

ANALYZING THE FINANCIAL REPORT PREPARATION STANDARDS OF SAK EMKM ON MICRO, SMALL, AND MEDIUM ENTERPRISES (CASE STUDY ON BENGKEL MAS YOK BLORA)

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Abstract

Accounting plays a crucial role in business, serving as the process of recording and reporting financial transactions, resulting in financial statements that help business owners understand profits, losses, assets, liabilities, and cash flows. This study aims to examine the application of SAK EMKM standards in financial reporting for Micro, Small, and Medium Enterprises (MSMEs), with a focus on Bengkel Mas Yok in Blora. The research adopts a qualitative approach, utilizing in-depth interviews with the business owner to gain insights into the application of SAK EMKM standards and the challenges faced. The findings indicate that the financial reports of Bengkel Mas Yok generally follow a standard format, but there is limited understanding of specific SAK EMKM requirements. As a result, the business primarily relies on external accountants or consultants for compliance. The financial reports prepared by Bengkel Mas Yok, including income statements, equity changes, and balance sheets, were evaluated for their alignment with SAK EMKM standards. The study concluded that the reports are reliable, informative, and consistent, meeting most of the SAK EMKM indicators. The application of these financial reports helps the business owner make more informed decisions, such as managing private withdrawals, identifying urgent equipment needs, and improving savings discipline. Moreover, the credibility of the financial reports enhances the business's ability to secure loans. These findings align with previous research, demonstrating that SAK EMKM implementation supports better financial management and decision-making for MSMEs. The study highlights the importance of continuous financial literacy programs for MSME owners to improve financial reporting practices.

Keywords: Financial Reports, SAK-EMKM, UMKM

Introduction

The practice of corporate financial reporting has changed the world. Several developing countries are following this trend. Although there is no consensus on the type of accounting system to be used by developing countries, one of the countries in development is Indonesia. Indonesia is one of the countries in Southeast Asia with the largest number of Micro, Small, and Medium Enterprises (MSMEs). According to a survey conducted by the Yusuf Ishak Institute (2020), the ratio of MSMEs to businesses in various developing countries is as follows:

Table 1. Ratio of MSMEs to businesses in developing countries

| No | Country | Number of MSMEs | Number of businesses | Ratio of the number of MSMEs and the number of businesses |
|----|-------------|-----------------|----------------------|---|
| 1 | Brunei | 5900 | 6,000 | 98.33% |
| 2 | Cambodia | 460,000 | 510,000 | 90.20% |
| 3 | Indonesian | 64,194,000 | 64,199,600 | 99.99% |
| 4 | Laos | 114,200 | 126,900 | 89.99% |
| 5 | Malaysia | 907.1 | 921,000 | 98.49% |
| 6 | Myanmar | 114,200 | 126,900 | 89.99% |
| 7 | Philippines | 998,300 | 1,003,100 | 99.52% |
| 8 | Singapore | 271,800 | 273,100 | 99.52% |
| 9 | Thailand | 3,077,800 | 3,084,300 | 99.79% |
| 10 | English | 744,800 | 760,000 | 98.00% |
| | Total | 70,888,100 | 71,010,900 | 99.83% |

Source : Yusuf (2020)

MSMEs, commonly known as micro, small, and medium enterprises, are a driving force of the Indonesian economy and provide employment opportunities for society. MSMEs can enhance the economy by purchasing production factors from producers and creating job opportunities. In this current era, MSMEs can survive and compete with larger businesses because the prices they offer tend to be cheaper due to lower costs compared to bigger enterprises. The goal of MSMEs, like other businesses, is to make a profit. This profit is obtained by calculating the revenue earned against the expenses incurred. To ensure that these calculations are accurate and can serve as a decision-making tool for owners, the role of accounting and financial reporting becomes essential.

In Indonesia, the regulation on MSMEs is found in Law No. 20 of 2008 concerning Micro, Small, and Medium Enterprises. According to this law, productive micro-enterprises are privately owned or corporate entities. Productive economic businesses carried out independently by individuals or legal entities are called small businesses. Subsequently, "medium enterprises" are those run by individuals or legal entities that are not subsidiaries or branches of larger companies. These businesses can be owned or controlled, either directly or indirectly, by small or large businesses with a total asset value or annual net sales revenue. One of the criteria used to classify MSMEs in Indonesia is the Asset and Revenue criteria as outlined in Table 2. Hence, if a business meets these criteria, it must use SAK EMKM to prepare its financial statements.

Table 2. Classification of MSMEs in Indonesia

| Scale | Asset | Income |
|-------------------|---------------------------------|----------------------------------|
| Micro Business | Max IDR 50 million | Max IDR300 million |
| Small Business | IDR 50 million–IDR 500 million | IDR300 million - IDR2.5 billion |
| Medium Enterprise | IDR 500 billion – IDR10 billion | IDR 2.5 billion – IDR 50 Billion |

Source : Zulfikar (2021)

Accounting is one of the components that must be considered in a business. Accounting itself is a process of recording and reporting financial transactions within a company, with the output being a financial statement. Through accounting records, the owner will know the company's profit and loss, the amount of assets, liabilities, and cash flow, enabling the owner to provide information for making policies within the business. To avoid mistakes and for the owner to understand the financial situation of the company, it is advisable for a business to prepare financial statements in accordance with the established preparation standards. However, if the owner feels they are unable to prepare financial statements, they should consider hiring or employing someone who is skilled in preparing financial statements (Fitriani, 2020).

In reality, many MSMEs (Micro, Small, and Medium Enterprises) actors in the field still do not prepare financial statements correctly or according to applicable standards (Purba, 2019). Therefore, they may not know the amount of debt, capital, assets, profit, and loss, which will later make it difficult for business owners to manage their finances and threaten the sustainability of the MSME. According to Idrus, cited in Moudy et al. (2019), an MSME that does not prepare financial statements and compiles them according to applicable standards will hinder its business success due to unstructured financial management. The common financial reporting standard used by entities such as MSMEs is the SAK EMKM (Financial

Accounting Standards for Micro, Small, and Medium Enterprises), which provides a simpler financial reporting guideline compared to PSAK (Financial Accounting Standards). SAK EMKM, aimed at MSMEs, includes statements of financial position, profit and loss, and equity changes (Moudy, 2019).

In Blora Regency, there are 3,473 units (Data, 2023) of MSMEs registered with the Cooperatives and Micro Enterprises Office as of the latest data in 2023. These businesses are engaged in services, trade, food/beverage, handicrafts, agriculture, and production. However, despite the large number of MSMEs in Blora Regency, many have yet to implement financial report preparation in their businesses. This is due to several factors such as the low level of education among business owners, lack of knowledge about preparing financial reports that adhere to SAK EMKM standards, and insufficient outreach programs conducted by the relevant offices, so the information regarding financial report preparation does not reach business owners. Many business owners assume that financial report preparation is not important enough for the sustainability of their businesses (Hery, 2019). While many still do not implement financial report preparation, this does not mean that business owners never manage their finances, as most MSME actors perform basic bookkeeping of cash inflows and outflows related to their business transactions (Sukmadinata, 2022). In fact, training for financial report preparation is important for MSMEs because it is crucial for managing MSMEs' finances more clearly, and if MSMEs have clear financial reports, it will make it easier for them to obtain bank loans (Tuti, 2019).

This study refers to previous research conducted by Harahap (2019) on small and medium-sized enterprises, specifically the T-shirt Industry Center in West Java. The research showed that the implementation of financial report preparation based on SAK EMKM made financial management more organized, allowing business owners to make wise decisions and better control their cash flow, which could then be used as needed. In addition, previous research by Sinarwati (2022), which studied the benefits of applying SAK EMKM to financial reports for MSMEs, found that it increased the credibility of MSMEs, making it easier for them to obtain business loans from certain banks, and that the decisions made were reliable, allowing the business to grow more easily.

Based on the above background, the researcher is interested in raising the title "Examining the standard of financial report preparation for micro, small, and medium enterprises (case study at Bengkel Mas Yok Blora)" with the following problem formulation: "How does the financial report of Bengkel Mas Yok Blora comply with the standard of financial report preparation?" The aim of this research is to find out the conformity of the financial report of Bengkel Mas Yok Blora with the standard of financial report preparation. The expected benefit of this research is that it can serve as a reference for future research, especially for those taking the theme of MSMEs. This research is also expected to be useful for MSME owners who need to know the importance of preparing financial reports in improving their business's sustainability.

Methods

This research seeks to analyze how the raw material inventory management strategy is applied in the production process of PT Dua Kelinci in the Tos-tos. This research was conducted at Bengkel Mas Yok, located on Jl. Nasional Blora-Cepu km 4, Jiken District, Blora Regency. Bengkel Mas Yok Blora is a workshop that provides motorcycle and car services with 7 employees consisting of 1 cashier, 5 mechanics, and 1 warehouse staff.

The data collection technique used interviews and observations. The type of interview used is structured interviews, which are directly posed to the respondents (Moelong, 2019). The interviews were conducted by directly creating interview guidelines as research instruments. The questions asked to the respondents were about how to create financial reports and the benefits of financial reports perceived by the respondents. Meanwhile, observations were made with the research instrument in the form of observation sheets used to observe the financial reports made by Bengkel Mas Yok, analyzing whether the reports are reliable, informative, and consistent.

The data analysis technique conducted after obtaining the required data involves data collection, data reduction, data presentation, and concluding from the obtained responses. Data collection is the process of finding the data needed in the research. Data reduction involves identifying the obtained data and categorizing them according to the question types. The data is then presented to make it easier for readers to understand, and after that, the researcher draws conclusions from the data in line with the research questions.

Results and Discussions

This research was conducted at Bengkel Mas Yok in Blora, Central Java, during the period from April to May 2024. The findings from this research show that the respondents have limited understanding of SAK EMKM. The owner tends to rely on the assistance of accountants or consultants to apply the standard. However, the financial report preparation process at Bengkel Mas Yok generally follows a standard format

rather than specifically adhering to SAK EMKM. This is due to a lack of in-depth understanding of the actual requirements. The method used was qualitative with in-depth interview techniques with the workshop owner. Based on interviews and observations made with the MSME owner, the financial report of Bengkel Mas Yok Blora is as follows:

Table 3. Income Statement Bengkel Mas Yok

| MAS YOK BLORA WORKSHOP INCOME STATEMENT FOR THE PERIOD OF DECEMBER 2023 | | |
|--|----------------|----------------|
| INCOME | | |
| Revenue from Service : | IDR 20,000,000 | |
| Revenue from Parts Sales: | IDR 15,000,000 | |
| Other Income | IDR 5,000,000 | |
| Total revenue | | IDR 40,000,000 |
| EXPENSE | | |
| - Cost of Raw Materials or Spare Parts: | IDR 13,000,000 | |
| - Labor Costs (Salary and Wages): | IDR 5,000,000 | |
| - Rental Fee (Workshop Place): | IDR 2,400,000 | |
| - Electricity, Water, and Other Utility Costs: | IDR 600,000 | |
| - Marketing and Promotion Costs: | IDR 300,000 | |
| - Administrative and General Fees: | IDR 200,000 | |
| - Repair and Maintenance Costs of Workshop Equipment: | IDR 2,000,000 | |
| - Miscellaneous Fees: | IDR 350,000 | |
| TOTAL EXPENSE | | IDR 23,850,000 |
| Net Profit: | | IDR 16,150,000 |

Source : Processed Primary Data (2024)

Table 4. Statement of Change in Equity Bengkel Mas Yok

| MAS YOK BLORA WORKSHOP STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2023 | | |
|--|----------------|-------------------|
| Initial Capital | | IDR 55,000,000 |
| Net profit | IDR 16,150,000 | |
| Prive | IDR 2,500,000 | |
| Capital Increase | | IDR 13,650,000 |
| Final Capital | | IDR 68,650,000 |

Source : Processed Primary Data (2024)

Table 5. Statement of Financial Position Bengkel Mas Yok

| MAS YOK BLORA WORKSHOP STATEMENT OF FINANSIAL POSITION DECEMBER 31, 2023 | | | |
|---|-----------------------|---------------------|-----------------------|
| Assets | | Pasiva | |
| Cash | IDR 54,000,000 | Mas Yok Capital | IDR 68,650,000 |
| Receivables | IDR 16,000,000 | Debt | IDR 10,000,000 |
| Rent paid Upfront | IDR 3,600,000 | | |
| Equipment | IDR 4,400,000 | | |
| Equipment (Depreciation Acc. Equipment) | (IDR 1,000,000) | | |
| Total Assets | IDR 49,000,000 | Total Pasiva | IDR 78,650,000 |

Source : Processed Primary Data (2024)

The presentation of financial statements according to the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) should adhere to the principles of providing comparative information, consistent presentation across periods, clear identification of the financial statements, and complete financial reports. In the income statement, the information presented includes the total income earned, which is then reduced by expenses, resulting in the company's profit/loss. Meanwhile, the statement of changes in equity in MSMEs contains information about the ending capital, which is derived from the beginning capital, adjusted for the profit or loss obtained by the MSME, and reduced by the amount of private withdrawals made by the owner. As for the financial position statement, it includes information on assets consisting of cash, receivables, prepaid rent, equipment, and supplies, and liabilities consisting of debts and capital. The following is the compliance of Bengkel Mas Yok's financial statements with SAK EMKM:

Table 6. Compliance of Bengkel Mas Yok financial report with SAK EMKM

| No | Indicators | Availability |
|-----------|---|--|
| 1 | Presenting reliable/reliable financial reports | It is appropriate, shown by the financial statements can be used for financial management policy making in the following month |
| 2 | Presenting informative financial reports | It is compliant, indicated by writing the account name and a clear description |
| 3 | Presenting consistent financial reports | It is appropriate, shown by the preparation of financial reports every month |
| 4 | Presenting income statements in accordance with the SAK EMKM format | It has been appropriate, it can be seen in table 3 |
| 5 | Serves report on equity changes according to SAK EMKM | It has been appropriate, it can be seen in table 4 |
| 6 | Presenting financial position reports in accordance with SAK EMKM | It has been appropriate, it can be seen in table 5 |

Source : Processed Primary Data (2024)

Conclusion

By having accounting records, the owner will be informed about the company's profit and loss, the number of assets, liabilities, and cash flow, enabling them to make informed decisions for their business. Bengkel Mas Yok, an MSME engaged in beauty care services, has prepared financial reports based on SAK EMKM by paying attention to the indicators of informative, reliable, and consistent financial reporting. Additionally, the financial reports, consisting of the income statement, statement of changes in equity, and statement of financial position, have been prepared following the format applied in SAK EMKM. The benefits obtained by the MSME owner of Bengkel Mas Yok when preparing financial reports include the ability to make wiser purchases of necessary equipment, better control of private withdrawals, assistance in saving money with clear cash flow, and the ability to present a more credible business when seeking capital loans.

Suggestions

The suggestions that the researcher can provide are for future researchers who wish to study the financial report preparation for MSMEs, in order to add other research variables and expand the research object. Additionally, a suggestion for MSME owners is to start preparing financial reports based on SAK EMKM.

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