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ANALYSIS OF THE IMPLEMENTATION OF FINANCIAL ACCOUNTING STANDARDS OF MICRO, SMALL, AND MEDIUM ENTITIES IN CENTRAL SULAWESI PROVINCE

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ABSTRACT

The purpose of this research is to analyze the implementation of Financial Accounting Standards for Micro, Small, and Medium Enterprises (FAS MSMEs) by Micro, Small, and Medium Enterprises (MSMEs) in Central Sulawesi Province. This research is a qualitative descriptive study. The informants included MSMEs supervisors from the the Cooperative, Small, and Medium Enterprises Offices in all regencies/city in Central Sulawesi Province and MSMEs actors in Palu City. The results of this study reveal that MSMEs in Central Sulawesi Province had not implemented accounting and FAS MSMEs properly and correctly. The majority of MSMEs in Central Sulawesi Province only do bookkeeping very simply. This is because MSMEs have insufficient accounting knowledge and skills.

Keywords : FAS MSMEs, MSMEs, Central Sulawesi Province .

INTRODUCTION

The Indonesian economy is dominated by micro, small, and medium enterprises (MSMEs) (Rahayu & Day, 2015). Besides, MSMEs are also the most absorbent of workers in Indonesia (Tambunan, 2008). Not surprisingly, MSMEs are one of the most significant contributors to economic growth in Indonesia. Given the vital role of MSMEs in the Indonesian economy, the Indonesian government has even formed a ministry that regulates explicitly MSMEs, namely the Ministry of Cooperatives and MSMEs. Although the role of MSME is recognized as necessary in the Indonesian economy, the development of MSMEs in Indonesia has been slow. Capital accessibility is a significant problem that is often complained of by SMEs in Indonesia since the majority of MSME financial management in Indonesia is still carried out in traditional and unprofessional ways (Abd. Majid et al., 2018).

Financial management is one of the essential things in a business. The majority of MSMEs only focus on business operations and tend to neglect the recording and reporting of companies, especially those related to business finance (Astutie & Fanani, 2016). This fact is inseparable from the traditional management system of MSMEs, that management is the owner of the business. Thus, business owners feel no need to make reports, especially financial reporting. Financial recording and reporting are vital in evaluating business success for the business owner itself and is a requirement in applying for a capital loan to an official financial institution.

Financial management is identical to accounting. Accounting is a systematic process to produce financial information that can be used for decision making for its users. Accounting data can be a reliable and relevant basis for business owners in making economic decisions, related to selling prices, operational cost efficiency, operating profits, and business development decisions in the future. Accounting data is also useful for external MSMEs, such as the government and creditors, in assessing MSME performance. The government has an interest in taxes, while creditors have an interest in business funding.

The obligation to maintain proper accounting records for MSMEs has been stated implicitly in Law No. 9 of 1995 concerning MSMEs and the Taxation Law (Pinasti, 2007). Also, the Indonesian Institute of Accountants (IAI) has published financial accounting standards that can be used by MSMEs in 2009, which are called Financial Accounting Standards for Entities without Public Accountability (SAK ETAP/Standar Akuntansi Keuangan Entitas Tanpa Akuntabilitas Publik). These standards are concrete evidence of IAI's support for the progress of MSMEs in Indonesia. It is hoped that these standards can increase the credibility and accountability of MSMEs so that they can expand their business with the help of credit from banks and investors. However, these standards are the adoption of international accounting standards that do not adequately accommodate the characteristics of MSMEs in Indonesia.

At the end of 2016, IAI formulated Financial Accounting Standards for Micro, Small, and Medium Entities (FAS MSMEs) as the third tier of Financial Accounting Standards in Indonesia. FAS MSMEs is expected to be implemented by MSMEs because FAS MSMEs is made as simple as possible so that it is more easily understood by MSME entrepreneurs and adjusted to the current needs of MSMEs. FAS MSMEs has been set to go on practical since January 1, 2018. However, some previous researches revealed that there are still many MSMEs that are not ready to implement FAS MSMEs. These findings prompted researchers to analyze the application of FAS MSMEs in Central Sulawesi Province.

The number of MSMEs in Central Sulawesi Province experienced an increase during the period 2011-2019. Based on data from the Office of Cooperatives and MSMEs in Central Sulawesi Province, the majority of MSMEs in Central Sulawesi Province are engaged in

agriculture and plantations considering that several regions in Central Sulawesi Province are producers of leading export commodities such as cloves, copra, and chocolate. This fact is also the reason for the selection of research subjects.

This study consisted of 5 sections. The first part contains the background and objectives of the study. The next section contains the literature review and research methods. The results and discussion are presented in the fourth part. Then, the last part contains the conclusions and implications.

LITERATURE REVIEW

a. Micro, Small, and Medium Enterprises (MSMEs)

MSMEs are individual businesses, or business entities are not subsidiaries or branches of companies that are owned, controlled, or are part of either directly or indirectly a medium or large business. There are certain criteria as MSMEs based on the applicable laws and regulations. The criteria for classifying businesses as MSMEs in Indonesia are regulated in Law No. 20 of 2008 concerning SMEs. In article 6 of Law No. 20 of 2008 stated that a business is classified as a micro business if the business has a net worth of at most Rp 50,000,000 outside the land and building of the place of business, or has an annual sales turnover of at most Rp 300,000,000. Meanwhile, business is classified as a small business if the business has net assets other than land and buildings where the business is more than Rp 50,000,000 up to a maximum of Rp. 500,000,000, or has a sales turnover of more than Rp 300,000,000 to Rp 2,500 .000,000. Meanwhile, a medium-sized business is a business that has a net worth of more than Rp 500,000,000 up to a maximum of Rp 10,000,000,000 or has a sales turnover of more than Rp 2,500,000,000 to a maximum of Rp 50,000,000,000.

MSMEs run their business based on the principles of family, economic democracy, togetherness, equitable efficiency, sustainability, environmental insight, independence, the balance of progress, and national economic unity. MSMEs were established to grow and develop their business in the context of building a national economy based on a just economic democracy. Therefore, the role of the government is crucial in realizing the objectives of MSMEs through the empowerment of MSMEs.

b. Financial Accounting Standards for Micro, Small, and Medium Entities (FAS MSMEs)

Financial Accounting Standards for MSMEs (FAS MSMEs) were endorsed by the Indonesian Institute of Accountants Financial Accounting Standards Board (DSAK IAI) in 2016. The intended MSMEs are entities without significant public accountability, as defined in SAK ETAP, which meet the definitions and criteria of MSMEs as stipulated in the legislation in force in Indonesia, for at least two years in a row.

FAS MSMEs contains a more straightforward accounting arrangement than SAK ETAP because it regulates transactions commonly carried out by EMKM, and its measurement basis is purely using historical costs. FAS MSMEs is also equipped with illustrative examples that make it easy for readers to understand the application of FAS MSMEs. The purpose of financial statements, according to FAS MSMEs, is to provide information on the financial position and performance of an entity that is beneficial to a large number of users in making economic decisions. The intended user is a provider of resources for the entity, such as creditors and investors.

The minimum financial statements that must be presented by MSMEs based on FAS MSMEs are the statement of financial position at the end of the period, the income statement for the period, and notes to the financial statements that contain additions and details of certain relevant items. The minimum financial statements in question must be presented comparatively with the previous period. The frequency of MSMEs' financial reporting is at the end of each reporting period, including comparative information.

The statement of financial position in MSMEs contains information about assets, liabilities, and equity as of a specific date. Assets are resources that are controlled by an entity as a result of past events and from which future economic benefits are expected to be obtained by the entity. Meanwhile, a liability is an entity's current obligation arising from a past event, the settlement of which results in an outflow of entity resources that contain economic benefits. Meantime, equity is the residual rights to the assets of an entity after deducting all of its liabilities.

The income statement contains information about MSMEs' financial performance, which includes income and expenses during the reporting period. Income is an increase in economic benefits during the reporting period resulting in an increase in equity that does not originate from investment contributions. Meanwhile, the expense is a decrease in economic benefits during the reporting period in the form of cash outflows or a decrease in assets or an increase in liabilities resulting in a decrease in equity that is not caused by distribution to investors.

The underlying assumption for preparing the MSMEs' financial statements is the accrual basis. On an accrual basis, items are recognized as assets, liabilities, equity, income, and expenses when they meet the definition and recognition criteria for each item. Besides, MSMEs compile financial reports based on the concept of business entities, whether they are individual businesses, non-legal business entities, or business entities with legal status. MSMEs' business activities must be separated from the business owner and other entities. Thus, transactions of business owners and transactions of other entities outside the business.

c. Previous Researches

Research on the application of FAS MSMEs in MSMEs in several regions in Indonesia has been widely carried out. However, there are no studies that reveal the application of FAS MSMEs by MSMEs in Central Sulawesi Province. (Amani, 2018) examined the application of FAS MSMEs in preparing the financial statements of an MSME in the Probolinggo area of East Java. (Amani, 2018) found that the MSME financial statements had not been prepared based on FAS MSMEs. Constraints faced by MSMEs in implementing FAS MSMEs include:

1. the absence of employees who are specifically tasked with working on MSME financial reports;
2. lack of understanding of information technology and awareness of the importance of financial reports; and
3. the absence of conditions that require MSMEs to prepare financial reports.

(Ramadhani, 2017) also examined the application of FAS MSMEs in the financial statements of one of the MSMEs. The results of (Ramadhani, 2017) also revealed that the SMEs studied have not implemented FAS MSMEs in the preparation of financial statements. The SMEs only record cash receipts and disbursements. The obstacle faced by SMEs in implementing FAS MSMEs is the lack of understanding of FAS MSMEs owned by SMEs.

(Riadi, 2017) also examined the application of FAS MSMEs in one of the MSMEs. (Riadi, 2017) found that the MSMEs had not implemented FAS MSMEs. The obstacles faced by

MSMEs are the limited human resources available and the lack of understanding of human resources owned by the presentation of financial statements based FAS MSMEs. (Riadi, 2017) recommends that MSME employees be provided with internal bookkeeping training so that they can quickly learn FAS MSMEs.

(Putra, 2018) mapped the application of FAS MSMEs at MSMEs in South Tangerang City. (Putra, 2018) revealed that the majority of MSMEs realized the importance of understanding FAS MSMEs. However, (Putra, 2018) found that the majority of MSMEs' actors had not implemented FAS MSMEs. Even so, the majority of MSMEs have made financial reports that are not following FAS MSMEs. (Putra, 2018) also revealed the determinants of the application of FAS MSMEs in MSMEs, which included the age of MSME actors, the educational background of MSMEs' actors, the number of transaction activities occurring at MSMEs, human resources who understood financial reporting, and the socialization of FAS MSMEs.

RESEARCH METHOD

This research is a qualitative descriptive study. Qualitative descriptive research aims to describe and describe the phenomena that exist, both natural and human engineering, which is more concerned about the characteristics, quality, inter-relationships between activities. In a qualitative descriptive study, researchers do not provide treatment, manipulation, or alteration to the variables studied, but rather describe an as-is condition. The treatment given in the descriptive qualitative research was the observation, interview, and documentation. Therefore, researchers used a qualitative descriptive research method because this study aims to analyze the phenomenon of the application of FAS MSMEs at MSMEs in Central Sulawesi Province.

In this study, data were obtained through the distribution of extensive questionnaires to MSMEs' supervisory officials and MSME actors. The distribution of extensive questionnaires was chosen because of the large number of informants, namely 60 people. Thus, researchers chose to use open questionnaires to obtain data more effectively and efficiently. Besides, researchers also conducted interviews with several informants who were randomly selected to dig more in-depth data. The subject of the study was the MSMEs in Palu City, which was the main informant. As a triangulation, researchers also interviewed MSME supervisory officials from the Cooperative, Small, and Medium Enterprises Office of all cities in Central Sulawesi Province because MSME supervisory officials had complete information about the overall picture of MSME actors in their respective regions.

RESULTS AND DISCUSSIONS

a. Description of Research Informants

The primary informants of this study include MSME supervisory officials from all cities in Central Sulawesi Province, which are detailed in Table 1. Also, the other primary informants of this study are the MSMEs themselves, which come from Palu City. The total number of MSME actors who were the primary informants in this study was 30. Details of the types of businesses of MSMEs who were the primary informants are presented in Table 2.

Table 1
Data of Informant Officials of Regencies/Cities MSMEs in Central Sulawesi Province

No.	Regency/City	Number of Informants
1.	Banggai Regency	2
2.	Morowali Regency	2
3.	North Morowali Regency	1
4.	Toli-toli Regency	2
5.	Buol Regency	1
6.	Poso Regency	1
7.	Tojo Una-una Regency	1
8.	Parigi Moutong Regency	2
9.	Donggala Regency	5
10.	Sigi Regency	5
11.	Palu City	5
12.	Central Sulawesi Province	3
	Total	30

Source: Processed data, 2019

Table 2
Data of Informant Officials of Regencies/Cities MSMEs in Central Sulawesi Province

No.	Type of Business	Number of MSMEs
1.	Trade	4
2.	Services	2
3.	Industries (Culinary, Sewing, Hydroponics)	14
4.	Others	10
	Total	30

Source: Processed data, 2019

b. Discussions

The results of this study obtained through the distribution of extensive questionnaires to MSME supervisory officials in Central Sulawesi Province showed that the majority of MSMEs in Central Sulawesi Province had recorded their business activities. This finding was recognized directly by MSME actors who were represented by MSMEs in Palu City, who stated that they had done the bookkeeping. However, the books applied are simple cash-based bookkeeping. The accounts that are generally recorded are cash receipts in the form of sales and cash disbursements related to the purchase of raw materials or merchandise. Even so, there are some other SMEs who admit that they also record non-cash transactions, such as trade payables and trade receivables. One of the SMEs who are informants of this research has used mobile and computer applications in recording business transactions.

The majority of SMEs in Central Sulawesi Province do not apply the accounting cycle correctly and adequately. They admitted not to make general journals, ledgers, and balance sheets, let alone make a worksheet to prepare financial statements. The majority of MSME actors only prepare a book or several books to record all cash transactions, such as cash receipts and cash disbursements. However, some MSMEs also claim to make debt and receivables books. The recording activity was carried out inconsistently and disciplined.

The results of the study revealed that several obstacles resulted in MSME entrepreneurs not applying accounting correctly and regularly. The majority of informants in this study acknowledge that the lack of knowledge and skills possessed by MSME actors regarding accounting as a major obstacle in implementing accounting. Besides, SMEs, especially micro-

business operators, also admit that they are unable to recruit workers who have knowledge and skills regarding accounting. Limited capital causes MSME entrepreneurs unable to recruit skilled workers. Meanwhile, the busy activities of MSMEs in managing their businesses make MSMEs lazy in applying accounting or just doing simple bookkeeping.

Although the majority of MSME actors do not carry out accounting correctly and adequately, this study reveals that the majority of MSME actors and MSME supervisory officials in Central Sulawesi Province are aware of the importance of applying accounting. MSME practitioners revealed that accounting is fundamental in helping MSMEs to assess the performance of their respective businesses, such as knowing the amount of income, expenses, and profit/loss during a certain business period. Also, several MSME actors revealed that accounting is useful in providing information on assets, debt, and business capital. This study also revealed that although MSME practitioners did not carry out accounting correctly and adequately, several MSME entrepreneurs compiled reports on sales, purchases, and inventories periodically.

CONCLUSION

Based on the results of this study, it was concluded that MSME actors in Central Sulawesi Province had not implemented FAS MSMEs. The main obstacle that causes MSME actors in Central Sulawesi Province has not implemented FAS MSMEs is the lack of knowledge and skills possessed by MSME actors regarding accounting and FAS MSMEs. Even so, the majority of MSMEs in Central Sulawesi Province have done simple bookkeeping by recording cash receipts and cash disbursements.

The researcher suggests that accounting training and FAS MSMEs be conducted routinely to MSME actors, both in Central Sulawesi Province and throughout Indonesia. Besides, regulators and funding agencies should require periodic financial reporting to MSME actors in order to obtain funding assistance. Further research can further examine the determinants of the application of FAS MSMEs for MSME actors in order to improve the application of FAS MSMEs among SMEs in Indonesia. The Indonesian Institute of Accountants is also expected to review the ease of FAS MSMEs for MSME entrepreneurs, especially micro-businesses, with minimum educational background.

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