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Financial Reporting for Micro Small and Medium Enterprises Towards Industrial Revolution Era 4.0

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Abstract. Financial reporting is a very important process that must be carried out by every business, including micro, small and medium enterprises (MSMEs), so that with having the information of financial statements, the owner and stakeholders can monitor and evaluate their business performance and making decisions more accurately in order to increase its competitive advantage and its business sustainability. Facing the era of digitalization in the industrial revolution era 4.0 and using the internet, or internet of things (IOT), in running all activities including businesses and financial reporting, in practice, most of MSMEs still need several phases to arrive at a readiness stage to adopt information technology advances in helping their business process.

The purpose of this study is to examine the extent to which the MSMEs actors understand financial reporting and the extent to which the readiness in using information technology advances in financial reporting. The research methodology is a case study on UMKM PT Marawis Almadinah Raya (PT MAR) located at Jalan Pahlawan Bogor Selatan. Data is collected during April until June 2018 through in-depth interviews and observations of the practices of financial reporting.

The results show that PT MAR has financial statements compiled starting from recording, classifying, summarizing, journalizing with double entry systems and using Ms Excel software. However, PT MAR's financial statements has not been in accordance with the financial accounting standards for micro, small, and medium-sized entities (SAK EMKM) and the financial statements have not been accurately presented so that the financial statements have not provided optimal usability in helping to assess performance and decision making. This is mainly due to the owners and accounting staff not having sufficient knowledge of financial reporting so that there are many errors in the management of transaction evidence, classification, application of accounting methods, and presentation of accounts in financial statements. In addition, PT MAR's financial statements were not verified and not audited by an independent auditor. The findings of this study suggest that MSMEs need to get adequate socialization and training on accounting and financial reporting purposes, the application of SAK EMKM, increase the ability to use MsExcel before moving on to the next phase using mobile accounting applications and integrated systems using the internet and cloud computing.

Keywords: Accounting, Financial Reporting, Microsoft Excel, SAK EMKM

1. INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) have a very important role and contribution to the Indonesian economy. According to the data, the Ministry of Cooperatives and Small and Medium Enterprises (Ministry of Cooperative and SMEs), SMEs recorded a number of 59.2 million units spread throughout Indonesia, creating employment 96.9% of Indonesia's population and contributes 60.3% to the Product Country Gross Domestic (GDP). Therefore, the government fully supports the growth of MSMEs in Indonesia.

The government agrees that MSMEs must be protected and assisted by their growth. This is reflected in government support, such as 1) organizing workshops to encourage MSME players to improve their competence, 2) assisting in the provision of online MSME products 3) Simple Micro, Small and Medium Accounting Financial Standards (SAK EMKM) provided by the Board IAI 4 Financial Accounting Standards (DSAK) provides free accounting software applications such as Lamikro (Dep. of Cooperatives &

SMEs)), Financial Information Recording Application - APIK (Bank Indonesia) because MSME financial reports are useful for the government to identify and address MSME problems. Whereas for MSMEs, financial statements are useful to facilitate obtaining bank credit. In addition, through financial statements, MSMEs can find out the production costs, the right selling price, profit or loss, tax obligations, cash flow, and the development of their business.

However, MSMEs, most (> 80%), are still unable to make financial reports. This is caused by a variety of factors including 1) not separating personal money from business money, 2) not having sufficient business capital especially for IT investment, 3) selling business mindset, not having a business strategy as an entrepreneur, and 4) u data has not become a habit to cultivate recording transactions and preparing financial statements.

"Financial reports are the key to the success of MSMEs because the main cause of failure is a business. Without basic financial management systems that either many SMEs do not survive long" ([http: Bisnis.com](http://Bisnis.com), 2017). Financial reports are the key to the success of MSMEs. Without an adequate management system and financial reporting, the sustainability of the MSME business becomes a very important problem. As a result of the inability of the preparation of financial statements, one of which, SMEs are considered as a high-risk business for banks. The MSME loan portion is only 18.3% of the total banking credit (OJK, 2016). This is due to the number of bad loans in 2015 reaching more than 33 %.

Table 1. Distribution of MSMEs Loan and Bad Credit (Rp Trillion)
Agustus 2018

| Year | MSME Loans | Bad Credit |
|------|------------|------------|
| 2011 | 458,16 | 15,67 |
| 2012 | 526,39 | 17,01 |
| 2013 | 608,82 | 19,52 |
| 2014 | 671,72 | 25,16 |
| 2015 | 710,09 | 33,00 |

Source: Otoritas Jasa Keuangan

This study uses research objects, namely MSME companies with the aim of knowing financial reporting on MSMEs. The company that will be scrutinized by the author is PT Marawis Almadinah Raya, which is engaged in trading musical instruments and souvenirs for Hajj / Umrah.

Identification of Problems

Based on the title and background stated in the description above, the author, in this case, identifies the problem and simultaneously limits the problems to be discussed as follows:

- How is financial reporting at PT Marawis Almadinah Raya (MAR) Bogor?
- How is the implementation and development of financial reporting based on the SAK EMKM?
- How did PT MAR deal with era 4.0?

LITERATURE REVIEW

Accounting Process (Accounting Cycle)

Accounting is a system with *input* data/information and *output* in the form of financial information and reports that are useful for internal and external users of the entity. The Accounting Cycle includes identifying transactions, recording journals, general ledgers, compiling balance sheets, recording adjusting journal entries, preparing balance sheets, preparing financial reports, recording closing journals, and recording reversing journals. A few businesses use a computerized accounting system. In order to remain competitive, companies continue to improve their accounting systems to provide accurate and timely data for decision making. In a recent annual report, Tootsie Roll stated, "We view information technology as a key strategic tool, and we are committed to implementing cutting-edge technology in this field"

Accounting Information System (AIS)

According to Romney & Steinbart (2018), accounting is an information system, the knowledge, and skills of accounting information systems (AIS) are very important for the career success of an accountant. Interacting with SIA is one of the most important activities that accountants do. *The American Institute of Certified Public Accountants (AICPA)* offers *CITP (Certified Information Technology Professional)* as an acknowledgment of the importance of IT and its relevance to accounting. This confirms your value as an IT accounting specialist and increases your value to your company or client.

Factors that influence the design of the SIA

There are six components from SIA:

1. People who use the system.
2. Procedures and instructions used to collect, process and store data.
3. Data about the organization and its business activities.
4. Software used to process data.
5. Information technology infrastructure, including computers, peripheral devices, and network communication devices used in SIA.
6. Internal controls and security measures that protect SIA data.

Financial statements

Financial statements according to the Indonesian Institute of Accountants (IAI) in the Statement of Financial Accounting Standards No. 1 (revised 2015) paragraph 9 as follows: "Financial reports are a structured presentation of financial position and financial performance of an entity." Financial statements consist of the income statement, statement of financial position, statement of changes in equity, cash flow statement, and notes on financial statements.

Micro, Small and Medium Enterprises (MSMEs)

By Law. 20 of 2008 article 6, Micro, Small and Medium Enterprises (MSMEs) are grouped based on the amount of capital or income. A micro business is a business that has a net worth of at most Rp. 50,000,000 (fifty million rupiahs) excluding land and business premises or having annual sales of a maximum of Rp. 300,000,000 (three hundred million rupiahs). Small Business is a business that has a net worth of more than Rp 50,000,000 (fifty million rupiahs) up to a maximum of Rp 50,000,000.00 (five hundred million rupiahs) excluding land and buildings where the business is located or has more annual sales results from Rp.300,000,000.00 (three hundred million rupiahs) up to a maximum of Rp.2,500,000,000.00 (two billion five hundred million rupees h). Medium Enterprises, namely businesses that have assets of more than Rp. 500,000,000.00 up to a maximum of Rp. 10,000,000,000.00 (ten billion rupiahs) excluding land and buildings where the business is located or having sales of more than Rp. 2,500,000.00 0, 00 (two billion five hundred million rupiahs) up to a maximum of Rp 50,000,000,000 (fifty billion rupiah).

Accounting computer

Computer accounting is a breakthrough for the development of technology, information, and communication related to the company's accounting process. Computer accounting is intended to provide convenience in compiling company financial statements faster, more accurately, and does not require a lot of time.

RESEARCH METHODS

The research conducted uses a case study method. The case studies are used to analyze and solve a massive business h in practice, as described by Jan Dul & Tonny Rights (2008) Case studies have an important role in a business research. Case study research strategies can be used to analyze and solve practical business problems, as well as to build and test the business theory.

According to Yin (2003: 13-14), "Case studies are empirical investigations that investigate contemporary phenomena in real-life contexts, especially when the boundaries between study objects and contexts are unclear. Case studies are studies in which (a) one case (single case study) or a small number of cases (comparative case studies) in their real-life context are selected, and (b) the scores obtained from these cases are analyzed in qualitative units. To answer the problems that have been identified, the data for this study were collected from a case in SMEs companies namely PT Marawis Almadinah R aya located at Jalan Pahlawan No. 3 and 4, Empang, South Bogor District.

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RESULTS AND DISCUSSION

Identification of PT Marawis Almadinah Raya's Financial Statements

PT Marawis Almadinah Raya has compiled financial statements. In preparing the financial statements, the company has been using a system of double bookkeeping (*double entry*). Nevertheless, PT Marawis Almadinah Raya only made profit and loss reports. The income statement made by this company still has many mistakes.

The income statement only includes income items, financial burden, and tax burden. The income statement does not display the balance of changes in cash and expenses related to fixed assets and long-term debt. Cash changes are only displayed in the cash flow statement.

Another mistake identified was the basic treatment that was not comprehensive. Purchase of equipment is recorded as an expense but at the end of the period, no adjustments are made to the balance of the remaining equipment. In addition, there is a load of purchases that are placed in the operating expenses while the carrying costs of purchases are a component of cost of goods sold. Errors also occur in journalizing accrued expenses. The company does not adjust its debt burdens, such as utility burden debt, salary debt, and BPJS debt. The utility load displayed in the report shows the burden that should have been charged in the previous period.

In calculating inventory, the company cannot know the method used. The company only conducts *stock taking* then the quantity of the item is multiplied by the estimated price. The company also does not depreciate fixed assets. According to information received by the researcher, the accounting staff has difficulty identifying the company's fixed assets and determining the useful life of the asset. Therefore, the accounting staff has not shrinking assets. Because the financial statements that can be reported are only the income statement, accounting staff have difficulties in delivering financial information to the owner of the entity. This will certainly affect the decision making for investment, operations, and estimates.

Microsoft Excel Preparation for Compiling Financial Reports based on EMKM IFRSs

Understanding of *Ms.* formulas and functions *Excel* is very important in the process of applying to account to the company's financial statements. This understanding must also be further developed in fulfilling an easier and automatic reporting process. Therefore, the researcher added a description of the use of formulas, functions, and *sheets* related to financial reporting, bro .

1. Initial Menu / Interface (optional)

The initial menu or face view is intended for the *input* -data-data that will repeat on the *sheet* afterward or a summary of the overall paperwork in *Excel*. This is intended to minimize the level of accountability and effectiveness of the *input* - a data. The initial menu can include company name, report period date, a summary of the accounting process, etc. In this case, the researchers simply add features charging period and the company name dates only with the help of *Form Control*.

2. Account Register Sheet

In the first and second lines of the working paper, the compiler enters the data by connecting to the initial *sheet* menu. To provide a special code, researchers enter the *IF* formula to give a number according to the type of account. The special code is in the form of number 1 for the *header* account, 2 for the parent account that has a child account, 3 for the parent account that does not have a child account and a child account (*details*).

3. Initial Balance Sheet

For account numbers, researchers use the *IF* formula for logic tests a data collection bag that uses the *VLOOKUP* formula and then the formula will be copied down (as needed). The formula is used to retrieve data vertically with a key value reference. The researcher also added the *ISNA* formula to avoid # N / A errors because there are key values that do not exist or are not in the *REGISTER* table. This *REGISTER* table contains information from the *sheet* list of accounts. To minimize errors in entering balances per account, The researcher adds the formula *SUM* to ascertain whether debit and credit columns are balanced or not. When the amount is balanced, the description column will display the word "BALANCE". Otherwise, it will display the word "NO BALANCE".

4. General Journal Sheet

In making general journals, researchers add data validation features. Data validation is useful for selecting a specified list of data sections. The researcher adds keywords to the initial column so that they can be integrated with the ledger *sheet*. By using the *IF* formula and *VLOOKUP*, the account name will appear according to the account number keyword. For information, date and nominal data, recording is done manually according to the proof of each transaction.

5. Ledger Sheet

For the ledger *sheet*, the researcher again uses you right data validation to assist users in selecting the desired account number. By referring to the account number as a keyword, the *VLOOKUP* formula will display the account name, description of the initial balance, the effect of the transaction and the nominal transfer of the account automatically. In addition, with special codes (keywords) that have been created in a journal, the ledger will only display transactions according to the desired account number.

6. Balance Sheet

In making the Balance Sheet *sheet*, the researcher adds the *SUMIF* formula to add the debit and credit columns in the general journal, the balance column in the initial balance sheet with the criteria according to the account number in the first column. In the balance *sheet* balance, the researchers added columns to summarize good cash balances of debit and credit columns with the provisions of contra account labeled deduction (*minus*). This is intended to simplify the process of transferring accounts to financial statements.

7. Sheet n financial statement

In preparing financial statements, researchers have included financial report *templates* that are in accordance with IFRSs. The account that will be displayed in the financial statements is only the *header* account (not balance) and the parent account (balance). Therefore, the use of formulas is only for the parent account. Because only the parent account is displayed, the *SUMIF* formula is needed to add up the child accounts (*details*) with the same parent account.

Application of EMKM IFRSs with Microsoft Excel

The accounting process that produces financial reports in a computerized drafting process does not go through all stages of the manual accounting process but is processed automatically with the assistance of a customer. The steps to implement EMKM SAK using *Excel* in PT Marawis Almadinah Raya are as follows:

1. Data Filling Aw al

Data filling includes company name, date of the accounting period, and the list of accounts according to company requirements. The final step is to enter *detailed* data from the account such as account numbers, account names, account types, parent accounts for accounts other than accounts *headers*, information for contra accounts, and the normal balance of each account. Based on the EMKM GAAP, accounts have been classified into assets, liabilities, equity, income, and expenses.

2. Fill in the Initial Balance

The researcher obtained a portion of the data from the company and selected accounts that reflected the actual situation. The measurement and classification of assets are in accordance with the provisions of the classification of current assets in SAK EMKM paragraph 4.6 (IAI, 2016, 9) and separates non-current assets that are not in accordance with the classification of these assets. Data obtained from the company and in accordance with the provisions are cash data, accounts receivable, prepaid expenses, and equipment. As for supplies and equipment, researchers process data from the start by carrying out physical calculations and pricing at prices in market conditions. The researcher also recalculated the accumulated depreciation with the help of equipment tables. As for liabilities and equity accounts, researchers only add balances to recognize accrued expenses and income tax debt.

3. General ledger

Public journals in January 2018 are systematically recorded and *double system entries*. Transactions that occur in PT Marawis Almadinah Raya include cash *sales* transactions, raw material purchases/shipments, salary payments, trade debt payments, and payment of company operating expenses.

4. Ledger

Ledgers are arranged automatically with the help of formulas. Ledgers display the final balance and mutation of each account balance. The balances displayed will be included in the financial statements.

5. Adjusting journal entry

Adjustments made include accrual adjustments for salaries (meal money), utilities, taxes and advertisements, adjustments for prepaid rent, depreciation of equipment, amortization of establishment costs, prepaid advertisements, used equipment, and used *e-toll* balances, and adjustments to inventory.

6. Financial statements

The income statement is prepared in accordance with the guidelines of SAK EMKM. components of financial statements include income, expenses, and tax expenses. The financial position report complies with the provisions in the EMKM GAAP. As explained earlier, the statement of financial position must include cash accounts, accounts receivable, inventories, fixed assets, trade payables, bank loans, and equity. The entity presents asset posts based on the order of liquidity and debt based on maturity. Based on the EMKM GAAP, the notes to the financial statements have complied with the SAK EMKM provisions because they have provided information in the form of A statement that the financial statements have been prepared in accordance with the SAK EMKM; Accounting policy overview; Additional information and details of certain posts that explain important transactions and materials so that it is useful for users to understand financial statements.

CONCLUSION

The research on financial reporting for SMEs to the era of industrial revolution 4.0, case studies on PT Marawis Almadinah Raya, with results as follows:

1. PT Marawis Almadinah Raya has been using *Ms. Excel* for financial reporting but it is not yet in line with SAK EMKM. The report produced is only the income statement. The income statement produced does not only display income, expenses, and taxes, but expenditure on asset purchases and repayment of debt is displayed.
2. PT Marawis Almadinah Raya do not have adequate human resources to use MS Excel optimally and prepare financial reports that are in accordance with the SAK EMKM, so that errors in financial reporting arise. Errors that occur in the form of recognition errors (*accrual*) of income and expenses both nominal and time.
3. PT Marawis Almadinah Raya still has a mindset as a trader, not as an entrepreneur, so it does not have a long-term business strategy, so it has not anticipated the challenges and business opportunities in the industrial revolution era 4.0 (*internet of things* or the digital era)

Based on the conclusions that have been explained, with a little knowledge and experience in the accounting field, the authors summarize some suggestions for the development of the company as follows:

1. PT Marawis Almadinah Raya needs to cultivate or have a habit in the pen records of financial transactions and reporting so business long-term sustainability. This includes processing transaction evidence, identifying transaction documents, recording, managing documents, and archiving documents
2. PT Marawis Almadinah Raya must hire or hire accountants who have financial reporting skills based on information systems and information technology.
3. Before transferring to more complex accounting software, PT Marawis Almadinah Raya needed a step-by-step understanding of computer-based accounting and financial reporting applications. Companies must begin to understand from a simple accounting system to be able to apply a more complex and up-to-date accounting system in this digital era.

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