

APPLICATION OF THE PREPARATION OF FINANCIAL REPORTING STANDARD ACCOUNTING FOR MICRO, SMALL AND MEDIUM ENTITIES (SAK EMKM) IN CLEAN WASH LAUNDRY BUSINESSES IN PONTIANAK

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ABSTRACT

Despite the critical role MSMEs play in Indonesia's economic development, many do not comply with the Financial Accounting Standards for Micro, Small, and Medium Enterprises when they are putting together their financial statements. This study aims to present the correct format for Clean Wash Laundry's financial reports according to SAK EMKM and to identify the challenges faced during this process. The research collected primary data through interviews and documentation studies using a qualitative descriptive method. The results show that Clean Wash Laundry only records daily income and expenses and does not adhere to SAK EMKM, mainly due to unfamiliarity with these standards.

Keywords : UMKM; Financial Reports; SAK EMKM

ABSTRAK

Meskipun peran UMKM sangat penting dalam pembangunan ekonomi Indonesia, namun banyak UMKM yang belum mematuhi Standar Akuntansi Keuangan Usaha Mikro, Kecil, dan Menengah (SAK EMKM) dalam menyusun laporan keuangannya. Penelitian ini bertujuan untuk menyajikan format laporan keuangan Clean Wash Laundry yang benar sesuai SAK EMKM dan mengidentifikasi kendala yang dihadapi selama proses penyusunan laporan keuangan. Penelitian ini mengumpulkan data primer melalui wawancara dan studi dokumentasi dengan menggunakan metode deskriptif kualitatif. Hasil penelitian menunjukkan bahwa Clean Wash Laundry hanya mencatat pendapatan dan pengeluaran harian saja dan belum mematuhi SAK EMKM, terutama karena belum memahami standar tersebut.

Kata Kunci : UMKM; Laporan Keuangan; SAK EMKM

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are productive businesses operated by individuals or entities that meet the criteria for Micro Enterprises as defined by Law Number 20 of 2008. These enterprises are crucial for fostering economic growth and decreasing unemployment in Indonesia. MSMEs have consistently been a key driver of the national economy, contributing significantly to both production and consumption (Edelia & Aslami, 2022). Additionally, their operations are closely tied to local needs, further emphasizing their importance in the national economy (Uno et al.,

2019). Even though there is intense competition for jobs in the formal sector in Indonesia, MSMEs are a lifeline for those looking for work in the country's stagnant job market (Haryanti et al, 2019).

MSMEs have now been proven to be one of the main drivers of sustainable national economic growth. Considering this important role, there is an urgent need to support the development of MSMEs to make them more advanced and modern. One important aspect of this effort is ensuring the availability of broad access to funding through the banking sector, with support from all parties to achieve this goal (Indonesian Accounting Association, 2016). To promote the growth of MSMEs in Indonesia towards becoming more progressive, independent, modern, and capable of securing funding from the financial industry, the Indonesian Accounting Association (IAI) has developed the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) (Kesia et al., 2022). According to the IAI's definition in SAK EMKM (2018-1), MSMEs are organizations categorized as "micro, small, and medium enterprises" that have been operational for at least two consecutive years.

Micro, Small and Medium Enterprises often face multiple obstacles that can hinder the development of their businesses. In general, the obstacle that MSMEs often face is capital (Santiago & Estiningrum, 2021). Capital becomes very important when MSMEs cannot legally monitor and plan their budget reports. Small and medium enterprises (SMEs) are more likely to secure funding from financial institutions and other sources if their financial reports are well-prepared, easy to understand, and compliant with relevant standards. On the other hand, some MSME players are still doubtful or do not care about manual financial recording (Biduri et al., 2021; Hetika & Mahmudah, 2018). The Financial Accounting Standards Board, which is part of the Indonesian Accountants Association (IAI), is tasked with creating financial reporting guidelines (Purba, 2019).

In addition to the aforementioned challenges, MSMEs often face difficulties due to the public's limited comprehension of information technology and obstacles in creating financial reports (Salmiah et al., 2018). Apart from that, on average MSMEs are run by individuals who are the owners and managers of the company, the employees who work are part of the family, the leadership that manages the group members is less effective, the members have not shown any commitment to the further development of

the company, the group management is disorganized, low integrity, lack of desire to innovate, and a sense of quick satisfaction with work results (Naufalin, 2020; Rokhmah & Yahya, 2020).

Therefore, on May 18, 2016, the Financial Accounting Standards Board of the Indonesian Accountants Association (DSAK IAI) endorsed "Exposure Draft for Financial Accounting Standards for Micro, Small, and Medium Entities" (referred to as "ED SAK EMKM"). The standard is now known as the Financial Accounting Standards for Micro, Small, and Medium Entities and became effective on January 1, 2018, following a name change on October 22, 2016. The financial accounting principles in SAK EMKM are less complex compared to those in the Financial Accounting Standards for Micro, Small, and Medium Enterprises (SAK ETAP), focusing specifically on EMKM transaction standards. SAK EMKM aims primarily to streamline the preparation of financial reports, thereby facilitating MSMEs in accessing funding from diverse financial institutions (IAI, 2018). According to this principle, micro, small, and medium enterprises in Indonesia must disclose their financial status whenever they secure loans or advances from financial institutions, whether they are banks or non-bank entities (Mumiah, 2019).

By recording and bookkeeping, it will be easier for MSMEs to develop their business. Preparing financial reports is very important for MSMEs to provide data to stakeholders (Kusuma & Lutfiany, 2019). This includes interested parties, especially trade owners, company administration, lenders, government and investors. The information presented in the preparation of financial reports encompasses categories such as assets, liabilities, equity, income, and expenses held by the company, as well as changes in assets, management performance, financial report notes, and profit and loss statements (Mutiah, 2019; Santiago & Estiningrum, 2021).

According to Sulistia Suwondo's previous study (2021), CV. NELL"Q PERSADA MANDIRI does not completely adhere to the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM). The company has not compiled Notes to Financial Statements (CaLK) and continues to make conceptual errors in its financial reporting. Additionally, CV. NELL"Q PERSADA MANDIRI lacks understanding and familiarity with the relevant SAK EMKM guidelines. Further studies conducted by Kuntum et al. (2022) revealed that despite the owner's familiarity with

financial report analysis, Sularmi shop did not maintain any bookkeeping records or financial reports because the owner considered the shop too small to necessitate such services. According to Karimah's study (2023), Rejeki Mekar Abadi Company grasps the fundamental principles of financial reporting according to accounting standards but has not yet adopted SAK EMKM. The reports are based on the owner's personal knowledge, acknowledged to not meet standards and unable to accurately gauge business performance. Additionally, the company lacks employees willing to assume responsibility for financial management.

This study was carried out at a Pontianak City MSME operating in the service industry, specifically Clean Wash Laundry located on Tebu Street. This research was conducted on the grounds that even though the Clean Wash Laundry business has been operating for several years, they have not used Accounting Standards in their financial reports. Given this context, the challenges confronting Clean Wash Laundry include ensuring compliance with SAK EMKM in preparing financial reports and identifying the obstacles encountered in implementing SAK EMKM. This research aims to outline the process of preparing Clean Wash Laundry's financial reports according to SAK EMKM and to identify the barriers hindering compliance with these standards.

LITERATURE REVIEW

Micro, Small and Medium Enterprises

Numerous definitions help classify businesses as Micro, Small, and Medium Enterprises (according to Law No. 17 of 2013). This definition is based on two main factors: assets (net worth) and income (income from sales). Microenterprises are productive businesses owned by individuals or entities that fulfill all legal requirements. Small enterprises, on the other hand, are economically productive businesses that are not wholly owned subsidiaries of large companies and operate independently under the management of individuals or legal entities. Legally, a medium-sized enterprise is defined as one that achieves annual sales of at least IDR 500,000 or possesses total net assets amounting to at least IDR 500,000, and is neither a subsidiary nor a branch of a larger company, but rather is owned, controlled, or affiliated in any manner with small and large enterprises alike. Micro, small, and medium enterprises are obligated to adhere to the standards delineated in Article 6, Chapter IV of Law Number 20 of 2008, as illustrated in Figure 1.

According to the criteria outlined, Clean Wash Laundry MSMEs qualify as Micro Enterprises because they fulfill the conditions of having a net income of IDR 50,000,000.00 (fifty million rupiah), excluding the value of the land and buildings where the business operates, and achieving maximum annual sales of IDR 300,000,000.00 (three hundred million rupiah).

Financial Accounting Standards for Micro, Small and Medium Entities

Entities that do not have significant public accountability can utilize standalone financial accounting standards known as Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM). These standards adhere to SAK ETAP and are determined by the criteria specified in Law No. 20 of 2008 regarding Micro, Small, and Medium Enterprises (MSMEs). It is crucial for entities to separate the personal assets of owners from the assets and financial outcomes of the entity, and to distinguish between business entities when preparing financial reports in accordance with SAK EMKM.

Compared to SAK ETAP, SAK EMKM is a simplified accounting standard that focuses less on intricate transactions and places greater emphasis on transactions typical to MSMEs. SAK EMKM offers clearer accounting guidelines tailored for MSMEs, thereby reducing challenges associated with preparing financial reports in alignment with the general Financial Accounting Standards based on International Financial Reporting Standards (IFRS). It is anticipated that SAK EMKM will significantly support Indonesian MSMEs in preparing financial reports according to applicable standards, facilitating easier access to credit and funding. SAK EMKM has been effective since January 1, 2018.

Preparation of Financial Statements According to SAK EMKM

According to IAI (2018), the way something is shown of financial reports under the Financial Accounting Standards for Micro, Small, and Medium Entities categorizes presentation into two forms: fair presentation and consistent presentation. Fair presentation requires an entity to present information that meets various requirements, such as accuracy, comparability, understandability, and relevance, in order to achieve stated objectives. At the same time, an entity must also ensure that its financial reports are prepared consistently from one period to the next, unless there are major changes in the entity's operations or in the way the financial reports are prepared. In this type of situation, the entity is required to comply with the selection criteria for applying

accounting policies as well as the requirements of SAK EMKM for changes in presentation.

Components of Financial Reports According to SAK EMKM

The financial statements of an entity reflect the economic condition of the entity itself. Under the SAK EMKM framework, the main components include three key reports: the Financial Position Report, Profit and Loss Report, and Notes to Financial Reports. Below is an example of the format for presenting these reports:

a. Financial Position Report

The statement of financial position offers an overview of a business's assets and liabilities at a specific moment. It usually encompasses accounts like equity, receivables, inventories, fixed assets, accounts payable, bank loans, and cash and cash equivalents.

b. Profit and Loss Statement

Profit and loss statement summarizes the financial and operational performance of a business for a specific accounting period. Finance Expenses, Income, and Tax Expenses are the three main components of an income statement.

Framework

The conceptual framework is illustrated in Figure 2. This framework outlines the research problem: determining whether Clean Wash Laundry's financial report complies with the applicable SAK EMKM standards. The aim of this study is to create financial reports for Clean Wash Laundry that comply with SAK EMKM standards, to facilitate their effective implementation in the future.

METHOD

Method is a method of work that can be used to obtain something. While the research method can be interpreted as a work procedure in the research process, both in searching for data or disclosing existing phenomena (Zulkarnaen, W., et al., 2020:229). In this study, the researcher employed a qualitative descriptive research approach. In contrast to experimental research, qualitative research relies on observations and interviews to collect data. Primary data is used as information, obtained from interviews with owners and administrators of Clean Wash Laundry MSMEs.

RESULTS AND DISCUSSION

The findings of this research were gathered through interviews and

documentation studies. Clean Wash Laundry, established in 2022 and owned by Mbak Agil with the help of two employees, has not yet adopted financial reporting in line with the Financial Accounting Standards for Micro, Small, and Medium Entities. According to the interview, the business owner considers formal financial reporting to be of low importance, as he is heavily involved in daily operations. Currently, Clean Wash Laundry maintains basic daily cash receipts and disbursements without adhering to SAK EMKM guidelines. The primary barrier to implementing SAK EMKM-based financial reports is the owner's limited comprehension of SAK EMKM and detailed accounting practices.

Based on the processed data, it was found that the financial records of UKM Clean Wash Laundry do not comply with the Financial Accounting Standards for Micro, Small, and Medium Entities. As a result, the author aided this SME in creating financial reports that align with these guidelines. The overview of Clean Wash Laundry's financial report is detailed in Figures 3 and 4. The Financial Position Report provides details on assets, liabilities, and equity. It was found that no current or long-term liabilities were recorded, nor were any owner's withdrawals noted. The Profit and Loss Report shows details on revenue, operating expenses, and profit before tax. In the expense category, only the salaries of two employees are recorded, excluding the owner's salary. Additionally, Clean Wash Laundry has not reported taxes, resulting in the profit being recorded as profit before tax.

Clean Wash Laundry has also not calculated taxes, so the profit recorded is profit before tax. This finding aligns with studies by Moudy et al. (2022) and Kesia et al. (2022), indicating that MSMEs frequently fail to adopt financial reporting practices that comply with the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM). The primary reasons are low literacy and limited knowledge of accounting among business owners, coupled with minimal external supervision. Conversely, Suwondo (2021) discovered slightly different results in his study of CV MSMEs NELL'Q PERSADA MANDIRI. In this instance, the MSMEs had initiated accounting practices but had not fully embraced SAK EMKM due to incomplete understanding and knowledge of these standards.

SUMMARY

Based on the findings and goals of the research regarding the implementation of

financial reporting using Accounting Standards for Micro, Small, and Medium Entities in the Clean Wash Laundry business in Pontianak, it can be concluded that the owners of this MSME do not comply with SAK EMKM standards. Clean Wash Laundry only manually records daily income and expenses and does not document owner's withdrawals. The owner lacks the ability to maintain accounting records because of a lack of staff skilled in accounting. As a result, the researcher prepared Clean Wash Laundry's financial report to align with SAK EMKM standards.

The limitations of this studies include the detail constraints of the financial information, as the Clean Wash Laundry MSME only records income and expenses based on daily activities. Another limitation is the restricted time, energy, and resources available to the researchers.

The following suggestions are offered based on the research findings:

1. For Researchers, future research should expand to other regions or cities with more MSMEs to produce broader, more generalizable findings.
2. For Clean Wash Laundry, it is recommended to enhance knowledge about creating financial reports following SAK EMKM guidelines. Moreover, the owner should prioritize human resource investment through accounting training and guidance to guarantee adherence to these standards.

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FIGURE

No.	Description	Criteria	
		Aset	Omzet
1	Micro Business	Max. 50 miliion	Max. 300 million
2	Small Business	>50 million – 500 million	>300 million - 2.5 billion
3	Medium EntelDRrises	>500 million- 10 billion	>2.5 billion -50 billion

Figure 1. MSME Criteria

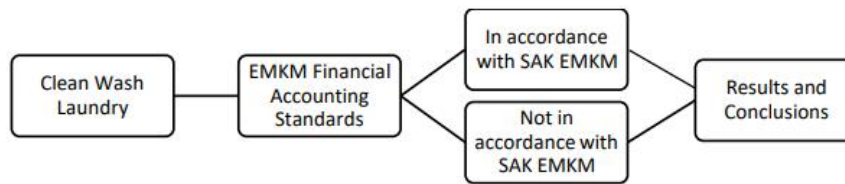


Figure 2. Framework

CLEAN WASH LAUNDRY FINANCIAL POSITION REPORT 31-Mar-24 (In Rupiah)			
ASSET		LIABILITIES & EQUITY	
Current assets		Liabilities	
Cash	IDR 74.000.000,00	Current Liabilities	IDR -
Receivables	IDR -	Long term Liabilities	IDR -
Equipment (Consumables)	IDR 3.850.000,00	Total Liabilities	IDR -
Total Current Assets	IDR 77.850.000,00	Equity	
Fixed Assets		Initial Capital	IDR 100.206.500,00
Equipment	IDR 58.940.000,00	Profit Running	IDR 7.113.500,00
Accumulated Depreciation- Equipment	IDR 29.470.000,00	Total Equity	IDR 107.320.000,00
Total Fixed Assets	IDR 29.470.000,00		
TOTAL ASSETS	IDR 107.320.000,00	Total Liabilities & Equity	IDR 107.320.000,00

Source : Data Processed. 2024

Figure 3. Financial Position Report

CLEAN WASH LAUNDRY PROFIT AND LOSS STATEMENT 31-Mar-24 (In Rupiah)	
INCOME	
Laundry Services Income	IDR 15.829.500,00
Total Income	IDR 15.829.500,00
Expense	
Building Rent Expenses	IDR 1.416.000,00
Employee Salary Expenses	IDR 2.400.000,00
Electricity, Water, WiFi Expenses	IDR 700.000,00
Supplies Expense (Consumable Goods)	IDR 3.850.000,00
Other Expenses (Employee Meals)	IDR 350.000,00
Total Operating Expenses	IDR 8.716.000,00
NET PROFIT	IDR 7.113.500,00

Source : Data Processed, 2024

Figure 4. Profit and Loss Statement