

ACCOUNTING KNOWLEDGE FOR SMALL AND MEDIUM MICRO ENTERPRISES (MSMEs) ON FINANCIAL STATEMENTS

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.Article Info	Abstract
<p><i>Article History :</i> <i>Received 16 July - 2022</i> <i>Accepted 25 July - 2022</i> <i>Available Online</i> <i>31 July - 2022</i></p>	<p><i>The emergence of MSME actors contributes to the Indonesian economy. But unfortunately, many MSME actors still have difficulties managing their finances. This is due to their lack of accounting knowledge, so it isn't easy to make good financial reports. This study aims to see how the understanding of nutmeg SMEs regarding their expertise in accounting for financial statements. This research will then use a qualitative approach as the method. The data used in this study came from various studies and previous studies that are still relevant to this research. After the research data is collected, the data will be analyzed to find the results. This study found that there were financial reports or bookkeeping records by MSME actors even though the form was still relatively simple. Then because the level of education is still primarily low, these MSME actors still find it challenging to make excellent and standard financial reports.</i></p>
<p><i>Keyword :</i> <i>MSMEs, Financial Reports,</i> <i>Accounting Knowledge.</i></p>	

1. INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) run in various business fields, namely, trading, mining, industrial, educational services, real estate, and others. In Indonesia, MSMEs are one of the most effective steps in reducing poverty and unemployment. From the statistical data, MSMEs represent the most significant number of business groups (Juliannisa & Siswantini, 2021). MSMEs are a collection of various largest economic executors in the economy in Indonesia and are an aspect of economic development after the financial crisis. In addition to being a significant contributor to national development, MSMEs can also be an ample enough job opportunity for Indonesian workers who need work in the difficulty of getting a job in this era of globalization (Hasan et al., 2021). MSMEs are becoming more concerned about the government developing MSME units further. Because the success of MSMEs has an immense contribution, especially to the Indonesian economy, making the MSME executor community more independent and more active and creative in thinking of new ideas for business expansion (Farrar & Uddin, 2020).

Small and Medium Enterprises or SMEs are one of the wheels of the people's economy that should run and can support the implementation of the economy. However, SMEs face many obstacles in practice, so their existence is sometimes weakened (Sohal et al., 2022).

In 2018, data from the National Development Planning Agency, the Central Statistics Agency, and the United Nations Population Fund predicted that Indonesia's total executors of micro, small and medium enterprises (MSMEs) are 58.97 million units. This figure is predicted to continue to increase in 2019. Meanwhile, the total population of Indonesia in 2018 is predicted to reach 265 million people. Deputy for Financing at the Ministry of Cooperatives and SMEs (Kemkop UKM) Yuana Sutiyowati said the number of micro-businesses was 58.91 million units, micro-businesses were 59,260 units, and macro businesses were 4,987 units (Amri & Giyarsih, 2022).

But behind it all, there are obstacles or challenges faced by MSME actors, namely related to the processing of funds and the preparation of their financial reports because good fund processing will be an essential factor in the success

of MSMEs. Indrawan & Yaniawati argue that the weakness of MSMEs in preparing financial statements is due to low education, lack of understanding of Financial Accounting Standards (SAK), and training in preparing financial reports (Prijadi et al., 2020). In addition, the results of this study follow the results of research conducted by Jati, showing that the implementation of accounting training to produce financial reports is a complicated matter for MSME actors, limited knowledge of accounting books, the complexity of the accounting process, and the assumption that financial statements are not crucial for MSME owners (Arda, 2021).

Based on the brief explanation above, the knowledge MSME actors possess regarding accounting is quite essential to making financial reports, so it is then necessary to see whether these MSME actors already know or not.

2. LITERATURE REVIEW

Accountancy

Rizal stated that accounting is a process of identifying, measuring, recording, classifying and summarizing as well as reporting financial information in a company or organization that is addressed to interested parties in the context of making decisions (Sukmana, 2020).

Hery stated that accounting has a meaning as an information provider that presents reports to users of accounting information. Accounting covers the entire reporting process, from identifying business transactions, recording, and communicating to the analysis and interpretation stages (Susanto & Meiryani, 2019).

Milla and colleagues stated that accounting is a flow of tracking, recording and analyzing costs related to the activities of a business entity to produce services or goods, one of which is transactions related to assets. Assets are economic resources expected to provide business benefits in the future, and assets can be grouped according to their level of liquidity, namely current and fixed assets (Abad-Segura & Gonzalez-Zamar, 2021). According to Syaiful, accounting principles consist of the following:

- a. Continuity or business continuity, this principle assumes that a company will continue, and it is hoped that there will be no liquidation in the future.
- b. The business unit, this principle assumes that the company is seen as a business unit that is independent and separate from the owner.
- c. Accounting time, namely the activities of a form of business in the financial statements and arranged in a period.

- d. Unit of measurement, this principle assumes that all transactions will be expressed in terms of money.
- e. Objective evidence, namely information that occurs, must be presented objectively.
- f. Full disclosure, this principle assumes that matters relating to financial statements must be adequately disclosed (Clarias et al., 2018).

Financial Report

The definition of financial statements, according to Hery, is that financial statements are the result of a process in accounting that can be used to communicate financial data or company activities to parties who need it (Mosteanu & Faccia, 2020).

Then Sofyan stated that the financial report is a medium for assessing a company's achievements and economic conditions, which can describe the financial situation and results of a company's operations in a certain period (Melnychenko, 2020).

According to Lili, in general, the objectives of preparing financial statements are:

- a. Explain the assets and obligations of business activity.
- b. Provide reliable information regarding changes in the company's net worth due to business activities.
- c. Provide reliable information regarding changes in the company's net worth that are not derived from business activities.
- d. Provide explanations that can assist users in determining the company's ability to earn profits.
- e. Presenting other information relevant to the needs of users of financial statements (Kisman & Krisandi, 2019).

According to Dina, another purpose of preparing financial statements is as a basis for information on the company's performance from the use of company resources so that financial statements can also function as a benchmark for evaluating management performance and supporting decisions on the appointment of human resources or replacement of human resources (Abed et al., 2022).

3. METHOD

This study will use a qualitative approach as its method. The data used in this study are derived from previous studies and studies that still have relevance to this research. After the research data has been collected, the next step is to analyze the data to find the results of this research.

4. RESULT AND DISCUSSION

Application of Accounting Knowledge in SMEs

Data from various previous studies show that accounting knowledge is essential and needed to manage business operations for MSME actors. MSME actors say that applying accounting knowledge for their business is fairly simple and not systematically accounting in general or accounting knowledge on the lecture bench. Because sometimes, the problem of education becomes one of the differentiating problems. But sometimes, the education problem is not a benchmark for a business while the MSME actors update their accounting knowledge from time to time. For this reason, its application requires coaching and training that makes these micro-business actors accustomed to applying accounting knowledge in their business.

The results of a study by Inn explain that the government should truly position itself as a trainer and educator in carrying out its duties. Therefore, it is crucial for the government, especially the Cooperatives and Micro Business Office, to provide financial management training and understand the importance of applying to account in their business (Salem et al., 2021). With continuous coaching and training, these MSME actors will be accustomed to using accounting knowledge in their business. In addition, applying accounting to MSMEs also has future benefits as one of the requirements to facilitate credit applications to investors or banks.

Sariningtyas & Diah stated that accounting records are an absolute must-have component for SMEs if they want to develop their business by submitting capital to creditors, which in this case are banks (Ding et al., 2021). The benefits obtained by applying accounting records are to avoid mixing personal finances with business finances until they get out of control without clarity of their respective financial positions due to the indiscipline of SME entrepreneurs in distinguishing between personal finance and business finance. From these problems, accounting records are enough to help SMEs to start controlling their financial administration records.

Knowledge of Accounting for the Preparation of Financial Statements for MSME Actors

Financial reports are basic things that need to be known by prospective entrepreneurs who want to set up their businesses. Financial statements are pretty important in a company because by looking at the financial statements, they can analyze how the company is and whether it has increased or decreased. In preparing these reports, accounting knowledge is needed. The report can be

made directly by the business owner or someone who may be more skilled in the field. With the reports that are prepared, it will bring benefits in the future, for example, for loans and in banks or cooperatives. The Bank and Cooperative will process the loan if the actor or business owner shows their financial statements. Although it is recorded in a simple form, financial records must be carried out. And most micro-enterprises rely on the simple accounting knowledge they know to prepare their financial reports. According to research informants, their accounting knowledge to design their business financial statements is quite simple. With an understanding of debits and credits, they can prepare financial statements.

For some people, complete understanding means the presentation of information in abundance, but that opinion is not correct because the presentation of information that is always a lot will be dangerous because the presentation of unimportant details can hide important information and make financial statements challenging to interpret. However, the understanding of important information for investors and other parties must be adequate, fair and complete, and there is no real difference between the concepts, all of them must be used. The recording process means collecting transaction data chronologically, then grouping and classifying the accounts to make them more concise and further summarizing the information that has been classified into the form of reports that the user wants.

The theory stated by Roviyantie states that financial statements are a product produced by the field or discipline of accounting. Therefore, competent human resources must have a quality financial report (Abd Karim et al., 2018). It can also be said that to produce appropriate and relevant financial report data, the quality of human resources who carry out the task of compiling financial reports must be a significant concern for business actors, namely employees involved in these activities must understand and understand how the process and implementation of accounting are carried out based on applicable regulations. Therefore, knowledge of the accounting of a company owner is recommended to be improved so that the preparation of financial reports is based on accounting standards.

Financial Report Forms of MSME Actors

According to the data, they do not yet know the various forms of financial statements following accounting standards consisting of a balance sheet, profit/loss, cash flow, financial position and notes to financial statements. They know that financial statements are only in the form

of one type, which they usually call bookkeeping. Some informants said it was too difficult to sort out their financial statements in the five forms of financial statements. Let alone separate them, even the form of their financial statements is not necessarily correct. Some do not even make financial reports, only record expenses and income in their business.

Furthermore, the form of financial reports made by micro-business actors, for example, is a production order report, so micro-business actors will make the report if they receive orders in slightly more quantities than usual. The report consists of all the costs of purchasing raw materials, expenses, production amount, and market selling price.

Financial reports can be made by themselves, namely micro business actors in their financial management activities. This activity is far from systematic reporting in accounting terms but returns to each business actor how much they know about accounting knowledge in preparing their financial statements. As explained above, the higher the education and accounting knowledge of micro business actors, the higher the quality of the financial reports produced. This is in line with research conducted by Roviyantje, which states that financial statements are a product made by the field or discipline of accounting. Therefore, competent human resources are needed to produce a quality financial report for business actors (Di Vaio & Varriale, 2020).

MSME actors only record financial statements simply, such as recording money in and money out, then the perpetrators discriminate between money in and money out from the results that MSME actors consider profit. In addition, some businesses have been running for years that record daily income without clear reports and following accounting guidelines. Employing someone specifically to do accounting books and prepare financial statements is still unrealistic for many MSMEs because it will increase expenses to pay the salaries of the accounting staff. This means that micro-business actors make their form of financial statements that they understand and are following their accounting knowledge.

Knowledge of Profit/Loss in Financial Statements for MSME Actors

According to the data received in this study, their way of knowing the profit/loss in their business is relatively easy. That is by recording the costs they have previously spent and calculating how much income they get. If the proceeds of production expenditure are more than the proceeds of sales received, then they say it is a loss, and

conversely, if the proceeds of sales received are more than the proceeds of expenditure, they say it is profit. However, they say the expenses incurred in the ongoing production process have not reduced the results. But that's how they find out the profit/loss of their business.

According to IAI, the information presented in the income statement includes at least several items: income, financial expenses, the share of profit or loss from investments using the equity method, tax-free, and net profit or loss. In this profit/loss, we can record how much income we receive according to what we spend through the expenses in the production to get the net result (Rejeki, 2021). The difference between the amount of revenue and the total cost, it can be called profit or loss. The company is said to be profitable if the total income exceeds the total cost. On the other hand, if the total revenue is less than the total cost, the company is said to be at a loss.

Implementing financial reports as a performance measurement tool is very important, so it becomes the basis for measuring success or failure in activities carried out in accordance with the objectives of SMEs. And one to find out the profit or loss by looking at the profit/loss statement. However, micro-business actors have their views on finding the profit/loss report. There is a way of looking at the results of their sales, from the number of orders they receive until the goods are returned (returns), but this has not been reduced by expenses so that it cannot be said to be net income. However, the perception of micro-business actors is that the most important thing is that they profit/profit from the business they are involved in. This research is supported by a study conducted by Pinasti, which shows that MSME actors feel too bothered with the maintenance of accounting records and think that what is essential is that they earn profits without being bothered with accounting (Arda, 2021).

MSME Perceptions of SAK ETAP Financial Statements

According to the data received, the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP) is one of the accounting standards intended for business entities that do not have public accountability, such as micro, small and medium enterprises (MSMEs). However, the reality is that these micro-business actors do not know or even hear about SAK ETAP. Let alone listen to see the form of SAK ETAP and its components, and they haven't even done it. So that the standard becomes something familiar to them. For this reason, the government, especially the Office of Cooperatives and Micro Enterprises,

still does not know all the financial reports of micro-business actors. Have they made their financial reports, whether their financial statements have been correct, or have they made them following existing accounting standards? This is because the Cooperatives and Micro Business Office also thinks that the micro-business actors have kept their sales results by recording them or wishing them in their minds. This caused the Cooperatives and Micro Business Office to agree to organize a training and coaching event for these actors as a form of government intervention in assisting micro business actors.

It is related to SAK ETAP, which makes it easier for these micro-business actors to obtain credit in the banking sector. However, these are all obstacles in their own right because of the lack of understanding in the preparation of financial statements and lack of knowledge of standards for entities without public accountability, especially for these MSMEs. This research is supported by the results of Suhairi & Haron, who argue that the weakness of MSMEs in preparing financial reports is due to low education, lack of understanding of Financial Accounting Standards (SAK), and training in preparing financial statements (Rizky, 2019). However, the most important thing from the implementation of SAK ETAP is a good understanding of the SAK ETAP by the MSMEs. MSME actors do not consider the importance of reports following existing accounting standards if their business is still classified as micro. Let alone using accounting standards, even those who have not made a report are still quite large. Because most of these MSME actors only take it easy for their business, even for the business of recording their books.

Constraints Faced by Micro Business Actors (MSMEs) in Compiling Financial Statements

According to informants, the constraints faced in preparing the financial statements of their business are the lack of understanding and knowledge of accounting in their preparation. The results of research conducted by Arundhina, Soegihardjo, & Sidharta prove that MSMEs experience problems in their business, one of which is the problem of financial recording according to accounting standards (Mukoffi & Sulistiyowati, 2019). MSME actors do not or have not implemented accounting according to standards. Some only record and calculate the difference between incoming and outgoing money. The education of business actors dramatically influences the quality of the preparation of financial reports. The better the education

possessed by micro-entrepreneurs, the higher the economic quality produced.

In addition to the level of education of micro business actors, which is considered an obstacle in preparing financial reports, according to other informants, the obstacles faced are due to time and cost constraints. Time, because micro-enterprises do not routinely prepare their financial statements, and costs are a problem because if they want to use the services of an expert to organize their business finances, they will pay more for it. This research is supported by research conducted by Jati, who says that the low implementation and use of accounting information in the management of MSMEs are caused by the perception of the importance of the existence of accounting information for MSMEs, accounting knowledge of MSME owners or employees, cost-benefit considerations for MSMEs and the size of MSMEs (Wulan & Yuhertiana, 2021). As supported by Nurseto's research on financial and bookkeeping issues, MSME entrepreneurs generally feel they cannot control and practice an adequate financial system (Mpofu & Sibindi, 2022). In general, small businesses do not or do not have the knowledge and ability to manage accounting records in a strict and disciplined manner with regular bookkeeping, either in the form of daily, weekly, monthly and so on, so many of them do not understand the importance of recording and bookkeeping for business continuity.

5. CONCLUSION

Based on research on the actors' perception and accounting knowledge of micro, small and medium enterprises (MSMEs) in preparing financial reports. It was concluded that from several micro business actors who became key informants, researchers used accounting knowledge for their business operations, but not systematically accounting, and their accounting knowledge was only superficial, which they knew until their last education level. For preparing financial statements, they only compile it as far as they know without separating it into reports such as balance sheets, profit/loss, cash flows, financial position and notes to financial statements. The perpetrators feel comfortable with simple reports or bookkeeping that they make themselves. And do not make it in the accounting usually done by companies or large businesses.

In addition, micro-business actors still do not know what SAK ETAP is. Micro-enterprises also face obstacles in compiling their financial reports because the money they produce is still mixed with people's household needs. Their minimal accounting knowledge makes making

their financial statements difficult, and the time constraints are costly. So that both the lecturers and the Cooperatives and Micro Business Office always intervene to help these micro-business actors in the form of mentoring, coaching, and training up to the reporting stage.

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