a descriptive method, where data is first collected, then clarified, analyzed, and subsequently interpreted to provide a clear picture of the studied situation.

RESULT AND DISSCUSSION

During the data collection process, it was found that the majority of respondents were SMEs under the guidance of the Cooperatives and SMEs Office of Bandung City and Bandung Regency, accounting for 76% of the total respondents, or 68 SMEs. This is an effort made by the government or local government to empower micro, small, and medium enterprises (SMEs) by providing facilities, guidance, mentorship, and support to develop and enhance the capacity and competitiveness of these enterprises (Pemerintah Pusat Indonesia, 2010).

Additionally, 9 business units, or 36%, are independent businesses where nearly all aspects of the business, including financial management, production, and marketing, are handled personally by the owner (Sugriwa et al., 2020). Only 3 out of 25 respondents are businesses under private guidance aimed at improving the quality of SMEs fostered by DEKRANASDA West Java in Bandung City and Bandung Regency.

The research findings indicate that only 16% of SMEs understand the SAK, while 84% do not comprehend it (Anggreani, 2016; Hernawati et al., 2019; P. P. Indonesia, 2015; Pemerintah Pusat Indonesia, 1992). The financial records presented so far only include income and expenses (BURHAN & YULISTIANINGSIH, 2021). However, when examining the financial recording or bookkeeping practices, 80% of SMEs have been keeping books, with most doing it manually. However, accounting information must be produced in a timely manner to remain relevant, as stipulated by the SAK.

To produce timely information, accounting implementation should ideally be computerized or supported by accounting software. Some SMEs use Microsoft Excel software for transaction recording, but only those who are capable and understand how to use the software. All SME owners under DEKRANASDA West Java believe that purchasing accounting software is too burdensome and not in line with the direct benefits it would provide, thus they feel that manual recording suffices for the financial reporting they require. This indicates that these SMEs have not yet met the characteristics of quality information, namely relevance and timeliness, as required by the SAK in their accounting implementation.

Using accounting software is just one way to produce timely financial reports with relevant information (Kieso et al., 2019; Pardede et al., 2022). Although using Microsoft Excel software can still generate financial reports, it has weaknesses in storing large transaction data, which compromises data security. Additionally, the speed of information generation could be significantly improved by using accounting software, which would help in producing timely, accurate, and relevant financial reports.

The results show that 76% of SMEs maintain routine bookkeeping each period, while 24% only do so when needed, leading to invalid financial reports and many misrepresented pieces of information (Julistia et al., 2021).

From the table above, it can also be seen that only 76% of SMEs provide information about the basic principles or rules in preparing financial reports, and 24% of entrepreneurs do not provide any additional information or accounts that should be included in the financial reports. This shows that more than 76% of these SMEs do not present their financial reports fully or meet the quality characteristics of accounting information, as mandated by the SAK.

Interviews with SME entrepreneurs revealed that 64% of them present a statement of financial position or a simplified balance sheet that only includes cash, raw material inventory for making crackers, and fixed assets (Mardini et al., 2021), while 36% do not present it. The statement of financial position provided does not fully comply with the minimum balance sheet requirements in the SAK (Ikatan Akuntan Indonesia, 2023), which should cover the required items.

SAK also regulates and explains the income statement, where 84% of SMEs, or 21 entrepreneurs, present an income statement, while 4 entrepreneurs (16%) do not. Regarding cash flow statements, only 24% present this report, while the rest do not, due to a lack of understanding of how to prepare a cash flow statement. In terms of current and non-current assets, as per the SAK, only a small number of entrepreneurs, 9 out of 25 or 36%, present these categories, while 64% do not.

The income statement is just as important as the cash flow statement (Pemerintah Pusat Indonesia, 2012), yet, as seen in the table above, only 24% of SMEs present a cash flow statement. This means that 76% of SME owners have not met the completeness requirements for financial reporting as per the SAK. The cash flow statement provides information on historical changes in cash and cash equivalents, showing separately the changes during a period from operating activities and financing activities for a business unit.

The classification of items in financial reports across periods must also be consistent, unless there is a significant operational change or improvement in financial statement classification as defined by the SAK (Warsono et al., 2010). Only 28% of all entrepreneurs present the classification of items in their financial reports, meaning that many entrepreneurs fail to provide a fair presentation of their financial reports in accordance with the SAK.

Financial reports should be presented at least annually (Suwardjono, 2020). According to interviews with business owners from DEKRANASDA West Java, only 24% of business units present complete financial reports, including the income statement, statement of changes in equity, statement of financial position, cash flow statement, and notes to the financial statements (P. P. Indonesia, 2008), though this is only done occasionally when needed. Every decision made by the owner in developing their business should be based on a complete financial condition report, not just profit. However, 76% of SME entrepreneurs do not present their financial reports fully at least once in an accounting period. This indicates that many entrepreneurs have not met the qualitative characteristics of financial reporting, namely completeness according to the Financial Accounting Standards (SAK).

Regarding the presentation of comparative (comparative) information, 68% of SME entrepreneurs provide such information, meaning that more than half of the entrepreneurs meet the fair presentation requirements for financial reports according to the SAK, where information should be presented comparatively, comparing the current period's financial report with the previous period unless otherwise stated by SAK (including information in the financial reports and notes to the financial reports).

Overall, it can be seen that SMEs that have presented complete financial reports in accordance with the stages of preparation that align with the accounting cycle and the SAK are on average 50.72%. Interviews with entrepreneurs revealed that some SMEs under certain institutions, especially the government of Bandung City and Bandung Regency, had received training related to the SAK (Nurhayati et al., 2022). However, according to them, the training provided was basic accounting bookkeeping training, such as archiving transaction evidence and basic financial recording techniques, from the accounting cycle to financial report preparation. These trainings were mostly seminars that only provided theory and lacked practical aspects.

CONCLUSION

Based on the issues, results, and discussions presented above, it can be concluded that the implementation of accounting in SMEs fostered by DEKRANASDA West Java in Bandung City and Bandung Regency is still very basic and, on average, does not comply with the Financial Accounting Standards, as many SMEs have not fully met the stages of the accounting cycle. The challenges faced by SME entrepreneurs in preparing financial reports stem from a lack of technical knowledge in preparing these reports, particularly in terms of SAK compliance, as well as a lack of awareness and discipline among SMEs regarding the importance of complete and standard-compliant financial reports, which are essential tools for evaluating the operational outcomes of their businesses.

The understanding of SME entrepreneurs fostered by DEKRANASDA West Java in Bandung City and Bandung Regency regarding the Financial Accounting Standards is still limited. This is due to the fact that SME entrepreneurs feel they have not received adequate socialization from local authorities regarding the preparation of financial reports to be implemented according to the Financial Accounting Standards. Overall, the financial report presentation among SME entrepreneurs is about 50.72%, which meets the compliance standards based on the Financial Accounting Standards (SAK).

Furthermore, SME entrepreneurs hope to better understand financial report preparation and expect that training will be followed up by the relevant authorities, with continuous monitoring of their progress.

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