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# ANALYSIS OF IMPLEMENTATION OF SAK EMKM IN SMALL AND MEDIUM MICRO ENTERPRISES (MSMEs) (CASE STUDY ON CV. DICO INTERIOR SURABAYA)

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**ABSTRACT**

*Covid 19 has an impact on the national and global economy; this is evidenced by the national economic growth that did not increase, even decreased by 5.3% in the third quarter of 2020. The decline in economic growth was due to a decrease in household consumption due to social restrictions to prevent the spread of covid-19, decrease investment spending for construction and purchase of fixed assets and decrease government spending realization and decrease foreign trade. The problem in this study is how to apply SAK EMKM in the preparation of financial statements and what factors cause SAK EMKM-based financial records not to be implemented. This research was conducted using descriptive research with a qualitative approach. The object of this research is a CV. Dico Interior is engaged in the Interior Design business. The results of this study are 1). The company has made financial statements but has not met the EMKM Financial Accounting Standards. Reports are made more on the Cash Flow Statement and Budget Plan (RAB), which are used to calculate the estimated costs incurred if there is work; 2). The company, in this case, the owner, does not yet know how important financial statements are as a tool to evaluate the company's operations because the owner considers this his own company and does not need to make financial statements correctly; 3). Financial reports that are made are more directed at the Cash Flow report only, without paying attention to other elements in preparing financial statements such as receivables, inventories, and depreciation of Fixed Assets only displays incoming and outgoing money; 4). The owner considers that the financial statements are made only if they require a loan to the bank for additional working capital.*
***Keywords: SAK EMKM, Financial Report, Budget Plan.***

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## INTRODUCTION

Covid 19 has an impact on the national and global economy; this is evidenced by the national economic growth that did not increase, even decreased by 5.3% in the third quarter of 2020. The decline in economic growth was due to a decrease in household consumption due to social restrictions to prevent the spread of covid-19, decrease investment spending for construction and purchase of fixed assets and decrease government spending realization and decrease foreign trade.

In general, one of the sectors that this pandemic has hardest hit is micro and medium enterprises (MSMEs), although some have experienced extraordinary growth. This increase in growth is due to MSME actors making breakthroughs and are good at reading opportunities against existing market demand. According to data from the Ministry of Cooperatives, Small and Medium Enterprises (KUKM) in 2018, the number of MSME actors was 64.2 million, or 99.99% of the total number of Indonesian players. The workforce absorbed by this MSME is 117 million workers or 97% of the workforce in Indonesia. According to available data, the contribution of MSMEs to the national economy (GDP) is 61.1%, and only 38.9% is contributed by large business actors, which are only 5,550 or 0.01% of business actors.

From the data above, the number of MSME actors is vast and has a very high labor absorption capacity. The government and business actors must raise their class from micro-enterprises to medium-sized enterprises. Based on Law Number 20 of 2008, micro-enterprises have annual sales results or a maximum turnover of Rp. 300 million. Meanwhile, small businesses have an annual turnover of more than Rp. 300 million, up to a maximum of Rp. 2.5 billion. Then, medium-sized businesses have an annual turnover of more than IDR 2.5 billion, up to a maximum of IDR 50 billion.

The target for the contribution of MSMEs to the economy in 2020 to 2024 before the coronavirus outbreak is to contribute to exports of the 2020 target of 18%. Meanwhile, in 2024, the contribution of MSMEs is targeted to reach 30.2%. Then the contribution to national GDP in 2020 is targeted at 61%, and in 2024 it is targeted to reach 65%. As for entrepreneurship, the ratio is 2020, the target is 3.55%, and the 2024 target is 4%.

Based on research conducted by Yayuk Sulistyowati, 2017, the recording of financial reporting for MSMEs in Malang City is not ready to be carried out because most business actors do not understand Financial Accounting Standards. This is because the background owned by business actors and the

 p-ISSN: 2775-538X

lack of socialization from the government is very lacking. The interest and understanding of the importance of financial reports for MSME actors are also still lacking. So that the financial report is considered not a thing that must be done, the relevant departments must conduct training on how to prepare financial reports according to applicable standards, namely SAK EMKM.

Every business is expected to have financial reports to analyze financial performance to provide information about the company's financial position, performance, and cash flows that are useful for decision making for users of financial statements and management's accountability for users of existing resources. However, accounting practices in SMEs are still relatively low. MSME bookkeeping is still carried out in a simple and not detailed manner. Tarmizi (2015) said that almost all MSMEs in Indonesia only recorded finances from sources of entry and sources of money. In other words, MSME actors only record their business finances according to cash flows.

However, the implementation of bookkeeping is a hard thing for MSMEs due to limited knowledge of accounting, the complexity of the accounting process, and the assumption that financial statements are not crucial for MSMEs (Iis Wahyuni et al., 2019). According to SAK ETAP, the presentation of financial statements is generally acceptable because it uses simpler and easier guidelines for the wider community (Sariningtyas and Diah, 2011). However, most MSME actors do not understand what SAK ETAP is, making their versions of records.

The formulation of the problem in this study is how the application of SAK EMKM prepares the financial statements of SME's CV. Dico Interior and what factors caused the failure to carry out SAK EMKM-based financial records on a CV. Dico Interiors?

**Literature Review**

Like any other entity CV, Dico Interior is an entity that carries out business activities so that it is required to have financial reports to analyze financial performance in order to provide information about the company's financial position, performance, and cash flow that is useful for decision making for users of financial statements. Alternatively, it can also be said as management's responsibility for the users of existing resources. Because this entity is a medium-scale business, its financial statements must comply with SAK EMKM.

The purpose of the financial statements presented by CV Dico Interior is to provide information on an entity's financial position and financial performance that is useful for many users in making economic decisions. These users include

 p-ISSN: 2775-538X

providers of resources for entities such as creditors and investors. In meeting its objectives, the financial statements also show management's accountability for the resources entrusted to it (SAK EMKM).

The entity's financial position in question consists of information about the entity's assets, liabilities, and equity at a specific date and is presented in the statement of financial position. These elements can be defined as follows: a) Assets are resources controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity; b) A liability is a present obligation of the entity arising from past events, the settlement of which results in an outflow from the entity of resources embodying economic benefits; c) Equity is the residual interest in the assets of the entity after deducting all of its liabilities.

Recognition of elements of financial statements is the process of establishing an account in the statement of financial position or income statement that meets the following criteria: 1). The economic benefits associated with the account will probably flow into or out of the entity, and 2). The account has costs that can be measured reliably. The recognition criteria refer to when it can be ascertained that the future economic benefits associated with the account will flow into or out of the entity. Assessment of the degree of uncertainty inherent in the flow of future economic benefits is carried out based on evidence relating to conditions that existed at the end of the reporting period when the financial statements were prepared. The assessments were made individually for individually significant accounts and from a large population for individually insignificant accounts.

Reliability Recognition of an item is the existence of a cost that can be measured reliably. If the cost has not been incurred, but the amount is unknown, then the cost must be estimated. If the proper measurement is not possible, the account is not recognized and is not presented in the statement of financial position or Profit or Loss.

The measurement of the elements of the Financial Statements is the process of determining the amount of money to recognize assets, liabilities, income, and expenses in the financial statements. The basis for measuring elements of financial statements in SAK EMKM is historical cost. The historical cost is the amount of cash or cash equivalents paid to acquire the asset at the acquisition time. The historical cost of a liability is the amount of cash or cash equivalents received or the amount of cash expected to be paid to meet the liability in the ordinary course of business.

 p-ISSN: 2775-538X

The requirements for recognizing and measuring assets, liabilities, income, and expenses in SAK EMKM are based on pervasive concepts and principles from the Basic Framework for the Preparation and Presentation of Financial Statements. In the absence of a specific arrangement in SAK EMKM for transactions or other events, the entity shall consider the definitions, recognition criteria, and measurement concepts for assets, liabilities, income, and expenses.

Fair presentation of Financial Statements requires an honest presentation of the effects of transactions, events, and other conditions following the definitions and criteria for recognizing assets, liabilities, income, and expenses. Disclosure is required when compliance with specific requirements in SAK EMKM is not sufficient for users to understand the effect of transactions, events, and other conditions on the entity's financial position and performance.

The minimum complete financial report based on SAK EMKM consists of; a) Statement of financial position at the end of the period; b) Income statement for the period; c) Notes to financial statements, which contain additions and details of certain relevant accounts.

The entity's identification must be clearly stated in each financial statement and the notes to the financial statements. The identification includes: a) The entity's name that prepares and presents the financial statements; b) The end date of the reporting period and the financial reporting period; c) Rupiah as presentation currency; and d) Rounding off numbers used in the presentation of financial statements.

## METHOD

This research was conducted using descriptive research with a qualitative approach. The object of this research is a CV. Dico Interior is engaged in the Interior Design business. Sources of data needed to support this research in the form of primary data and secondary data. Primary data was obtained by observing and interviewing the owner and administrative staff. While secondary data is in the form of related documents such as sales notes, purchase notes, input invoices and sales invoices, financial reports, cash flow reports, existing budget plans and are used to prepare financial reports.

Data collection and collection techniques are carried out through direct interviews with owners and administrative staff directly related to the operational business process in recording financial and non-financial transactions and verifying and reviewing existing documents. Thus, it can be concluded that

 p-ISSN: 2775-538X

collecting data in research is to make observations first, examine existing documents, conduct interviews, and perform data reduction.

While the technical analysis of the data carried out is by comparing information, verifying data, checking directly on existing data, and seeing directly the process of recording financial transactions so that it becomes a financial report, the recording process is compared with the current accounting cycle or process.

The stages of the research carried out were first, conducting initial observations at the location; second, conducting interviews with owners and administrative staff; third, observing the process of preparing financial statements based on evidence of existing transactions, namely the journal process and the making of the ledger; Fourth, provide advice and input to owners and administrative staff if in the process of making financial reports they have not carried out proper recording following the rules of making financial reports and SAK EMKM.

## RESULT AND DISCUSSION

CV. Dico Interior, which is engaged in the Interior Design business, having its address at Jl. Klakahrejo Ruko TCBD, Kandangan, Benowo, Surabaya. This company does work based on orders only; there are no display items (showroom), only photos of the work that have been completed and submitted to customers. So there is no inventory of finished goods. Inventory here is a stock of leftover materials after production, which can later be used for the following ordered material.

### Overview of the Recording of Financial Statements carried out

Preparation of financial statements conducted by CV was essential. This Dico Interior is still straightforward and does not reflect with SAK EMKM, displaying the Income Statement, Balance Sheet, and Notes to Financial Statements containing additions and details of certain relevant accounts. Reports are made more on cash flow reports and budget plans only. So that it has difficulty when making financial statements at the end of the accounting period. By the accounting cycle, the stages of preparing financial statements begin with proof of transactions, journal processing, posting to the general ledger, making trial balances, adjusting journals, and then becoming financial statements.

Based on interviews conducted by researchers, the owner stated that the financial records were not complete due to the lack of knowledge about financial

 p-ISSN: 2775-538X

records so that they were only carried out. However, the owner's awareness and desire of the importance of financial records has been felt since the company's establishment. The activity of preparing financial statements is indeed beneficial for owners to analyze their financial condition. Business owners can monitor the effectiveness and efficiency of spending to increase and calculate the net income of their business. Not implementing SAK EMKM in the company is because the owner does not know about the forms of financial statements that should exist and the functions and benefits of recording financial statements based on SAK EMKM for external business parties.

Based on the principles of making financial statements, several things need to be considered, such as the basis for making financial statements that are often used is the accrual basis or cash basis. To prepare financial reports for this company, the owner suggested making financial statements using the accrual basis method, and the owner agreed. In this accrual basis principle, the recording is done based on the benefits and uses.

Besides that, the expenditures must be evaluated, whether operational, investment, or funding. Looking at the transaction data and evidence of existing transactions, it turns out that several transactions require accounting correction because the preparation of the financial statements is based on the accrual principle and the purchase of goods (fixed assets) is an investment expense.
For this reason, researchers make corrections to the financial statements that have been made by the owner so that the financial statements are following SAK EMKM.

*Accrual* Principle

In SAK EMKM, it is explained that the entity prepares financial statements using the accrual basis. Under the accrual basis, accounts are recognized as assets, liabilities, equity, income, and expenses when they meet each definition and recognition criterion.

In this case, several accounts meet the requirements for recording using the accrual principle, namely: rental payments and purchase of fixed assets.

For rental payments, based on information and proof of payment, it turns out that the rental period is 2 (two) years. So that the rental expense is as follows:

Total rental expense IDR. 6,000,000, - / 24 months = IDR. 250.000,-/ month
So that the recognized rental expense for October to December is IDR. 750.000,- only. While the remaining IDR. 5.250.000,- (IDR.6.000.000,- IDR.750.000,-) as prepaid expense (not yet recognized as expense)

 p-ISSN: 2775-538X

Fixed Asset Recognition and Measurement.

In SAK EMKM, it is explained that fixed assets are assets that: a). owned by the entity for use in the ordinary course of its business, and b). she is expected to be used by the entity for more than one period. Fixed assets are recorded if legally owned by the entity at cost. Cost includes the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for the asset to be ready for its intended use.

After initial recognition at cost less accumulated depreciation, measurement of all property, plant, and equipment, except land, after initial recognition at cost less accumulated depreciation. The costs of repairs and renovations of property, plant, and equipment are recorded as an expense in the income statement in the period in which they are incurred. Depreciation expense is recognized in the income statement. Depreciation of property, plant and equipment can be performed using the straight-line method or the declining balance method without considering the residual value (salvage value). Depreciation of fixed assets begins when an asset is available for use. The useful life of the asset is determined based on the expected useful life of the entity.

The owner's financial statements do not show and do not recognize the existence of fixed assets, so that the fixed asset account has not been created and has not determined the asset's economic life. Based on the principles of the assets mentioned above, property, plant, and equipment can be used for more than one accounting period and not for resale. After discussion with the owner and explaining about these fixed assets, it was decided that the existing fixed assets have a useful life of 4 (four) years or 48 (forty-eight months). Because the purchase of this asset was carried out in October 2020, the depreciation is calculated for only 3 (three) months for each asset. Based on the evidence of transactions and information from the owner, what must be recognized as fixed assets is IDR. 22,800,000 - with IDR depreciation. 1.425.000,-.

Inventory Valuation.

In principle, inventories are assets: a) for sale in the ordinary course of business; b) in the production process for later sale; or c) in the form of materials or equipment for use in the production process or the rendering of services—inventory recording at cost. The cost of inventories includes all purchase costs, conversion costs, and other costs incurred to bring the inventories to a ready-to-use condition and location. The inventory cost measurement technique can use the first-in-first-out (MPKP = FIFO) or weighted average (Average) cost formula to determine inventory cost. Inventories are presented as assets in the statement of financial position. If inventories are sold, their carrying amount is recognized as an expense in the period in which the related revenue is recognized. Based on the results of the stocktaking that was carried out, it turned out that there was remaining inventory that had not been used, namely in the form of material which if the total estimate was IDR. 2.325.000,-

 p-ISSN: 2775-538X

The financial statements prepared at the end of the accounting period on December 31, 2020, are shown in the following table:

**Income statement.**

Profit and Loss summarize the income and expenses incurred by the company during the accounting period. The income statement includes all income and expenses recognized in a period unless SAK EMKM requires otherwise. SAK EMKM regulates the treatment of the effects of corrections for errors and changes in accounting policies which are presented as retrospective adjustments to the previous period and not as part of Profit or Loss in the period of changes in the Income Statement made after the correction is as follows::

**Statement of Financial Position**

The statement of financial position presents information about the entity's assets, liabilities, and equity at the end of the reporting period. After correction, the company's financial position appears as follows:

Notes to Financial Statements.

The notes to the financial statements set out the principles that underlie the information presented in the notes to the financial statements and how they are presented. The notes to the financial statements contain a) a statement that the financial statements have been prepared following SAK EMKM; b) summary of accounting policies; c) additional information and specific account details that describe actual and material transactions so that it is helpful for users to understand the financial statements.

The types of additional information and details presented depend on the type of business activity carried out by the entity. Notes to financial statements can bsystematicallymatic manner as far as practicable. The notes on the financial statements that can be taken are as follows: a) Companies must apply the preparation of financial statements using the accrual basis. b) The recommended inventory valuation method uses first-in, first-out (FIFO). c) The depreciation method used is using a straight line.

 p-ISSN: 2775-538X

## CONCLUSION AND SUGESTION

### Conclusion

Based on surveys and research conducted, conclusions can be drawn from the process of preparing financial statements at the company as follows:

1. In this case, the company does not know how strong the financial statements are as a tool to evaluate the company's operations because the owner considers this his own company and does not need to make financial statements correctly.
2. The company has made financial statements but has not met the EMKM Financial Accounting Standards. Reports are made more on the Cash Flow Statement and Budget Plan (RAB), which calculates the estimated costs incurred if there is work.
3. Financial statements are made more directed to the Cash Flow report only, without paying attention to other elements in preparing financial statements such as accounts receivable, inventory, and depreciation of Fixed Assets. It only displays incoming and outgoing money.
4. The owner considers that the financial statements are made only if they require a loan to the bank for additional working capital.

### Suggestion

Looking at the implementation of the recording carried out by CV. Dico Interior, it is recommended:

1. To make financial reports following the existing SAK EMKM. If he cannot afford it, he can study online or send administrative staff to make financial reports.
2. In order to use simple tools such as Microsoft Excel to make financial reports or use an online accounting program considering the cost is cheap and easy to implement.
3. To make financial reports every month so that it is easy to evaluate the company's performance.
4. To join the MSME community in Surabaya and East Java as a forum to add relationships and additional knowledge, these communities often hold training on making Financial Reports.

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