

The Analysis of MSMEs Financial Statements Preparation Based on SAK-EMKM to Develop the MSMEs Financial Performance

Samirah Dunakhir

Faculty of Economics and Business, Universitas Negeri Makassar, Indonesia

Email: samirah.dunakhir@unm.ac.id



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ABSTRACT

The urgency of this research begins with the results of previous research which shows that many MSMEs do not yet have an Accounting Information System that is capable of producing financial reports required by credit providers or in accordance with established rules, which is the Financial Accounting Standards (SAK) for Micro, Small and Medium Enterprise (EMKM). This results in many MSMEs not having credible and good financial reports. Therefore, the aim of this research is to analyze the preparation of MSMEs Financial Reports based on SAK-EMKM in Makassar City. The research type is qualitative study. The number of MSMEs sampled in this research was 28 MSMEs. The data used in this research are primary data and secondary data. Primary data was obtained directly from the results of filling out the questionnaire, while secondary data was obtained from the financial reports of MSMEs in Makassar City. The research results show that MSMEs in the city of Makassar make financial reports in accordance with the creativity, abilities and knowledge of MSME owners. The results of the questionnaire show that MSMEs in Makassar City have not implemented SAK EMKM. This is due to the lack of knowledge of MSME owners regarding Financial Reports that based on SAK-EMKM.

Keywords: MSMEs; SAK-EMKM; financial performance; financial statements; accounting information system

INTRODUCTION

One of the tools used to measure the financial performance of a business entity, including MSMEs, is a financial report. Financial reports are documents that contain financial information needed to make the right business decisions (Abu Bakar et al., 2017; Brandl & Hornuf, 2020; Lin et al., 2023; Stein Smith, 2018). Apart from that, the implementation of Financial Accounting Standards for Micro, Small and Medium Entities (SAK-EMKM) has become fundamental in managing MSME finances. However, in practice, the preparation of SAK-EMKM based financial reports in MSMEs is still faced with various challenges such as: limited resources, lack of understanding of accounting, regulations that continue to develop, and inaccurate performance measurements.

Therefore, analysis of the preparation of financial reports based on SAK-EMKM is very important as an effort to develop the financial performance of MSMEs. By analyzing the challenges faced by MSMEs in preparing financial reports based on SAK-EMKM, and identifying appropriate solutions and recommendations, MSMEs can improve their financial performance, gain greater benefits from financial reports, and contribute more to the economy as a whole (Adhikara, 2018; Arda, 2021).

SAK EMKM, or Financial Accounting Standards for Micro, Small and Medium Entities, is an accounting framework designed specifically for smaller business entities, including Micro, Small and Medium Enterprises (MSMEs) (Anggadwita et al., 2021; Bateman et al., 2019; Nurjaya et al., 2020). This standard aims to simplify the accounting process for MSMEs and reduce their administrative costs. However, how SAK EMKM affects the financial performance of MSMEs depends on various factors, such as the size of the MSME, industry, and how SAK EMKM is implemented.

Several previous studies have shown that SAK EMKM can affect the financial performance of MSMEs, such as: simplification of accounting, reduced audit fees, reduced accountability and transparency, less detailed presentation of financial reports (Bhandari et al., 2023; Jauhari et al., 2019; LaVan et al., 2021; Yusoff et al., 2013).

It is important to remember that the effects of SAK EMKM depend on how these standards are applied and the particular situation of MSMEs. Therefore, it is important for MSMEs to carefully consider how the implementation of SAK EMKM will affect their finances, and if necessary, consult with an accountant or financial professional to help make the right decision.

Starting from the background above, this research is intended to examine further the Analysis of Preparing Financial Reports Based on SAK-EMKM as an Effort to Develop the Financial Performance of MSMEs. Thus, the main problems in this research are: 1) How are MSME financial reports prepared using SAK EMKM?, 2) What factors are inhibiting factors in implementing SAK-EMKM in MSMEs?

In connection with the problem formulation previously stated, the objectives of this research are: a) To find out how to prepare MSME financial reports using SAK EMKM, b) To find out what factors are inhibiting factors in implementing SAK-EMKM in MSMEs.

This research is useful both practically and theoretically, as follows:

a. Theoretical Benefits

As study material and comparison material for similar research in the future, and as reading material that can provide benefits for writers or anyone who is interested in knowing more in depth about the preparation of SAK-EMKM based MSME financial reports.

b. Practical Benefits

- 1) It is hoped that this research can become a source of knowledge and information, as well as increase public awareness about the importance of preparing SAK-EMKM-based MSME financial reports.
- 2) This research can provide input for students and the public regarding the importance and impact of preparing SAK-EMKM-based MSME financial reports.
- 3) Preparing MSME financial reports based on SAK-EMKM is one part of the composition of the Indonesian population that should not be marginalized.
- 4) For future researchers: It is hoped that the results of this research can be used as a reference source in learning and can be useful for enriching information for subsequent research in similar fields of science.

METHOD

This research is qualitative descriptive research. The choice of this type of descriptive research was carried out to better reveal events and facts that are in accordance with the research title, namely Analysis of the Preparation of Financial Reports Based on SAK-EMKM as an Effort to Develop the Financial Performance of MSMEs.

The population in this research is MSMEs in Makassar City. Determining the number of samples was carried out using the Solvin technique according to Sugiyono (2011:56). The Solvin technique is used if the sample size must be representative so that the research results can be generalized. The number of samples is determined by simple formulas and calculations. The Solvin formula for determining samples is as follows:

$$n = N / (1 + (N \times e^2))$$

The total population in this study was 1,654 MSME owners, so the percentage of allowance used was 10% and the calculation results could be rounded to achieve suitability. Thus, the number of research samples based on the calculation above was 94.30 which was then rounded up to 95 MSME owners.

The operational definition of this research variable is:

- a. SAK-EMKM. SAK-EMKM is intended for use by entities that do not or have not been able to fulfill the accounting requirements regulated in SAK ETAP.
- b. Financial Statements. Financial reports are information that describes the financial condition of a company, and furthermore this information can be used as an illustration of the company's financial performance.

The variable in this research, namely the preparation of MSME financial reports, is measured using the financial report variable indicators in SAK-EMKM. The financial report indicators based on SAK EMKM consist of: Financial position report, profit and loss report, and notes to financial reports which contain a summary of significant accounting policies and other explanatory information.

In this research, the data collection techniques used were documentation and interviews. The technical data analysis used in this research is descriptive analysis (Creswell & Creswell, 2017). Descriptive analysis is a way of formulating and interpreting existing data so that it provides a clear picture of the financial management of village funds. Descriptive analysis collects, compiles and analyzes data to obtain a true picture of the financial management of village funds using existing theories so as to provide complete information for solving the problems faced. It can be concluded that the descriptive analysis method is a method that aims to systematically and factually describe existing facts. The author uses this method because this research is aimed at clearly describing the preparation of financial reports for MSMEs in Makassar City.

RESULT AND DISCUSSION

The results of distributing questionnaires and interviews are presented in table 1. From the table it can be seen that the majority of respondents do not apply the elements of the SAK

EMKM financial report in recording their business finances. This can show that financial reports and their elements as well as SAK EMKM are not common in MSME financial management. This condition can be understood considering the educational background of the MSME owners in the sample, who on average have only completed basic education, either secondary or upper secondary. This weak financial management literacy can certainly have an impact on the financial performance of MSMEs themselves.

Table 1
Respondents' Answers to Indicator Questions

No	Indicator	In Accordance With (%)	Not In Accordance With (%)
1	MSMEs Prepare Financial Reports on an Accrual Basis	0	100
2	MSMEs Prepare Financial Reports Using Business Continuity Principles	100	0
3	MSMEs Prepare Financial Reports Using the Business Entity Concept	15	85
4	MSMEs Present Financial Position Reports at the End of the Period	5	95
5	MSMEs Present Profit and Loss Reports for the Period	7	93
6	There are notes to MSME financial reports	0	100
7	Assets are presented based on the principles of recognition, measurement and derecognition	0	100
8	MSMEs are able to differentiate between fixed assets, fixed assets and intangible fixed assets	2	98
9	Liabilities are presented based on the principles of recognition, measurement and derecognition	0	100
10	MSMEs use the MPKP/weighted average method in determining acquisition costs	24	76
11	MSMEs Present Investment Measurement and Presentation	0	100
12	Income is presented based on the principles of recognition, measurement and presentation	7	93
13	Expenses are presented based on the principles of recognition, measurement and presentation	7	93

14	MSMEs Show Taxes on Profit and Loss Statements	0	100
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Questions number 1-3 in table 1 show indicators of the Basic Assumptions for preparing financial reports. In this indicator there are 3 statements which are elements in SAK EMKM. In the statement "MSMEs prepare financial reports on an accrual basis", all of the 95 respondents studied still use the cash basis, where each transaction is recorded only if there is an income and expenditure of money. Meanwhile, SAK EMKM requires those entities to prepare financial reports using the accrual basis.

The second statement "MSMEs Prepare Financial Reports Using Business Continuity Principles", all of the 95 respondents studied stated that their financial reports were prepared in order to be able to find out the capital to continue the business. As stated in SAK EMKM "When preparing financial reports, management uses SAK EMKM to make an assessment of the entity's ability to continue its business in the future (business continuity). An entity is a going concern, unless management intends to liquidate the entity or cease operations or has no realistic alternative but to do these things. If an entity does not prepare financial statements based on the going concern assumption, then the entity shall disclose the facts why the entity does not have a going concern status."

The third statement of the basic assumptions is "MSMEs Prepare Financial Reports Using the Business Entity Concept", of the 95 respondents only 6 MSMEs separate entity assets from their personal assets. MSMEs still combine entity assets with personal assets. In SAK EMKM it is stipulated that "Transactions related to the business must be separated from the transactions of the owner of the business, as well as from transactions of other entities".

Statements number 4-6 are indicators of Financial Reports. In this indicator there are 3 statement elements. The first (statement number 4): "MSMEs Present Financial Position Reports at the End of the Period". In this statement there were only 5 respondents who presented a financial position report at the end of the period, and 90 respondents did not present a financial position report which included Assets, Debts and Capital as stated in SAK EMKM, "An entity's financial position report can include the following accounts : (a) cash and cash equivalents; (b) receivables; (c) inventory; (d) fixed assets; (e) trade payables; (f) bank debt; (g) equity".

The second statement (statement number 5) is "MSMEs Present Profit and Loss Reports During the Period". In this statement, there were only 5 respondents who admitted to presenting a Profit and Loss Report but it did not comply with the Profit and Loss Report required by SAK EMKM. The report only contains records of cash inflows and outflows. When cash inflow is greater than cash outflow, the MSME states that there is a profit. Likewise, if the cash outflow is greater than the cash inflow, then the MSME will declare a loss for that period. Meanwhile, SAK EMKM clearly states that "An entity's profit and loss statement may include the following accounts: (a) income; (b) financial burden; (c) tax burden;".

The third statement (statement number 6): "There are notes to MSME financial reports." From this statement, none of the respondents applied it, most respondents admitted that they did not know about CALK. However, SAK EMKM has clearly stated the contents of SAK EMKM "Notes to financial statements contain: (a) a statement that the financial statements have been prepared in accordance with SAK EMKM; (b) summary of accounting policies; (c) additional information and certain account details that explain important and material transactions so that it is useful for users to understand the financial statements.

Statements number 7-9 in Table 1 show the Financial Asset and Liability Indicators. In this indicator there are also 3 statements. First statement (number 7): "Assets are presented based on the principles of recognition, measurement and derecognition." In this statement, there are no respondents who present their assets and liabilities in accordance with the principles of accounting recognition and measurement. The assets presented are only cash and receivables and there is no presentation of Fixed Assets. Liabilities are separated by recording cash inflows and cash outflows. Meanwhile, in SAK EMKM, financial assets are any assets in the form of: (a) Cash; (b) Equity instruments of other entities; and (c) Contractual rights to receive cash or other financial assets from another entity. A financial liability is any liability in the form of a contractual obligation to deliver cash or other financial assets to another entity.

Second statement (number 8): "MSMEs are able to differentiate between current assets, fixed assets and intangible fixed assets." For this statement, only 2 respondents were able to differentiate between current assets, fixed assets and intangible assets, while the remaining 93 respondents had difficulty understanding the differences between these three assets.

Third statement (number 9): "Liabilities are presented based on the principles of recognition, measurement and derecognition." In this statement, researchers found that 100% of the MSMEs studied only collected proof of paying debt installments without recording the debt. This shows that liabilities are not presented based on the principles contained in SAK EMKM.

Statement number 10 in Table 1 is an Inventory Indicator. In this indicator there is 1 statement, namely "MSMEs use the MPKP/weighted average method in determining acquisition costs". From the results of research conducted on 95 MSMEs spread across the city of Makassar, there were only 23 MSMEs that used the MPKP method, and no MSMEs were found that used the weighted average method to determine acquisition costs. Most MSME players use cost determination based on the highest purchase price. This shows that 75% of MSME players have not implemented acquisition cost determination based on the principles contained in SAK EMKM.

The next statement (number 11) shows the Investment Indicators in Joint Ventures. In this indicator, there is one statement: "MSMEs Present Investment Measurement and Presentation". From various financial reports prepared by MSMEs, no investment presentation and measurement can be found. In the financial statements there are only cash inflows and outflows. There are no MSMEs that present investment measurements and presentation in their financial reports in accordance with the provisions in SAK EMKM.

Statement numbers 12-13 are Income and Expense Indicators. On this indicator 2 statements. The first statement (number 12) relates to income: "Income is presented based on the principles of recognition, measurement and presentation." In this statement, researchers found 7 MSMEs that recorded income received and still to be received. Meanwhile, 88 MSME owners only acknowledged it when the money was received. This is not in accordance with the statement in SAK EMKM where there are 2 methods of income recognition, namely:

- a. If the buyer pays before the goods or services are provided, the entity recognizes the receipt as a liability, that is, unearned income.
- b. If the buyer has not paid when the goods or services have been provided, the entity recognizes an asset, namely a trade receivable.

Next, a statement related to expenses: "Expenses are presented based on the principles of recognition, measurement and presentation." This statement was only found in 7 reports from UMKM owners out of 95 MSMEs. Of the 95 MSMEs studied, most of these entities are managed by one family, where the employees are drawn from family members. There are even entities that

are only managed by their owners, so that MSME reports do not show employee salary expenses which should be displayed in financial reports in accordance with the principles contained in SAK EMKM. From these two statements, it can be concluded that the expense and income indicators in SAK EMKM have not been implemented by MSME owners in the city of Makassar.

Statement number 14 is the final indicator, namely the income tax indicator. In this indicator there is only one statement: "MSMEs Show Taxes in the Profit and Loss Statement". In research conducted among 95 MSMEs, there was not a single report that displayed income tax. The MSMEs who are the objects of this research do not involve income tax in their financial reports or records. This shows that SAK EMKM has not been implemented since January 1 2018 for MSMEs in Makassar City.

CONCLUSION

Based on the results of data collection and analysis, the following can be concluded: 1) MSME players in Makassar City make financial reports according to their creativity, abilities and knowledge. 2) MSMEs in Makassar City have not implemented SAK EMKM. Of the 7 indicators with 14 statements, only 1 statement has a 100% answer of "Yes". This shows that there is still a lack of knowledge among MSME owners in Makassar City regarding financial reports in accordance with SAK EMKM.

Based on research that has been carried out regarding the preparation of MSME financial reports in Makassar City, suggestions and input can be provided that can provide benefits and can be used as consideration for interested parties, including the following: 1) It is recommended that future researchers follow up this research by finding out the fowners that cause the implementation of SAK EMKM in Makassar City to not be implemented. 2) IAI members and accounting students along with related government elements are expected to be able to guide MSME owners to implement SAK EMKM so that they are more easily understood by MSME owners and can be applied to every entity.

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