

Analysis of Accounting Application Based On Financial Accounting Standards for Micro, Small and Medium Entities (SAK-EMKM) At Wenang Perkasa Building Material Shop Manado

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Abstract : *Analysis Of Accounting Application Based On Financial Accounting Standards For Micro, Small And Medium Entities (SAK-EMKM) At Wenang Perkasa Building Material Shop Manado.* Micro, Small and Medium enterprises are a very important sector for the Indonesian economy viewed from many different sides such as the number of employment and economic growth and as a support for the nation's economy. Up to the present time, there are still many micro, small and medium enterprises that have not applied accounting in running their business. Limited knowledge, skills, time and energy result in their inability to make financial reports, making their business fail midway due to the running out of capital as the consequence of high costs compared to the income earned and many other financial problems faced. Whereas if they can make financial reports in accordance with the financial accounting standards for micro, small and medium enterprises, they can get external finding from either the government, banks or other financial institutions. This study aims to investigate the accounting applied at Wenang Perkasa building materials shop Manado to know whether it conforms with the financial accounting standards for micro, small and medium entities or not. The research method used is descriptive method. The results of research show that the entity has presented an income statement of financial position but has never made notes on the financial statement. Thus. The application at Wenang Perkasa building materials shop has not been completely done in accordance with the financial accounting standards of micro, small and medium enterprises.

Keywords: Analysis, accounting application, financial statement, SAK-EMKM.

I. Introduction

Micro, small and medium enterprises are the business groups with the largest number and have been proven to be resistant to various kinds of shocks during economic crises like the one that occurred in 1998. Therefore, the development of micro, small and medium enterprises attracted the attention of various parties, both from the government and other business actors. In 2018, this businesses had a workforce absorption rate of around 95% of the national workforce and contributed to Gross Domestic Product of around 60.35%. This proves that MSMEs have the ability to strengthen the structure of the national economy. Good fund management is a key factor that can cause a business to succeed or fail. Indiscipline in bookkeeping and fund management can also affect the business development. A practical method in bookkeeping and fund management for MSMEs is applying accounting properly. With adequate accounting, MSMEs can meet the requirements in applying for credit in the form of financial reports, performance appraisal to show the financial position and tax calculation (Warsono, 2010).

One of the MSMEs in Manado is Wenang Perkasa building materials shop which sells building materials with medium scale. In its transaction activities, the company has applied accounting chronologically starting from recording transaction into a Journal, posting to the general ledger to making income statements of financial position. The problem in this research is whether the accounting applied by the building materials shop is in accordance with the applicable financial accounting standards for MSMEs. This research is expected to contribute indirectly to MSMEs by providing information about the necessity for them to apply accounting in accordance with financial accounting standards for MSMEs in order that the financial reports produced can be used a consideration in determining their business policies in a better direction. It is expected that this research can be used as a reference in the further development of accounting science to be more innovative so that the accounting can be applied more effectively and efficiently by MSMEs.

Accounting: According to Rudianto (2010), accounting is the activity of collecting, analysing, presenting in numerical form, classifying, summarizing and reporting the transaction activities of a business entity in the form

of financial information. According to Ismail (2010:2), accounting is art in doing recording, classification and summary whose end result is information of all accounting activities of the company. The target of accounting as described in the financial statement is to give useful information for decision making to the users. While Ika (2016:28) defines accounting from 2 points of view :

1. Function and use. Accounting is service activity whose function is to give quantitative information about economic entities especially the financial ones which are useful in decision making.
2. Process of activity. Accounting is an art of recording, classifying and summarizing transactions of activities which are related to financial matters both fully or partially by interpreting the results.

Meanwhile, Pura (2013:4) states that accounting is a set of science which studies service provision engineering in the form of quantitative financial information of a unit of organization and the way how to deliver the information to stakeholders to be used for economic decision making.

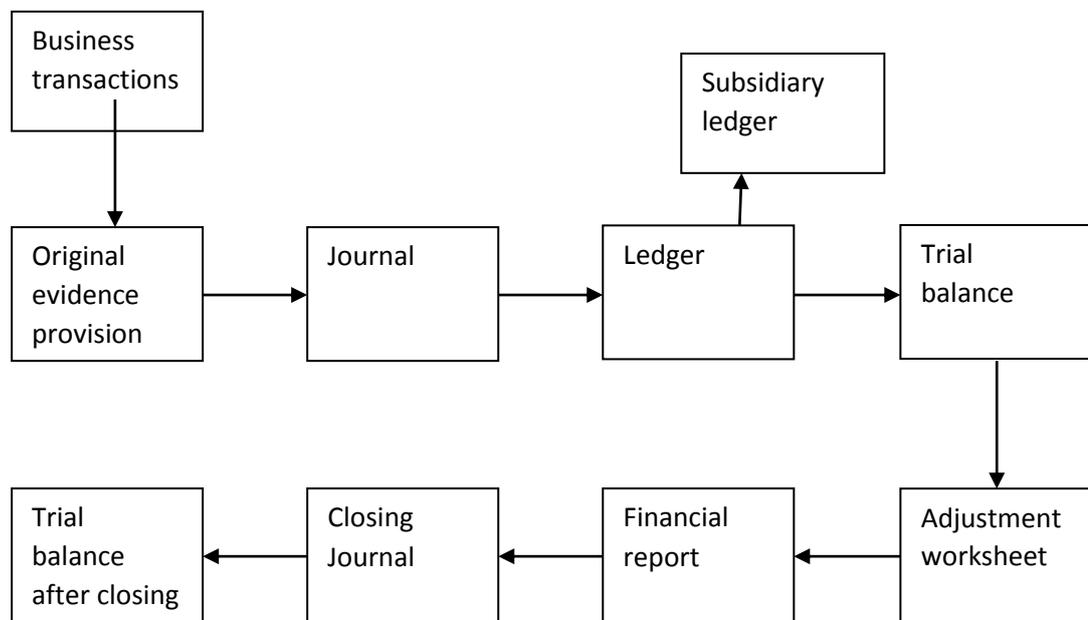
Accounting Cycle: According to Kartikahadi et.al (2012:83), accounting cycle is an accounting process cycle during the booking of transactions and activities in an accounting period until the financial report is finalized. Accounting activities involves 3 stages :

- a. Identification and measurement of relevant data for decision making.
- b. Data processing followed by the reporting of the resulted information.
- c. Information communication to the report users.

As revealed by Rudianto (2012: 16), accounting cycle is the order of work that the accountant must do from the start to produce the company's financial statements. The accounting cycle can be stated as follows :

1. Business transactions
2. Original evidence provision
3. Recording into the Journal
4. Recording into the ledger
5. Trial balance provision
6. Adjustment worksheet
7. Financial statement
8. Closing Journal
9. Trial balance after closing

Figure 2.1.Accounting Cycle



(Source :Rudianto, 2012 : 16)

Definition of micro, small and medium enterprises (MSMEs): According to Act No 20 of 2008, MSMEs are businesses which have the following criteria:

1. Micro business

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Micro business is an independent productive economic business carried out by an individual or business entity that is not a subsidiary or branch of a company that is owned, controlled by or is a part of, either directly or indirectly, of a medium sized or large scale business that meets the following criteria :

- a. Having a net worth of less than or equal to Rp. 50.000.000,-
- b. Having an annual sale of less than Rp. 300.000.000,-

2. Small business

A small business is an independent productive economic business carried out by an individual or a business entity that is not a subsidiary or branch of a company, that is owned, is controlled or is a part, either directly or indirectly, of a medium or large business that meets the following criteria :

- a. Having a net worth of more than Rp. 50.000.000,- but not more than Rp. 500.000.000,-
- b. Having an annual sale of Rp. 300.000,- but not more than Rp. 2.500.000.000,-

3. Medium scale business.

A medium scale business is an independent productive economic business carried out by an individual or a business entity that is not a subsidiary or branch of a company, that is owned, controlled or is a part, either directly or indirectly, of a medium or large scale business that meets the following criteria :

- a. Having a net worth of more than Rp. 500.000.000,- but not more than Rp. 10.000.000.000,- excluding the land and buildings for the business or
- b. Having an annual sale of more than Rp. 2.500.000.000,- but not more than Rp. 50.000.000.000,-

Table 1. Business criteria based on Act No. 20 of 2008

No	Description	Criteria	
		Asset	Turnover
1	Micro business	Max. Rp. 50.000.000	Max. Rp. 300.000.000
2	Small business	>Rp.50.000-500.000.000	>Rp.300.000.000-2.500.000.000
3	Medium business	>Rp.500.000-10.000.000.000	>Rp.2.500.000.000-50.000.000

Financial accounting standard for MSMEs: Financial accounting standards for MSMEs are the latest accounting standard that are simpler than the general accounting standards based on IFRS and SAK ETAP. Accounting standards for MSMEs are prepared to encourage and facilitate the financial reporting needs of these businesses. This standard contains a simpler accounting setting than the general ones since it regulates transactions commonly carried out by MSMEs and a pure measurement basis using historical costs. These standards were approved by the Financial Accounting Standards Board of the Indonesian Institute of Accountants on October 24, 2016 and has been effective since January 1, 2018. With this standard, it is hoped that it will make it easier for business actors to apply accounting and compile their own financial reports. This standard framework is also expected to assist the entities in making transition from financial reporting based on cash to an accrual basis.

Financial Statement Components: According to chapter 3, paragraph 3, financial statement minimally consists of :Statement of financial position at the end of the period.It is a report that provides information about the company's financial position in a certain period. It can include the following posts (SAK EMKM, chapter 4 paragraph 2).

- a. Cash and the like,
- b. Accounts receivable
- c. Inventory
- d. Fixed asset
- e. Business accounts payable
- f. Bank loans
- g. Equity

1. Income statement for the period.

It informs the business income in a certain period. The entity's income statement may include the following posts (SAK-EMKM chapter 5 paragraph 3) :

- 1) Income
- 2) Financial burden
- 3) Tax burden
2. Notes on financial statement containing relevant addition and details. It includes:
 - a. A statement saying that a financial statement has been provided in accordance with SAK EMKM;

- b. Summary of accounting policies.
- c. Additional information and details about certain posts that explains important transactions and materials in order to be useful for the users to understand the financial statement.

II. Method

The type of research is qualitative. According to Lexy J. Moleong (2009 : 6), qualitative research intends to understand the phenomena experienced by the research subjects such as behaviour, perception, motivation, action, etc. The sampling technique used is purposive sampling where samples taken are not stressed on the number of samples but on the depth of information from the sample as the source of information.

This research was conducted at Wenang Perkasa building materials shop located on Jalan Adipura Raya Manado. It was done for 6 months starting from June 2020 up to November 2020.

Data were gathered from primary data sources – data which were directly obtained from the first hand sources, both by observation and by interview. The data were obtained from records of financial transactions of the company and documents used and financial statement produced by the entity. The secondary data were obtained from reading and learning and understanding through other media such as literature like scientific journals about MSMEs.

The technique of data analysis in this research was Miles and Huberman’s interactive analysis model in Sugiyono (2010 : 246) that states that activities in data analysis are done interactively and continuously up to the saturation state. The activities in data analysis consist of data gathering, data reduction, data presentation and conclusion drawing.

III. Results And Discussion

Wenang Perkasa building materials shop is one of the micro, small and medium enterprises which is engaged in retailing the building materials. It provides various needs of quality and modern building materials and equipment. This shop was founded in 2012 by Sonny Mamonto and 4 friends with the main capital of Rp. 150.000.000,-. The basic reason for the establishment of this shop is the great opportunity in this sector seeing the very good business prospect in the city of Manado.

Wenang Perkasa building materials shop has a turnover of approximately Rp. 500.000.000,- per month. In managing its business transactions, this company has recorded chronologically starting from recording transactions into the journal and then posting to the general ledger and inventory card, summarizing the ledger into a trial balance followed by making adjusting paragraphs so that the account presented truly reflect the correct balance previously preceded by calculating the depreciation of fixed assets, and then a trial balance is made after adjustments and finally the financial statements in the form of a statement of financial position and an income statement.

The following is the financial statement presented

- a. Income Statement

Table 4.1. Income Statement

WENANG PERKASA BUILDING MATERIALS SHOP		
INCOME STATEMENT		
30 APRIL 2018 PERIOD		
NOTES		
INCOME :		
SALES	Rp.73.679.509	
COST OF GOODS SOLD	Rp.52.398.500	
GROSS PROFIT	Rp.21.281.000	
EXPENSES :		
SALARY EXPENSES	Rp.4.000.000	
ELECTRICAL, WATER AND TELEPHONE EXPENSES	Rp. 550.000	
NEWSPAPER AND MAGAZINE EXPENSES	Rp. 65.000	
FUEL EXPENSES	Rp. 250.000	
BUILDING DEPRICIATION EXPENSES 7	Rp. 4.166.667	
VECHILE DEPRICIATION EXPENSE 7	Rp. 5.000.000	
COMPUTER DEPRICIATION EXPENSE 7	Rp. 250.000	
EQUIPMENT DEPRICIATION EXPENSE 7	<u>Rp. 166.667</u>	
TOTAL EXPENSES		Rp.14.448.334
NET PROFIT	Rp. 6.832.666	

Source :Wenang Perkasa Building Materials Shop

b. Financial Position Statement

Table 4.2. Financial Position Statement

WENANG PERKASA BUILDING MATERIALS SHOP FINANCIAL POSITION STATEMENT 30 APRIL 2018 PERIOD			
		NOTES	
ASSET			
CASH		134.269.500	
BNI BANK		4.697.500	
AMOUNT OF CASH LIKE		138.967.000	
ACCOUNT RECEIVABLE	3	9.509.000	
RECEIVABLES EMPLOYEES	4	1.000.000	
INVENTORY		28.561.092	
LAND		1.000.000.000	
BUILDINGS		1.500.000.000	
ACCUMULATED BUILDING DEPRICIATION		(316.666.668)	
VECHILES		600.000.000	
ACCUMULATED VECHILE DEPRICIATION		(200.000.000)	
COMPUTER		15.000.000	
ACCUMULATED COMPUTER DEPRICIATION		(10.000.000)	
EQUIPMENT		20.000.000	
ACCUMULATED EQUIPMENT DEPRICIATION		(666.666.668)	
TOTAL ASSET		2.779.703.756	
LIABILITY :			
ACCOUNTS PAYABLE	5	26.833.992	
TOTAL LIABILITIES			26.833.992
EQUITY			
MR. ABRAHAM'S CAPITAL		2.746.037	
RETAINED EARNING	6	6.832.666	
TOTAL EQUITY			2.752.869.764
TOTAL LIABILITY AND EQUITY			2.779.703.756

Source : WENANG PERKASA BUILDING MATERIALS SHOP

Accounting application analysis at Wenang Perkasa Building Materials Shop

1. Financial Position Statement

a. Acknowledgement of accounts

1. Acknowledgement of current assets

Financial assets and liabilities. SAK-EMKM paragraph 8.6 recognizes financial assets and liabilities only when the entity is a party to the contractual terms of those financial assets and liabilities. Paragraph 8.15 states that an entity presents its financial assets in the statement classified as assets in the statement of financial position and financial liabilities classified as purchasing power in the statement of financial position. Financial assets and liabilities at Wenang Perkasa Building Materials Shop represent money received from the main activities of the entity and used to finance expenses for operations of the company. The financial transactions that occur are input in the sales record and are recapitulated daily in the cash book, bank book and accounts receivable book.

Recognition of financial assets and liabilities according to SAK-EMKM must be recognized in the statement of financial position so that the recognition of financial assets and liabilities at the company is in accordance with the SAK-EMKM.

Inventory. SAK-EMKM paragraph 9.3 states that an entity recognizes inventory when it is acquired as much as its acquisition cost. The inventory at Wenang Perkasa Building Materials Shop is a stock of merchandise ready for resale. At this shop, the inventory is input into the stock record based on cost. Thus, the recognition of inventory at the company is in accordance with SAK-EMKM.

2. Acknowledgement of fixed assets.

Wenang Perkasa Building Materials Shop recognizes the asset at the time it is acquired and is recorded at its cost in the list of fixed assets. SAK-EMKM paragraph 11.4 mentions that it applies the recognition criteria in paragraph 2.22 in deciding the recognition of fixed asset if (a) economic benefits flowing into or from the entity and costs can be measured reliably. Thus, the recognition of fixed assets by the company is in accordance with SAK-EMKM because it has admitted it in the statement of financial position.

3. Acknowledgement of liability and equity.

According to SAK-EMKM paragraph 2.23, liability is acknowledged in the statement of financial position if the expenses of the resources with economic benefits will certainly be done to settle the entity's obligations and the amount to be settled can be reliably measured. Wenang Perkasa shop recorded liabilities in the liability book. Thus, the liability recognition at Wenang Perkasa building shop is in accordance with SAK-EMKM. Meanwhile, equity in accordance with paragraph 13.7, the paid-up capital by the owner of the funds can be in the form of cash or the equivalent or non-cash assets recorded in accordance with the applicable laws and regulation. The recognition of capital by the company is in accordance with SAK-EMKM because it has been presented in the entity's statement of financial position.

b. Acknowledgement of accounts

Wenang Perkasa building shop measures financial assets and liabilities at their cost and is recorded in bank cash book and the accounts receivable book. Measurement of financial assets and liabilities at the company is in accordance with SAK-EMKM. Inventory measurement in accordance with paragraph 9.4 is said that Inventory cost includes all purchase costs, conversion costs and other costs incurred to carry the supplies to the condition and location ready for use. In Wenang Perkasa Building Shop, merchandise inventory is measured at the cost of the goods. Measurements of inventory at Wenang Perkasa building materials shop are in accordance with SAK-EMKM. This company measures assets precisely based on the acquisition of price of the assets. According to SAK-EMKM, paragraph 11.6, fixed assets are recorded if they are legally owned by the entity at their acquisition cost. According to paragraph 11.7, the cost of fixed assets includes the purchase price and costs that can be distributed directly to bring the assets to the location and conditions desired for the assets to be ready for use as intended. Paragraph 11.9 states that, the entity measures fixed assets except land after initial recognition of acquisition cost is subtracted by accumulated depreciation. Land is measured at acquisition cost. So, the measurement of fixed assets at Wenang Perkasa building materials shop is in accordance with SAK-EMKM. This entity recorded its liabilities in the debt book for the amount stated on the invoice/purchase note. According to SAK-EMKM paragraph 13.4, liabilities are recorded at the amount that must be paid. Thus, the liability measurement at Wenang Perkasa building materials shop corresponds to the standard. According to paragraph 13.7, paid-up capital by the owner of the funds can be in the form of cash or non-cash assets recorded in accordance with applicable laws and regulations. The company has recorded the capital that has been paid by the owner to the entity, so the measurement of capital at Wenang Perkasa building materials shop is in accordance with the SAK-EMKM.

c. Account Presentation

In each period, Wenang Perkasa Building Materials Shop routinely prepares and presents financial statements in the form of statements of financial position and income statements according to the format specified by SAK-EMKM. Thus, the presentation of accounts and statements of financial position is in accordance with SAK-EMKM.

2. Income Statement

a. Income recognition

According to paragraph 14.2 of SAK-EMKM, income is recognized when there is a right to the payment that has been received or that must be received either at present or in the future. Wenang Perkasa Building Materials Shop recognizes revenue when the goods are delivered or sent to customers either by cash or credit. Therefore, the recognition of revenue in the company is in accordance with SAK-EMKM.

b. Expense recognition

According to paragraph 2.25, expenses are recognized in the income statement if a decrease in the future economic benefit related to a decrease in assets or an increase in liabilities has occurred and can be measured reliably.

Wenang Perkasa Building Materials Shop recognizes expenses at the time the charges are paid and recognizes them in the income statement as expenses so that the recognition of expenses at this shop is in accordance with SAK-EMKM.

c. Presentation

This shop makes an income statement of its business. It presents an income statement with the sales format and the costs of goods sold is grouped into revenues, while costs which are routine expenses of the company are grouped into expenses so that the presentation of this shop is income statement is in accordance with SAK-EMKM.

Below is presented the accounting application analysis at Wenang Perkasa Building Materials Shop :

Tabel 4.3.Accounting application analysis at WenangPrkasa Building Materials Shop.

NO	SAK-EMKM	Wenang Perkasa Bulding Materials Shop	Annotation
1	Assets and liabilities accounts recognition. Paragraph 8.15, the entity presents financial assets as classified as assets in the statement of financial position and financial liabilities as liabilities in the statement of financial position	The entity's assets and liabilities are recognized and presented in the financial statement in accordance with their groups.	In accordance with SAK-EMKM.
2	Inventory :Paragrapah 9.3. The entity recognizes the inventory when acquired at its cost.	The inventory is inputted	In accordance with SAK-EMKM
3	<u>Fixed asset</u> Paragraph 11.4. The entity the criteria of recognition in paragraph 2.22 in deciding the recognition of fixed assets, if (a) economic benefit can be assured to flow into or from the entity, and (b) the cost can be measured reliably.	Recognize fixed assets when acquired and recorded at their prices.	In accordance with SAK-EMKM.
4	<u>Liability and equity :</u> Paragraph 2.23. Liabilities are recognized in the statement of financial position if the expenses of the resources with economic benefits are assured to settle the entity's responsibilities and the amount to be paid must be able to be measured reliably.	Recording liabilities in the debt book and recorded the capital in the financial statement.	In accordance with SAK-EMKM.
5	<u>Income :</u> Paragraph 14.2. Income is recognized when there are rights to the payments received or accrued either at present or future.	Recognizing revenue when goods are delivered to customers either in cash or credit.	In accordance with SAK-EMKM.
6	<u>Expenses</u> Paragraph 2.25. Expenses are recognized in the profit or loss if a decrease in future economic benefit related to a decrease in assets or an increase in liabilities has occurred and can be measured reliably.	Recognizing expenses when cash is paid and recognizing them in the income statement.	In accordance with SAK-EMKM.
7	Financial statement of MSME's consists of at least : a. statements of financial position b. Income statements c. Notes on financial reports	There has never been any note on financial statement provided.	Not matching the SAK-EMKM.

Based on the analysis presented in the table, it can be conducted that the accounting applied by Wenang Perkasa Building Materials Shop has implemented financial accounting standards of SAK-EMKM both in terms of measurement, recognition and presentation in the financial statements but when viewed as a whole, the accounting application of the entity is not yet fully in accordance with SAK-EMKM because the entity has never made notes on financial statements which contain detailed information about the amount of notes to the financial statements as well as additions and details of certain relevant items when notes on financial statements should include :

- a. A statement that the financial statements have been prepared in accordance with SAK-EMKM.

- b. An overview of accounting policies.
- c. Additional information and details of certain posts that describe important transactions so that it is useful for users to understand financial statements.

IV. Conclusions And Suggestions

Based on the results of research and discussion regarding the analysis of accounting application based on SAK-EMKM, it can be concluded that the accounting applied by this company has implemented financial accounting standards for MSMEs both for measurement, presentation and financial statements. However, when viewed as a whole, the application of accounting in the entity is not yet fully in accordance with SAK-EMKM because the entity has never made notes on financial statements containing detailed information regarding the number of notes on the financial statements as well as additions and details of certain relevant. It is recommended that the owner of the shop should also make notes on financial statements in addition to presenting financial statements in the form of statements of financial position and income statements by doing this, the entity will fully comply with SAK-EMKM.

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