

## Conference Paper

# Analysis of Accounting System Formulation for SMEs Based on SAK EMKM

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## Abstract

SMEs has become the backbone of the Indonesian economy. This study aims to describe the current condition of SMEs and the constraints faced by these businesses. This research is qualitative. Data collection was carried out by interview, observation and documentation to Putri Srikandi SMEs. The results showed that the majority of these SMEs do not have accounting systems that comply with national standards. The accounting system required consists of classifying account numbers, initial balance sheets, journals, ledgers, financial statements consisting of financial position reports, income statements and notes to financial statements referring to SAK EMKM.

**Keywords:** accounting system, SMEs, SAK EMKM

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## 1. Introduction

SMEs play a very significant role in the economy in Indonesia. SMEs is the backbone of the national economy because it is a dominant business actor population (99.9%), contributing to export volume reaching 14.06% (Rp 166.64 trillion) of national total exports, national Gross Fixed Capital Formation is 52, 33% (Rp. 830.9 trillion), as well as the contribution of SMEs to Indonesia's gross domestic product of 59.08 (Rp. 4,869.57 trillion) with a growth rate of 6.4% per year [1]. This fact positions SMEs as a strategic business sector that needs serious attention from the government to be developed consistently. Even according to BPS data (2004, 2006), there are 99% of total national businesses are businesses that are categorized as UMKM [2]. SMEs is currently a special concern, especially from the government and academics. The development of SMEs does not always run smoothly. Various obstacles are often faced by SMEs, such as limited accounting, capital, marketing, technology and human resources systems. Most SMEs only use funds or personal capital in running their businesses, and there is no separation between personal money and company money [3]. In addition, SMEs are also faced with various challenges in the global era, such as wide open market opportunities,

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the entry of new technologies, efficiency and productivity, and competition with very tight competitors. One of the problems that is currently the focus of researchers is related to accounting systems [4]. Study of the Management Institute of the Faculty of Economics, University of Indonesia indicates that SMEs players are identical with the lack of awareness to carry out bookkeeping well in the business world. Small and medium entrepreneurs generally assume that accounting information is not important, besides being difficult to implement, it also wastes time and money. The most important thing for business managers is how to generate large profits without the hassle of applying accounting [5]. The same thing is also shown by the results of research conducted by David et al. [6] that 65% of SMEs in Kenya showed low bookkeeping by SMEs. This is the cause of the failure of some of these SMEs. The accounting system is one aspect that must be done in an effort to assist in making decisions both strategic decisions and long-term decisions. Most businesses consider accounting systems to complicate their work because the accounting system will calculate the financial details. In addition, the lack of knowledge they have about the accounting system is an obstacle faced by most SMEs. Jumingan et al. [7] which proves that most entrepreneurs cannot understand accounting. They do not understand what to do, what to prepare, and how to implement it. Therefore the Indonesian Accounting Association (IAI) has formulated a system that is focused on recording and financial management for SME's. The system is regulated in one of the applicable financial standards in Indonesia, namely the Micro, Small and Medium Entity – Financial Accounting Standards (SAK EMKM). SAK EMKM is arranged in a simple manner so that MSME actors can apply it easily to run their businesses. SAK EMKM starts in January 2018. SAK EMKM has three financial reports, namely financial position reports, income statements, and notes to financial statements. The Government of Indonesia through IAI collaborated with the Office of Cooperatives & MSMEs for socialization and financial management assistance that referred to the SAK EMKM. Furthermore, based on data from the East Java Office of Cooperatives and SMEs, it shows that Malang is one of the regions that have the most SMEs. Statistical data from 2018 shows the number of SMEs in Malang has reached 113 thousand units. This amount consists of 87% including micro businesses and the remaining 13% consists of small and medium enterprises [8]. Various types of SMEs are spread in Malang, for example culinary business, furniture, rattan, tempeh chips, pottery, ceramics, sanitary and many others. Putri Srikandi is one SMEs in Malang city and which is engaged in the processing of traditional herbs made from peanuts in the form of pecel sauce, gado-gado sauce, tofu tech and other traditional herbs. The owner of Putri Srikandi understands the importance of accounting for her business, but is

constrained by human resources who are not yet skilled in implementing the Accounting system correctly and in accordance with applicable standards. This Putri Srikandi owner understands the importance of accounting for the business, but is constrained by his human resources who do not understand accounting so far only records expenses and receipts. In the manual recording, there are several obstacles such as the absence of classification of accounts and sometimes forgetting to record daily expenses because it is an iterative activity. Besides, this restaurant still has not separated personal wealth with the results of its business. To overcome the problems being faced, it requires an accounting system for decision making and is a record of the financial facts of the business. The use of accounting information affects the success of SMEs. In producing accounting information, SMEs can start by recording all their business activities even in a simple way. If the record is managed properly, it will produce information that is useful in decision making [9]. Based on the problems described above, researchers are interested in formulating a simple accounting system to be implemented at Putri Srikandi SMEs. The accounting system that will be formulated refers to SAK EMKM that is suitable for SMEs. Financial statements in accordance with SAK EMKM consists of three components that is financial position statements, income statement and notes to financial statements. At least three components must be fulfilled in decision making and other financial information.

The accounting system is the organization of forms, notes and reports that are coordinated in such a way as to provide financial information needed by management to facilitate the management of the company. Elements of the basic accounting system according to Mulyadi are forms, journals, ledgers, supporting books, and reports.

## 1. Accounting System

### a. Form

Forms are documents used to record transactions. Forms are often referred to as documents, because with this form the events that occur within the organization are documented on a piece of paper.

### b. Journal

The journal is the first accounting record used to record, classify and summarize financial data and other data. Sources of recording information in journals are forms.

### c. Ledger

The ledger consists of accounts used to summarize the financial data previously recorded in the journal.

#### d. Helper Book

If financial data classified in general ledger requires further details, can a subsidiary ledger be formed. This subsidiary book consists of auxiliary accounts detailing the financial data contained in the ledger. For example, accounts receivable accounts that need to be detailed in the names of many debtors.

#### e. Financial statements

The final results of the accounting process are financial statements in the form of financial position reports, income statements, changes in capital statements, cash flow statements, notes to financial statements, reports on cost of goods manufactured, etc. The report contains information that is the output of the accounting system.

### 2. Small/Medium/Micro-Enterprise (SMEs).

The criteria of Small/Medium/Micro-Enterprise (SMEs) have been regulated under the umbrella of Law Number 20 Year 2008 regarding SMEs; they classified based on total assets and turnover owned by a business entity as presented in Table 1 as follows:

### 3. Financial Statement Preparation based on SAK EMKM

The information of business entity's financial position consists of information about the assets, liabilities and equity of the business entity at a certain date; it is presented in the statement of financial position. These elements are defined as follows (SAK EMKM, 2016): (a) Assets are resources which are controlled by an entity as a result of past events; economic benefits are also expected to be obtained by the entity in the future, (b) Liabilities are current obligation of an entity, which arise from past events and whose settlement resulted in an outflow of entity resources containing economic benefits, (c) Equity is the residual right to the entity's assets after deducting its entire liabilities.

The information of entity's performance consists of information on earnings and expenses during the reporting period, and is presented in the income statement. (a) Income is the increase in economic benefits during the reporting period in the form of cash inflows or increases in assets, or decreases in liabilities which result in an increase in equity not originating from the contribution of investors; (b) Expenses are the decrease in economic benefits during the reporting period in the form of cash outflow or decrease in assets, or an increase in liabilities resulting in a decrease in equity not caused by distribution to investors. Basic measurement of elements of financial statements in SAK

EMKM is historical cost. The historical cost of an asset is the amount of cash or cash equivalent paid to acquire the asset at the time of acquisition. The historical cost of a liability is the amount of cash or cash equivalent received or the amount of cash expected to be paid to meet liabilities in the normal course of business.

Recognition of elements of the financial statements is the process of establishing a post in the financial statements or the income statement that meets the following criteria: (a) The economic benefits associated with assets, liabilities, income and expenses will surely flow into or out of the entity; (b) These items have measurable and reliable costs. Disclosure is required when compliance with certain conditions in SAK EMKM is inadequate for the user to understand the effects of transactions, events and other conditions on the entity’s financial position and performance. Fair presentation of financial statements requires the business entity to present relevant information, appropriate representation, comparability, and comprehension. The business entity presents the financial statements comprehensively at the end of each reporting period. The financial statements at least consist of: (a) Statements of financial position at the end of the period; (b) The income statement during the period; and (c) Notes to the financial statements containing additional and relevant details of relevant posts.

The entity’s financial statements include the following positions: (a) Cash and cash equivalents, (b) Accounts receivable, (c) Inventories, (d) Fixed assets, (e) Accounts payable, (f) Bank debts, and (g) Equity. The income statement of business entity includes the following items: (a) Income, (b) Financial burden, and (c) Tax expense. Notes to the financial statements include: (a) A statement that the financial statements have been prepared in accordance with SAK EMKM, (b) Summary of accounting policies, and (c) Additional information and certain details explaining important and material transactions which will be useful for users to understand the financial statements.

TABLE 1: SMEs Criteria based on Law No 20 Year 2008

No.	Business Entity	Criteria	
		Asset	Turnover
1.	Micro Enterprise	50 millions IDR at most	300 millions IDR at most
2.	Small Enterprise	>50 millions IDR – 500 millions IDR	>300 millions IDR – 2.5 billions IDR
3.	Medium Enterprise	>500 millions IDR – 10 billions IDR	>2.5 billions IDR – 50 billions IDR

## 2. Methods

## 2.1. Type of Research

The type of research used was descriptive qualitative. Qualitative descriptive research aims to explain, summarize the various conditions, various situations, or variables that arise in the society that becomes the object of the study based on what is happening, and then raise them to the surface of the character or description of the condition, situation, or variable. Qualitative descriptive research was used in this study in order to explain the business management in the family business of Lestari Jaya Furniture.

## 2.2. Determination of Research Informant

The informants who were taken in this study came from the company; they helped the researchers find out how the management of family company. Internal element of the company in question is the element of the company that has a role in the operational activities of the company directly or just as a supervisor of the company. The informants were taken using snowball sampling.

## 2.3. Research Object and Subject

The phenomenon or problem of research that has been abstracted into a concept or variable is referred to as the object of research. The object of this research was the trial of the implementation of accounting system in Putri Srikandi SMEs. The subjects of the study were 5 students Force 2016, who participated in Real Work Lecture program from Department of Accounting, Faculty of Economics, Universitas Negeri Malang, and the owner of Putri Srikandi as a partner willing to cooperate in this research.

## 2.4. Place and Time of Research

The research was conducted from April to August 2019 at the location of the partner, Putri Srikandi SMEs, at Pemali Street number 32 in Malang City. The phone number is HP 0821-4355-6608.

## 2.5. Data Collection Technique

In this research, the data collection method used was as follows:

a. Interview: It is data collection where the researcher has prepared a written plan containing questions focused on answering the research problem. The type of interview used was semi-structured interviews (no pre-determined questions), except in very early stages as starting an interview by asking general questions in the study area. Interviews were conducted directly face-to-face with the research informants.

b. Documentation: It is in form of company's documents containing company's profiles and photographs of observations in the field.

## 2.6. Data Analysis Technique

Data was analyzed using interactive analysis model consisting of three components, namely: a) Data reduction, b) Data presentation, and c) Drawing conclusion and verification.

## 3. Results

Putri Srikandi is one SMEs in Malang city and which is engaged in the processing of traditional herbs made from peanuts in the form of pecel sauce, gado-gado sauce, tofu tech and other traditional herbs. At the beginning of 2013, it entered a business opportunity to make pecel sauce by the owner with the brand Putri Srikandi. Starting with a fairly small production capacity and only being entrusted to shops or stalls in the market, the pecel sauce business located in Malang has grown with various product and packaging innovations. In managing this Putri Srikandi SMEs, the capital used comes from private capital. Records that have been made are cash receipts and disbursements. Besides that, it also provides notes for orders written manually. During this time the owner did not know the profit that was obtained clearly. The owner feels that there is no financial problem which is the most important enough for inventory spending, paying employee salaries, and other costs. The owner also explained that he could not separate his personal property with her profit. Like an interview quote with the following Putri Srikandi owner.

"... so far, I only do manual recording, for example when purchasing raw materials, debt, cash receipts and general matters such as paying for electricity, water, telephone, and employee salaries. I put attention more accurate on expenditure and acceptance. For a receipt, I still make manually. Then, for example when buying kitchen ingredients that do not have to be the same every day, we don't have accounts. During this time, I only remembered what I can remembered. Maybe with your presence, you can help

the obstacles that we face.... Then this is another problem that I can't apply, personal money and business money are still mixed. Luckily, it goes to my own pocket. Since this business is self-owned, business money is sometimes used for personal use and vice versa, covering up one another. Sometimes, I cannot manage it very well”.

## 4. Discussion

Based on the results of the interviews above, it can be concluded that this Putri Srikandi SMEs still has several obstacles, including not having an accounting system that compliance. The implementation of the accounting system used at Putri Srikandi currently includes an accounting system that is quite feasible for SMEs. Financial transactions have been managed fairly well. Recording of cash receipts and expenses has been made. The financial period used is monthly, which is then recapitulated into an annual period. Basically the owner recognizes the importance of the accounting system to be implemented. But there are some obstacles why until now an accounting system that is in accordance with standards is still not applicable. The lack of knowledge, human resources who understand about the accounting system is one of the obstacles faced. They don't know what to do, what to archive, and how to apply it. Basically, the accounting system is the organization of forms, notes and reports that are coordinated in such a way as to provide financial information needed by management to facilitate the management of the company [10]. The accounting system serves to provide information related to the financial activities of an organization or individual. By implementing an accounting system, it is expected that the Putri Srikandi SMEs can find out the financial information that can be used in making managerial decisions and seeing the financial facts. Elements of the basic accounting system according to Mulyadi are forms, journals, ledgers, supporting books, and reports [11]. The following are elements of an accounting system that are adjusted to the field conditions so that they are easily applied in Putri Srikandi SMEs.

### 4.1. Account Classification

Classification of account numbers and names at Putri Srikandi SMEs is seen from financial transaction activities in the SME's. The account name used is adjusted based on the financial transaction activity that is often carried out by the SME. Account numbers and names are used in later stages. Account numbers and names can be deleted and added if needed. The account number starts from 1 for the asset group, 2 for the debt



group, 3 for the capital group, 4 for the income group and 5 for the cost group. The account number and name used at Putri Srikandi can be seen in Table 2.

TABLE 2: Classification of Account Number and Name at Putri Srikandi

Ref	Account Name
111	Cash & Bank
112	Accounts Receivable
113	Business Inventory
114	Finished Goods Inventory
115	Inventory of Goods in Process
116	Supplies of Raw Materials and Auxiliary Materials
117	Supply
121	Equipment
122	Accumulated Depreciation Equipment
123	Vehicles
124	Accumulated depreciation of vehicles
125	Other Fixed Assets
127	Other Accumulated Depreciation of Fixed Assets
211	Accounts payable
212	Prepaid income
221	Long-term debt
301	Owner Capital
302	Prive
303	Income Summary
401	Sales
402	Sales Returns
403	Sales discounts
404	Sales Transport Fee
501	Purchase
502	Purchase return
503	Discount
504	Purchase Transport Charges
601	Employee Salary Expenses
602	Electricity, Water and Telephone Expenses
603	Service Load
604	Depreciation Expense
605	Administrative Load
606	Marketing Expenses
607	Other expenses

## 4.2. Initial Balance Sheet

On the initial balance sheet, there is a column of account numbers, account names, and initial balance. Account numbers and names are the result of the classification that has been carried out. The initial balance referred to is the initial balance of each account coming from the balance at the end of the previous month or the results of the calculation of the transactions that have been made.

## 4.3. Journal

A general journal is created to write down all transactions that occur at Putri Srikandi SMEs. Transactions are recorded based on their chronological order. Journals are created for each transaction showing debit and credit balances. Based on the frequency of journals can be divided into two, namely general journals and special journals. General journals record transactions with frequency of occurrences that are rare or non-routine, such as adjustments at the end of the period and the closing journal. Meanwhile, special journals record transactions with high frequency of occurrence. Special journals simplify the process of recording a large number of recurring transactions. Examples of them are cash receipts, cash expenses, sales, purchases.

## 4.4. Ledger

Each journal that has been created is moved into the ledger according to the group of accounts. Ledgers are used to make it easier to see the transactions of each account in a certain period. Ledgers are made by referring to general journals, because the ledgers of each account are recorded by looking at transactions that have been recorded by looking at transactions that have been recorded in the previous general journal.

## 4.5. Financial Statements

The last stage of the accounting process is to prepare financial statements. According to SAK EMKM financial statements consist of statements of financial position (balance sheet), income statement and notes to financial statements. The balance sheet presents information about assets, liabilities and equity owned by Putri Srikandi SMEs. The income statement shows the company's financial performance during that period. The income statement contains income and expenses that result in operating income. And,

the last is the notes to the financial statements. The notes to the financial statements consist of: a) a statement that the financial statements have been prepared according to SAK EMKM; b) overview of accounting policies; and c) Additional information and specific account details that explain important transactions and material so that it is useful for users to understand financial statements [12].

Based on the results of analysis of accounting system formulation for SMEs based SAK EMKM, several implications can be described as follows:

1. Entrepreneur can know the actual condition of his company and can measure their performance in running his business.
2. Entrepreneur knows the development of his company from time to time, either the development of turnover and profit/loss.
3. Entrepreneur knows the losses early on, so bankruptcy can be avoided.
4. Entrepreneur knows the source and the use of business funds, so it can evaluate the financial performance of the business entity.

## 5. Conclusion

Based on the research that has been done, the following conclusions are drawn:

1. Accounting system at Putri Srikandi SMEs is still done manually, only records expenses and cash receipts. At first, the owner felt that her business finances are not problematic, the most important thing was enough for inventory spending, paying employee salaries, and other costs. The owner also explained that she could not separate her personal property with her profit. Over time, these conditions complicate financial processing. Another obstacle faced is the limited competence of human resources.
2. The accounting system required by Putri Srikandi SMEs consist of classifying account numbers, initial balance sheets, journals, ledgers, financial statements consisting of statements of financial position, income statement and notes to financial statements that refer to SAK EMKM.

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## Conflict of Interest

The authors have no conflict of interest to declare.

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