

## **EVALUATION OF THE IMPLEMENTATION OF THE PREPARATION OF MICRO BUSINESS FINANCIAL REPORTS BASED ON SAK EMKM CASE STUDY ON BALABO SCRAP**

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### **ABSTRACT**

This study aims to determine whether accounting records for MSMEs in the Balabo Scrap are in accordance with the Micro, Small, and Medium Entity Financial Accounting Standards (SAK EMKM). The data analysis method used is descriptive qualitative analysis method which is a description of the result of interview and conducting comparisons of financial statements on MSMEs that are appropriate and not in accordance with the Financial Accounting Standards for Micro, Small, and Medium Enterprises (SAK EMKM). The object in this study is the accounting records section on Balabo Scrap. The results of this study indicate that the Accounting Records in The Balabo Scrap are not yet in accordance with the Micro, Small, and Medium Entity Financial Accounting Standards (SAK EMKM) due to a lack of knowledge about accounting records and lack of socialization about SAK EMKM.

**Keywords:** Financial Reports, FAS MSME, UMKM

### **INTRODUCTION**

MSMEs or called Micro, Small and Medium Enterprises are independent and small-scale populist economic activities whose management is carried out by community groups, families, or individuals. In fact, MSMEs have a great influence on the national scale economy, because they can absorb the number of unemployed and contribute to Indonesia. Therefore, MSMEs also play an important role in the Indonesian economy. To develop a larger business, MSMEs are always constrained by the problem of how to obtain additional working capital.

Seeing the importance of implementing accounting for MSMEs and taking into account the characteristics of MSME transactions, the Financial Accounting Standards Board (DSAK) under the auspices of the Indonesian Institute of Accountants (IAI) seeks to issue an appropriate accounting standard. In 2009, DSAK has ratified SAK EMKM (Standards for Micro, Small, and Medium Economic Financial Accounting) and since January 1, 2018 this standard has been declared effective. SAK EMKM is an accounting standard for entities that do not have accountability to the public. With this standard, small and medium-sized companies are able to compile their financial reports to obtain funds and business development (Muchid, 2015).

In Batam City, there are 555 types of MSMEs located in the Cooperatives and Micro Enterprises Service, which types of business consist of services, trade, food/beverages, handicrafts, and production. There are still many MSMEs in Batam City that have not recorded books according to accounting standards. This can be caused by a lack of knowledge, understanding, concern, and knowledge of basic accounting science, and the inadequate level of education of business actors, as well as the perception among SMEs that bookkeeping is not important in their business. The management of MSMEs has not kept books in their financial reporting in accordance with applicable accounting standards, but MSME actors only keep books in the form of cash in and cash out in their business transactions.

Balabo Scrap is an MSME engaged in the sale and purchase of scrap metal and ship parts, having its address at Tanjung Uncang, Batam City. Scrap metal business is a business chain linking several business actors. Balabo Scrap's main activities are chopping barges, participating in company auctions, and other projects.

Balabo Scrap has problems in terms of financial management in its business. Balabo Scrap has not recorded financial statements according to accounting standards, but Balabo Scrap continues to record very simple financial reports, namely cash flow reports, sales reports, purchase reports, and operating expense reports.

## **RESEARCH METHODS**

### **Types of research**

The type of qualitative descriptive research is the research design used in this study, namely in the form of case studies. Descriptive research is research that describes how the state of the company arrived at the data needed to make financial statements in accordance with SAK EMKM.

According to (Sugiono, 2014:30), the components and the research process, namely each research will always depart from the problems presented in the problem formulation. Investigate objects that cannot be measured by numbers or other mathematical measurements.

### **Research Design**

Research designs conducted by researchers include:

1. Interview Techniques. The interview technique is by conducting direct Q&A to related parties, such as Balabo Scrap owners and Balabo Scrap financial admins.
2. Documentation Techniques. Documentation technique is to collect secondary data that has been documented.
3. Library Research. Library Research is the researcher reading various reading materials such as books, scientific works, and other writings that are related to this research.

### **Data Analysis Technique**

In data analysis, the researcher was directly involved in explaining and concluding the data obtained by linking the theory used. Processing qualitative data is carried out through 5 stages, namely:

1. Data Collection. The data collection techniques used were observation and in-depth interviews, plus the study of supporting documents which aimed not only to dig up the data, but also to reveal the meaning contained in the research setting.
2. Data Reduction. Data reduction is a process of selecting, focusing attention, simplifying rough data that emerges from written notes in the field and removing unnecessary data so that the data produces meaningful information and makes it easier to draw conclusions.
3. Triangulation. This triangulation technique is one of the approaches taken by researchers to explore and perform qualitative data processing techniques.
4. Analysis. Data analysis in qualitative research is a process of systematically tracking and arranging field notes that have been obtained from interviews, observations and other materials so that researchers can report research results.
5. Conclusion. This last stage is where the decision-making process leads to answers from interviews and submitted documents and reveals what and how from these findings.

## **RESULTS AND DISCUSSION**

### **Organizational Structure**

The organizational structure of Balabo Scrap is described in the duties and responsibilities of each section, namely:

1. President Director. As a company leader who has the greatest duties and responsibilities for the progress or failure of the company.
2. Finance Admin. The financial admin has the task of making financial reports of all transactions, entry fees and expenses. Receive sales money and spend money for operational costs and purchase of goods. Provide financial reports to management.
3. Sales Admin. The sales admin has the task of handling customer requests, promoting and posting selling products through the marketplace, answering customer requests via telephone, chat. As well as providing the best service to the customer and recording the items purchased by the customer.
4. Warehouse Manager. The Head of the Warehouse has the task of supervising and controlling warehouse operations, planning for procurement of goods and distribution, ordering goods as needed, checking goods in accordance with SOPs.

### Accounting Bookkeeping Process on Balabo Scrap

The accounting books carried out by Balabo Scrap in Tanjung Uncang, Batam City are still very simple, but basically Balabo Scrap does the bookkeeping to the extent of understanding the owners and financial admins of Balabo Scrap in running a business. Based on the results of the research, the bookkeeping reports at Balabo Scrap consist of 4 reports, namely:

1. Goods Sales Report. Balabo Scrap uses goods sales reports to record all records of sales transactions that occur at nominal value.
2. Operational Cost Report. Balabo Scrap uses operational expense reports to record all records of transaction costs that occur in Balabo Scrap and personal costs of Balabo Scrap owners.
3. Goods Purchase Report. Balabo Scrap uses the purchase of goods reports to record all records of goods purchase transactions that occur in Balabo Scrap.
4. Cash Flow Statement. Balabo Scrap uses a cash flow statement to record all records of incoming and outgoing cash transactions that occur in Balabo Scrap. This bookkeeping records all cash transactions in detail, but differs from the recording of cash flow statements in accordance with SAK.

### Accounting Bookkeeping at Balabo Scrap Viewed from SAK EMKM

According to the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) which is effective from January 1, 2018, MSMEs present financial reports according to SAK EMKM consisting of a Statement of Financial Position, Income Statement, and Notes to Financial Statements. When the research was conducted, Balabo Scrap had not yet implemented SAK EMKM in the presentation of its financial statements. So that researchers make financial reports that are prepared in accordance with the applicable SAK EMKM.

To be able to present financial reports based on SAK EMKM, researchers first collect financial data from the Balabo Scrap which has been annualized during 2021. Then researchers make financial reports that refer to SAK EMKM. The following is Balabo Scrap's financial report that the researchers processed:

#### 1. Statement of Financial Position

The statement of financial position presents information about all current assets and non-current assets that occur as a result of the present and are utilized in the future, liabilities or obligations of the entity that provide information about the value of the entity's ownership. The following is a statement of financial position that the researcher compiled according to Balabo Scrap's 2021 financial data:

**Table 1. Statement of Financial Position Balabo Scrap**

BALABO SCRAP	
LAPORAN POSISI KEUANGAN	
UNTUK TAHUN YANG BERAKHIR 31 DESEMBER 2021	
2021	
<b>ASET</b>	
Kas dan Setara	
Kas akhir Desember 2021	20,084,200
<b>Jumlah kas dan setara kas</b>	<b>20,084,200</b>
Piutang Usaha	
Aset tetap	
Gedung	350,000,000
Mobil Operasional	250,000,000
Akumulasi penyusutan	(240,000,000)
<b>Total Aset Tetap</b>	<b>360,000,000</b>
<b>JUMLAH ASET</b>	<b>380,084,200</b>
<b>LIABILITAS</b>	
Utang Usaha	
Utang Bank	
<b>JUMLAH LIABILITAS</b>	<b>45,000,000</b>
<b>EKUITAS</b>	
Modal Pemilik	
<b>JUMLAH EKUITAS</b>	<b>335,084,200</b>
<b>JUMLAH LIABILITAS &amp; EKUITAS</b>	<b>380,084,200</b>

*Resource: Data Processed (2022)*

## 2. Income Statement

To find out the company's profits and expenses, the entity needs to prepare an income statement presenting various information about revenues, expenses. The following is the profit and loss statement that the researcher compiled according to the financial data of Balabo Scrap in 2021:

**Table 2. Balabo Scrap. Profit and Loss Statement**

BALABO SCRAP	
LAPORAN LABA RUGI	
UNTUK TAHUN YANG BERAKHIR 31 DESEMBER 2021	
<b>PENDAPATAN</b>	2021
Pendapatan Usaha 2021	2,163,899,700
Pendapatan Lain-lain	
<b>JUMLAH PENDAPATAN</b>	<b>2,163,899,700</b>
<b>BEBAN</b>	
Biaya Gaji	208,800,000
Biaya Listrik	16,736,500
Biaya Air	14,529,500
Biaya Internet	2,070,000
Biaya Telepon	1,676,000
Biaya Solar&Brizzi	23,500,000
Biaya Perbaikan Kendaraan	2,520,000
<b>JUMLAH BEBAN</b>	<b>269,832,000</b>
<b>LABA/RUGI</b>	<b>1,894,067,700</b>

Source: Processed data (2022)

## 3. Disclosure

To complete the entity's financial statements according to SAK EMKM, the entity also needs to compile notes to financial statements containing a statement that the financial statements of SMEs have been prepared based on SAK EMKM, as well as a summary of the significant accounting policies applied (Purba, M.A. (2019). The following is an overview of Notes to Balabo Scrap's financial statements for the end of December 2021:

### 1. General

Balabo Scrap was established in Batam City on August 30, 2018. Balabo Scrap is engaged in trading of buying and selling scrap metal and ship parts.

### 2. Overview of Important Accounting Policies

- a. Declaration of Compliance. Reports prepared in accordance with Financial Accounting Standards for Micro, Small, and Medium Entities.
- b. Basis of Depreciation. The depreciation basis for Balabo Scrap's financial statements is historical cost. The currency used is in rupiah (Rp).
- c. Accounts receivable. Trade receivables are not presented in the bookkeeping statements because there have been no transactions and trade receivables are recognized when cash comes in.
- d. Supply. The inventory presented by Balabo Scrap is only the purchase of raw materials. Balao Scrap has not yet counted its inventory.
- e. Fixed assets. Fixed assets in the books have not been recorded. Currently, Balabo Scrap's estimated fixed assets are Rp.600,000,000.
- f. Revenue and Expense Recognition. Sales revenue is recognized when sales are made to consumers. Balabo Scrap recognizes expenses when they are incurred.
- g. Income tax. There is no income tax calculation that follows the applicable tax provisions in Indonesia.

### 3. Cash

Cash at the end of December 2021 is Rp.20,084,000.

4. Accounts Payable

Balabo Scrap has trade payables to colleagues amounting to Rp.45,000,000, but not recorded in the books.

5. Retained Earnings

Retained earnings is the accumulated difference between income and expenses after deducting the distribution of owners. Balabo Scrap's profit balance cannot be estimated accurately due to the absence of inventory records which makes it difficult to know how much the cost of the product is. However, while it can be estimated that Balabo Scrap 2021 gross profit is Rp. 1,894,067,700.

6. Sales Revenue

Total sales for 2021 are IDR 2,163,899,700.

7. Income Tax Expense

Balabo Scrap has not calculated its income tax expense, so the amount of income tax paid is unknown.

### **Obstacles faced by Balabo Scrap in compiling financial reports in accordance with SAK EMKM**

From the results of the research on the application of SAK EMKM as the basis for preparing financial reports on the Balabo Scrap Micro Business, several obstacles were found that caused the financial statements to not have been prepared, namely, the first obstacle was the lack of knowledge of Balabo Scrap owners about SAK EMKM in the preparation of financial statements, the owner only assigned the financial admin section to carry out a simple record that only Balabo Scrap owners and finance admins understand.

The second obstacle has not been prepared in accordance with SAK EMKM financial statements is because there are no professionals who understand accounting. The third obstacle is that the Balabo Scrap owner is satisfied with the reports made by the financial admin. And the fourth obstacle is the absence of supervision from interested parties on Balabo Scrap's financial statements.

## **CONCLUSION**

### **Conclusion**

Based on the results of research and evaluation conducted on the financial statements of Balabo Scrap, it can be concluded as follows:

1. The understanding of Balabo Scrap owners regarding Financial Accounting Standards for Micro, Small, and Medium Entities is still very low. The recording and preparation of bookkeeping reports is still very simple and according to the needs and understanding of the owner.
2. Balabo Scrap has not implemented the preparation of financial statements in accordance with the applicable SAK EMKM.

### **Suggestion**

Based on the conclusions described above, on this occasion the researcher tries to give suggestions to Balabo Scrap as follows:

1. The owner of Balabo Scrap should employ or find professionals in the accounting field to prepare the company's financial statements, in order to know the performance and financial position of the company more accurately and serve as the basis for making economic decisions for the company and to avoid fraud or other things that can harm Balabo Scrap.
2. The owner of Balabo Scrap should be able to make a merchandise inventory card, which is very important to know the quantity and cost of the goods.

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