What Do We Know on The Implementation of Accounting Standards in SME?

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Abstract

This study aims to prove empirically and enrich the concept or theory in particular relating to Financial Reporting for Micro, Small and Medium Enterprises. The data used in this study are primary data in the form of a questionnaire distributed to the owners of SME in the area of Ciomas, Bogor. Obtained research sample consisted of 113 observation research. The research is quantitative research with simple descriptive analysis for measuring and analyzing the responses of the respondents. SME business people agree that the implementation of SAK ETAP will be easy and beneficial for their business. SME also need socialization and training in the implementation of Financial Accounting Standards for Non-Public Accounting Entities (SAK ETAP) as well as assistance for the success of its financial reporting.

Keywords: SME, SAK ETAP, Financial Reporting

Introduction

The current business development has resulted in the increasing number of capital needs for most SMEs, they can no longer expect capital from their own savings to expand their business, but have to rely on loans to third parties. In order to obtain capital from credit channeling banks for SMEs, there is a requirement of accounting information in the form of financial statements regarding their business activities. In addition, accounting information can help perpetrators of SMEs in making important decisions, identifying business development, and managing their finances to achieve more success.

The main problem in capital development of SMEs, is financial reporting because to make good financial reporting requires accounting skills. However, many SMEs have not been able to prepare the financial statements required by the banks, resulting in difficulties in obtaining additional capital for their business, as quoted from Yenni (2014) research conducted by Bank Indonesia (BI) Medan Branch in collaboration with the University of Sumatra North is known only 22.5% perpetrators of SME who have financial statements and 87.8% to make financial reports are not feasible. The neglect of financial management has an impact that is not clearly visible, but indirectly this will reduce the chances of success of SME in the future.

Most of SME want to get a big profit without thinking about whether their future business can still run as well as now. SMEs require accounting reports that can be used to manage various transactions (Irwan, 2011). Rudiantoro and Siregar (2011) in fact, SME with micro and small size have not conducted and use accounting information maximally in the management of its business. This means the scale of SME business can also influence in making accounting financial statements. The smaller the business scale of a SME, the owners and perpetrators of SME will be less concerned about the financial statements. They assume that financial statements are not required for small business scales because there are still few accounts that arise from their business activities. SME lack understanding
and need to be provided about the importance of financial statements of a business. SME book system has been generally very simple and tend to ignore the rules of financial administration standard (default). Though accurate and standard financial statements will help them a lot in the efforts of business development in quantitative and qualitative. The aim of this research would like to know implementation details about financial reporting of Micro, Small and Medium Enterprises.

**Literature Review**

**Financial Report of Micro, Small and Medium Enterprises**

Law Number 20 Year 2008 regarding SME Article 1 paragraph (1), (2), and (3) contain the definition of micro, small and medium enterprises. Micro Business is a productive enterprise owned by individual and/or individual business entity fulfilling the criteria of Micro Business as stipulated in this Law. Small-scale business is a stand-alone productive economic enterprise, conducted by an individual or entrepreneur who is neither a subsidiary nor a branch of a company owned, controlled, or becomes a direct or indirect part of a Medium Business or a Large Enterprise that meets the criteria of the Small Business referred to in this Law. The financial statements are a communication between financial data and business activities with accounting processes that generate business value to provide views on decision making (Lontoh and Librawati, 2004). The financial statements have the purpose of providing useful information for decision making. The Indonesian Institute of Accountants (2007: 4) The purpose of the financial statements is to provide information regarding the financial position, performance and changes in the financial position of a company that is beneficial to the large number of users of financial information in decision making. Without the financial statements, this decision will be difficult to do both by business actors and banks as providers of funds. Therefore, financial book and reporting is quite important in the growth and development of business (Rudiantoro and Siregar, 2011).

The financial statements made by the company is an indicator of a company's success. In the financial statements there is an important reference that is useful for users to consider their thinking. Financial reports will provide information on profitability, risk, cash flow timing, all of which will affect the expectations of interested parties.

The financial statements are periodic reports prepared in accordance with generally accepted accounting principles of the financial status of individuals, associations or business organizations comprising of balance sheets, income statements, changes in equity, cash flow statements and notes to the financial statements.

Financial Accounting Standards for Non-Public Accounting Entities (SAK ETAP 2009) are intended for the use of entities without public accountability. Entities without public accountability are entities that:

1) Has no significant public accountability
2) Publish general purpose financial statements for external users (those who are not directly involved in business management, creditors, and credit rating agencies).

**Comprehension of Accounting**

Accounting comprehension is a measure of how far an individual understands accounting. Splicer (1995), Bonner and Walker (1994) in Nurmala (2014) divide the accounting understanding into two dimensional measurements commonly used in audit studies, the two dimensions are as follows:

- **Declarative Understanding**
  Declarative understanding is an understanding of facts and based on concepts, such as cash is part of current asset. This understanding makes it easy in rational analysis. Where declarative understanding is usually dependent on existing instantiation.
b. Procedural Understanding

Procedural understanding is an understanding consistent with applicable rules or accounting standards, usually depending on the experience.

Research Methods

The research is descriptive qualitative research using survey approach. Descriptive method is used by researchers to describe the phenomena that occur in connection with the utilization of financial statements Micro, small and medium enterprises in accordance with the circumstances, events and activities that occur as is.

Type of data taken is the primary data, that is with the method of distributing questionnaires to be filled by respondents. Non probability convenience sampling technique was used to distribute questionnaires to 150 managers / owners of UMKM in Bogor district spread over Ciomas, Ciapus, Ciherang and Dermaga areas. Of the 150 questionnaires sent to collect research data, 127 questionnaires were returned with an 85% return rate. Whereas from 127 questionnaires there are 14 which are not complete so can not be used as part of the analysis. The number of questionnaires used for the analysis for this study is 113 respondents who are the manager / owner of SME.

Results

Profile of Respondent

Respondents in this study were divided into 3 categories of business is micro as many as 55 respondents (49% of total questionnaires distributed), small business as much as 50 respondents (44%), and medium business 8 respondents (7%). The results of the survey of 113 respondents in this study dominated by 92.93% by respondents of male sex, and the rest of 7.07%. Result of research indicate that entrepreneurs of SME which have male sex still dominate and woman entrepreneurs still have less role in SME in Bogor city. The results of research for the education level of respondents is quite diverse. This can be seen from the data processing of statistical data of respondents' education level is quite varied, 19,19% respondent is bachelor degree, 23,23% respondent is diploma, 41,41% graduated from high school, while 16,16% respondents are educated below SMA, there are respondents who are educated graduate. This means small and medium-sized businesses in the city of Bogor owners are mostly dominated by high school graduates.

Background of accounting / economics education as much as 20.41%, techniques as much as 29.59%, the law of 5.10% and others as much as 44.90%. The largest educational background data is the varying educational background so it is possible that SME does not implement the SAK ETAP because it has an accounting / economics education background of 20.41%.

Description of Research Results

Based on the results of the questionnaire, found some events and conditions in SME which then classified according to the subject of research. The description of this data is explained by the following descriptive form:

1. Doing Recording or Accounting Book

Inquiries for Micro, Small and Medium Enterprises can be seen in the table below:
Table 1: Doing Recording or Accounting Book.

<table>
<thead>
<tr>
<th>NO.</th>
<th>Description</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Micro</td>
<td>63%</td>
<td>36%</td>
</tr>
<tr>
<td>2</td>
<td>Small</td>
<td>86%</td>
<td>14%</td>
</tr>
<tr>
<td>3</td>
<td>Medium</td>
<td>88%</td>
<td>12%</td>
</tr>
</tbody>
</table>

From the data above we can see that Micro, Small and Medium Business actors have recorded records or accounting book as seen from respondents answer "yes" for micro business 63%, small business 86% and 88% middle business. This data shows that the owners of sme feel need to do the bookkeeping or recording for their business. Although there is no standard standard for the bookkeeping because each business actors Micro, Small and Medium make bookkeeping sesuah knowledge and understanding. As contained in the study Armando (2014) who conducted an interview to business actors SME states that from 12 businesses interviewed there are 8 businesses that do not have financial statements. This result is reinforced by Anggaeni (2012) research that SME keeps record, but not according to the proper accounting rules so it is still difficult to assess the condition of SME whether in a state of profit, loss or break even point.

2. Financial Reporting Components normally made by the company

Here are the answers of respondents regarding the components of financial statements are:

Table 2: Components of Financial Statements

<table>
<thead>
<tr>
<th>No</th>
<th>Description</th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Income Statement</td>
<td>39%</td>
<td>35%</td>
<td>50%</td>
</tr>
<tr>
<td>2</td>
<td>Balance Sheet</td>
<td>11%</td>
<td>18%</td>
<td>17%</td>
</tr>
<tr>
<td>3</td>
<td>Statement of Cash Flows</td>
<td>22%</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>4</td>
<td>Statement of Changes In Capital</td>
<td>16%</td>
<td>16%</td>
<td>8%</td>
</tr>
<tr>
<td>5</td>
<td>Others</td>
<td>12%</td>
<td>14%</td>
<td>8%</td>
</tr>
</tbody>
</table>

The data above shows that among the five components of the financial statements of respondents Manager / Owner of Micro, Small and Medium Enterprises considers that the Income Statement is the most important report to be made because it can describe the benefits received. Results of respondents' answers to micro enterprises 39%, small businesses 35% and medium businesses 50%. After that each business varies in answering the order of importance of the report in the components of the financial statements. According to micro business sequence of components of financial statements are Income statement, Statement of cash flows, Statement of changes in capital and the last is the balance sheet. While small and medium enterprises to sort the important reports in the components of financial statements are as follows: Income Statement, Balance Sheet, Cash Flow Statement and Statement of Changes in Capital. This means that small and medium enterprises have the same understanding in making components of financial statements that are adjusted to the applicable accounting standards.

3. Purpose of Making Financial Statement

Questions about the purpose of making financial statements for micro, small and medium enterprises can be seen from the table below:
Table 3: Purpose of Financial Reporting

<table>
<thead>
<tr>
<th>No</th>
<th>Description</th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Personal purposes</td>
<td>64%</td>
<td>48%</td>
<td>63%</td>
</tr>
<tr>
<td>2</td>
<td>Bank Loans</td>
<td>9%</td>
<td>16%</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>Bank Reporting</td>
<td>2%</td>
<td>2%</td>
<td>25%</td>
</tr>
<tr>
<td>4</td>
<td>Others</td>
<td>25%</td>
<td>34%</td>
<td>12%</td>
</tr>
</tbody>
</table>

From the table above about the purpose of micro, small and medium enterprises in making financial statements, it is found that personal needs become the dominant responden answer with the percentage is 64% micro business, 48% small business and 63% medium enterprises. After that the other answers that can not be explained in this research become second order for micro, small and medium enterprises. From the answer above shows that micro, small and medium enterprises can not separate their personal interests and business interests, so it is reasonable that the financial record of SME business still looks simple. Because usually loans to third parties, especially banks demand to create a standardized financial statements or in accordance with applicable procedures.

Comprehension of SME on Accounting Records

In theory, the large role of financial statements in the business must create financial statements to meet their needs. Here is a description of the understanding perpetrators of SME of accounting records are seen from:

1. Perception of Business Owners
   Based on previous research indicates that there is a positive influence between usability perception and implementation / application of SAK ETAP. Supadmi (2015) and Rina Permatasari (2014) where the research reveals usability and easy-to-use perceptions have a positive influence in the SAK ETAP application. Related to this research, the perception of SME entrepreneurs against SAK ETAP applied as a substitute for statement of Financial Accounting standard will affect the process of making financial statements, if SME feel that SAK ETAP provides ease and usefulness in terms of more relevant and more relevant reporting characteristics. Dependable for their business, they will try to implement SAK ETAP as soon as possible.

2. Perception Easy to Use
   After taking some general information from respondents and companies, the main question asked: "is the implementation of the standards easy to do?" Based on the picture below, respondents who answered agree and quite agree more than 40%, with 43% of respondents agree and 45% of respondents quite agree. Only 11% of respondents answered strongly agree, and no one answered disagree or strongly disagree. This condition indicates the respondent considers the use of system for the implementation of SAK ETAP easy to use, so that will assist in the implementation of company's financial statements.
3. Perception Usability Use

The next question to the respondent is about the perception of the use of the system in the implementation of SAK ETAP. The majority of respondents' answers are a system that will be useful for their business, this is indicated from an answer of about 48% agreed. While 35% of respondents answered quite agree, only a few answered strongly agree as much as 2%. This result shows that SME feel that using the SAK ETAP Implementation System will be useful for their business, although from the answer it can be seen that there are still small and medium business owners who still doubt the usefulness of the system in standard application although the number is not much, only 14%. That is SME business owners need to be educated to understand the usefulness of using the system in the application of standards.

Based on the above data it can be analyzed as follows:

In general, SME entities have not recorded all their business transactions. Even some entities do not record at all. Operational activities run by relying on daily observational memory of inventory. The things that have not been properly recorded the business transactions of SME entities are:

a. There is a presumption that the recording of transactions has not been necessary so that when implemented waste of time and energy.
b. There is a presumption that recording transactions are not much useful in supporting daily operational activities.
c. Business managers are more focused on the production activities of daily routine business management (e.g. goods shopping, manpower, etc.) and take care of their trading transactions so that there is no time for listing.
d. Limited knowledge of SME actors on how to do financial recording.
It is assumed that a complete recording of transactions will result in an increase in the amount of taxation.

For the micro scale, there are still many who have not yet separated between the funds used for business purposes and the funds used for household needs.

For recording entities, the types of commonly used records are cash in and outgoing books, sales books, payroll books and payroll records.

In general it is seen that the greater the volume of business and the increasing number of transactions resulted in additional recording and transaction documents that must be stored even though not in a structured form.

Small and medium enterprises in general already have a business name, the purpose is for promotion in addition to used for the trademark of its business products and is a condition of the management of the form of business entity.

Micro businesses generally do not have a business name, but there are some micro businesses that already have a business name. For a micro business that has a business name has a consideration as part of its business promotion, as a condition of handling the status of a business legal entity, or some are just joining in with other entrepreneurs.

The behavior of business management and financial administration on the scale of micro, small and medium enterprises shows the same tendency that there are efforts to implement financial management in the form of financial transaction recording, but there are also not yet recorded. Besides, not all SME have separated their business finances with personal / family interests. Nevertheless, some of SME have performed inventory of financial evidence.

There is an indication or desire of the SME entity entrepreneurs to carry out transaction recording, and it is expected that the training will be able to skillfully record these transactions and be tailored to their needs.

Conclusions And Suggestions

The results of the analysis as follows:

The result of this research is dominated by men, the respondent's education level is senior high school, small scale business scale which majority owned by small business. SME business people agree that the implementation of SAK ETAP will be easy and beneficial for their business. Needs socialization and training in the implementation of SAK ETAP.

Government as policy maker can attempt to utilize and utilize the use of accounting system for SME to apply SAK ETAP and convey information about SAK ETAP for SME more aware and trained against the system to apply it in its business activities.

The behavior of business management and financial administration on the scale of micro, small and medium enterprises shows the same tendency that there are efforts to apply financial management in the form of financial transaction recording, but there are also not yet record. Besides, not all SME have separated their business finances with personal / family interests. Nevertheless, some of SME have performed inventory of financial evidence.

There is an indication or desire of the SME entity entrepreneurs to carry out the recording of transactions, and it is expected that the training will be able to skillfully recording these transactions and adjust to their needs.

This study has limitations in terms of disclosure of SME problems in the exploration of the results of in-depth interviews with respondents to explain the reasons given by the researcher's questions.

In this study only use the criteria of making simple or complex financial statements to determine the sample.

Researchers suggest to add criteria to the respondents who will be sampled in further research such as gender, age, SME who get credit from banks, and others. Try to add or replace other independent variables that may affect the level of use of SME accounting information that has not been used in this study such as accounting training, corporate culture, and business sectors.
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