

Analysis of accounting application at Micro Small and Medium Enterprises in Manado City

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Abstract: *Analysis of accounting application at Micro Small and Medium Enterprises in Manado City*

Accounting plays an important role in economic and social systems. Accounting can be defined as financial cycle recording activities. In a broader sense, accounting is a set of recording, measuring, identifying, presenting and reporting financial activities. Micro small and medium enterprises (UMKM) is a very important sector of Indonesian economy viewed from various sectors such as its contribution to the labor absorption as much as 96 % in 2018, unemployment eradication and also economic buffer which contributes 60 % of the Gross Domestic Income. However, so far there still many Micro Small and Medium Enterprises which have not applied accounting in their businesses due to limited knowledge, skills, time and personnel for this job. This results in bankruptcy of many businesses which fail halfway because of running out of capital, the business costs increase while income is not as expected. The special target to be achieved is that the Micro Small and Medium Enterprises in Manado city can survive or even expand their businesses. The method used in this research is Qualitative method where the data are collected through direct interviews and questionnaire for getting information about the fund and its utilization as well as the hindrances faced by the businesses. The sample was taken randomly using random sampling and the data were analyzed descriptively and quantitatively.

Keywords: *Analysis, accounting application, micro small and medium enterprises.*

I. Introduction

Micro Small and Medium Enterprises are a group of businesses with the biggest number and has been proved to be shock resistant to economic crises that happened in Indonesia in 1998 and therefore the development this type of business is interesting attracts attention of many parties, both the government and the business people. In 2004, these businesses had a 95% labor absorption of all the national labor and contributed 57 % the Gross Domestic Product which proves that the Micro Small and Medium Enterprises are able to strengthen the structure of the national economy. However, the business doers have the problems of insufficient capitals for business expansion. Of the 54.4 million of Micro Small and Medium Enterprises in Indonesia, only 30 % could access the funding. Basically, these businesses have big chances to get bank credits for cash injection. There are many funding programs both from the government and the banks one of which is KUR (People'). In 2019 , the funding for these businesses is targeted to be 140 trillion IDR. There is an increase from the previous year which was 123 trillion IDR. This scheme of funding is meant to be a solution as an effective capital financing for UMKM considering that there many hindrances for accessing credits from the banks. Consequently, the credit realization was much lower (only 14.8 trillion IDR from the initially targeted amount of 20 trillion IDR.. Baas dan Schrooten (2006) in in Rudiantoro and Siregar (2011) mentions that one of the most common techniques of granting credit is Financial Statement Lending that bases the credit granting on the financial information of the debtor. When seen from another perspective, it becomes an obstacle because UMKM get difficulties in providing information required by the banks. Good financial management is a key factor in making any business succeed or fail. Undisciplined booking and financial management can also influence business development. A practical method of booking and financial management in UMKM is applying accounting properly. Hence, accounting can provide necessary information for UMKM to run the business.

Nowdays, most UMKM have not applied accounting booking and reports. The application of accounting booking which provides informative financial report is still hard for UMKM (Jati, Hironnymus, Bala, Beatus and Nisoni, 2004) in Rudiantoro and Siregar (2011), but actually, financial report writing is an

important thing for UMKM to do if they want to develop their business because it makes it easier for them to know their business path, obstacles experienced and required information. The hindrance of UMKM to have financing/credit is making standardized financial report while financial report is one of the accounting cycle outputs. With adequate accounting, UMKM can qualify the requirements of credit application, that is, Financial Report. Financial report can also be used for evaluating performance, knowing the financial position and calculating the tax (Warsono, 2010). Financial Report is one of the essential components of UMKM if they want to expand their business. Therefore, it is very important to get MSMEs to write reports on business activities as well as financial reports. Due to the need for the availability of accounting standard which is simple than the general IFRS based, FINANCIAL ACCOUNTING STANDARD (SAK) and ENTITY WITHOUT PUBLIC ACCOUNTABILITY FINANCIAL ACCOUNTING STANDARD (SAK ETAP) due to the lack of human resources in producing financial report using those both pillars, the Indonesian accountants Association, has issued the Financial Accounting Standard for MSMEs (SAK EMKM) that started to be effective on January 1, 2018. It is intended for the entities without significant public accountability. This standard deals with the accounting arrangements which are simple than SAK ETAP because it regulates public transaction done by EMKM its basic measurement only uses historical cost. SAK EMKM is expected to support the development of MSMEs in Indonesia. The advantages of SAK EMKM application is that the financial report produced can be used as the base of the business decision making that will be beneficial for the business continuity. In addition, this standardized report can also be used for credit application for business development.

Definition of accounting: According to Rudianto (2010), accounting is the activities of collecting, analyzing, presenting in the form of figures, clarifying, summarizing and reporting activities/transactions of a business entity in the form of financial information. According to Ismail (2010 : 2), accounting is an art of recording, classifying and summarizing that result in information of all financial activities of the business. The aim of accounting presented in the financial report is to provide information that is useful for the user's decision-making/while Ika (2016 : 28) defines accounting from 2 points of view :

1. Function and Utility
Accounting is a service whose function is to give quantitative information about economic entities especially in relation financial information that is useful for decision-making.
2. Process of Activities
Accounting is an art of recording, classifying and summarizing of transactions which are at least partially financial in nature by interpreting the results.

Accounting Cycle: According to Kartika Hadi, et,al (2012 : 83), Accounting Cycle is a circle of accounting processes to record transactions and events during a certain accounting period until financial statements are prepared.

Accounting activities include:

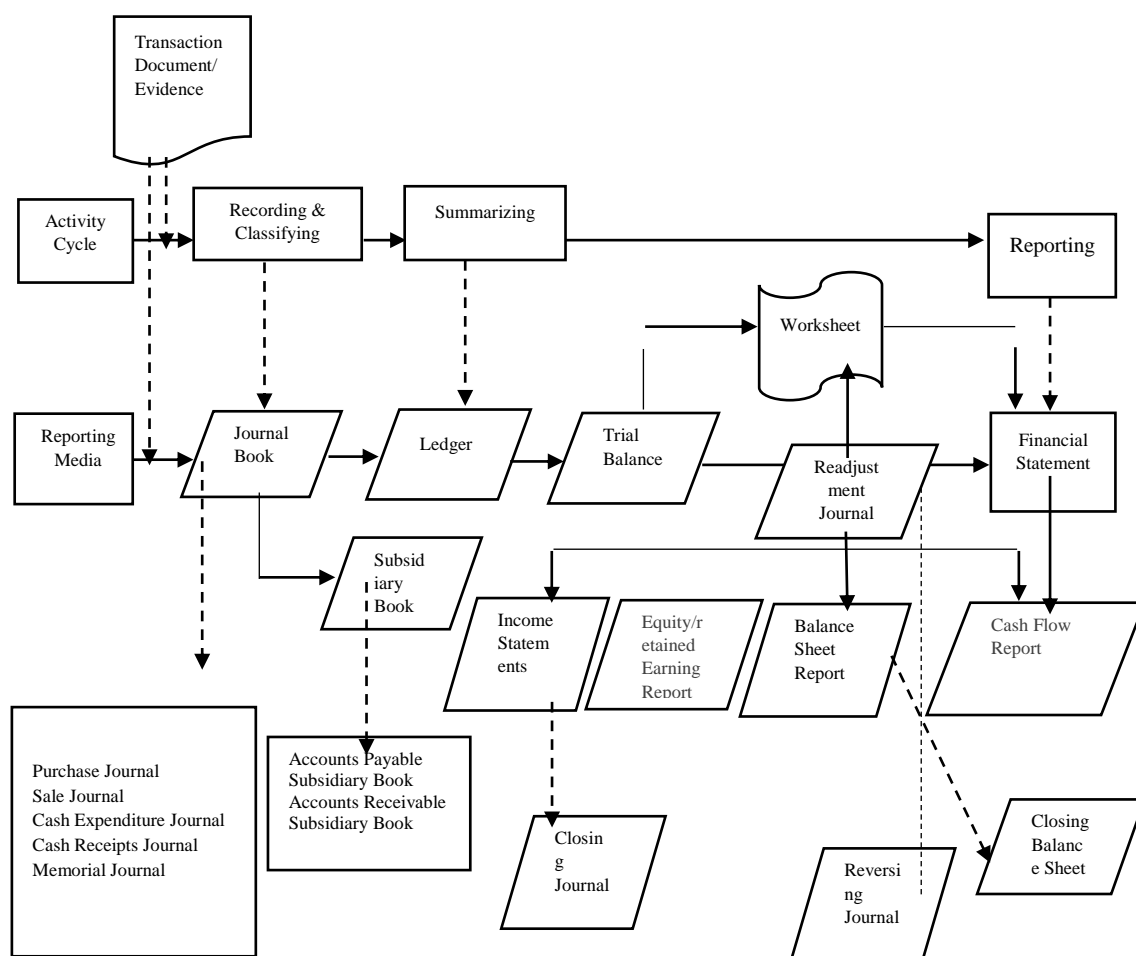
- 1) Identifying and measuring data that are relevant for making decisions.
- 2) Data processing and then reporting the results.
- 3) Communicating the information to the report users.

In detail, the activities which form the accounting cycle can be described as follows:

- 1) Analyzing the business transactions and preparing the bookkeeping evidence (transactions document).
- 2) Recording accounts to journal books.
- 3) Posting accounts to the ledger.
- 4) Compiling a trial balance.
- 5) Making adjusting entries, if any.
- 6) Compiling a balance sheet/worksheet if necessary.
- 7) Preparing financial statements (income statement, statement of changes in equity/capital, retained earnings report and balance-sheet report.
- 8) Keeping a closing journal and a closing balance.
- 9) Making a readjustment journal (reversing journal).

The activities in accounting cycle can be expressed in a diagram form as follows:

Figure 1. Accounting Cycle



Sumber : Pura, 2013

Financial Standards for Micro Small and Medium Entities

Financial accounting standards for micro small and medium entities is the newest accounting standard which is simpler than the IFRS based general accounting standard and SAK ETAP. SAK EMKM was designed to push and facilitate the financial reporting needs of micro small and medium enterprises (UMKM). Many results of research show that there are MSMEs, which have not applied SAK ETAP accurately considering that this standard is still considered to be too complex and incompatible with the MSMEs reporting needs. These results of research give recommendation for the designing of a simpler accounting standard for MSMEs. SAK EMKM was approved by the Financial Accounting Standard Council of Indonesian Accountant Association on October 24, 2016 and started to be effective since January 1, 2018. SAK EMKM contains accounting regulation which is simpler than SAK ETAP since it regulates the common transaction done by MSMEs and its measure went is merely historical cost. This standard is expected to facilitate the entities in going through the transition from the cash-based financial statement to accrual based financial statement.

Financial Statement : Financial statement is a record of information of a company in a period of accounting that depicts the performance of the company. It is useful for the bankers, creditors, owners and stakeholders in analyzing and interpreting the financial performance and the condition of company (Indonesian Accountants Association, 2016). According to Rudianto (2008), the financial statement produced by an organization has a

certain objective. Although business entities have different lines of business and characteristics, their financial statement have similar objectives as follows:

1. Give dependable financial information regarding economic sources, duties and capital of a company.
2. Give dependable information regarding changes in economic sources, duties and capital of a company.
3. Give information that can help the report users in estimating the potential of a company for making profit in the future.
4. Give financial information that can help the report users in estimating the potential of company for making profit.
5. Give other important information regarding changes in economic resources, duties such as purchasing activities investment.
6. Reveal other information relating to other relevant financial statement for the report users such as information about accounting policies held by the company.

While IAI and SAK EMKM state that the objective of financial statement is to provide useful information about the financial status and performance of a business entity for a great number of users in economic decision making by anyone who is not in the position of being able to ask for the special financial statement to fulfill the information needs. The users include the resources for the entity such as creditors and investors. In achieving its target, a financial statement also performs managerial accountability on the resources entrusted to them.

Components of Financial Statement

According to SAK EMKM chapter 3, paragraph 39, minimally, a financial statement consists of :

1. Report of the financial status at the end of the period.
This report is a report that provides information about the financial status of the company in a certain period. It can include the following posts (SAK-EMKM, chapter 4, paragraph 2):
 - a. Cash and the equivalent
 - b. Accounts receivable
 - c. Inventory
 - d. Fixed asset
 - e. Liability
 - f. Bank loan
 - g. Equity
2. Income statement during the period.
This statement informs about the company's business results in a certain period. It can include the following posts (SAK-EMKM, chapter 5, paragraph 3):
 - a. Income
 - b. Financial burden
 - c. Tax burden
3. Notes to financial statements containing addition and certain relevant details of posts. It includes:
 - a. A statement that financial statement has been written in accordance with SAK EMKM.
 - b. Summary of accounting policies.
 - c. Additional information details of certain posts that explain important transactions and materials in order that the users understand the financial statement.

Definitions of Micro, Small and Medium Enterprises (MSMEs)

Central Bureau of Statistics defines MSMEs based on the quantity of labor. Small enterprise is a business entity whose labor is from 5 to 19 people while the medium enterprise has from 20 to 99 personnel. According to Law No. 20 of 2008, MSMEs are business entities with the following criteria:

1. Micro Enterprise

A micro business as intended by Law of the Republic of Indonesia number 20 chapter 5 article 1 of 2008 regarding Micro, Small and Medium enterprises is a self - supporting productive economic entity run by individuals or business entities which is not a subsidiary or a branch of a company that is owned, controlled or becomes a part of a medium enterprise or a large company which fulfills the following criteria:

- a. Having a net asset of less than or equal to 50.000.000 IDR (fifty million rupiahs).
- b. Having annual sales results lower than 300.000.000 IDR (three hundred million rupiahs).

2. Small Enterprise

A small enterprise as intended by Law of the Republic of Indonesia No. 20 chapter 1 article 1 of 2008 regarding Micro, Small and Medium enterprises are self- supporting economic entity run by individuals or business entities which is not a subsidiary of a branch of a company that is owned, controlled or becomes a part of a medium enterprise or a large company which fulfills the following criteria as mentioned in chapter IV article 6 :

- a. Having a net asset more than 50.000.000 IDR (fifty million rupiahs) up to maximally 500.000.000 IDR (five hundred million rupiahs) excluding the land and building where the business is run.
- b. Having annual sales results more than 300.000.000 IDR (three hundred million rupiahs) up to maximally 2.500.000.000 IDR (two billion and five hundred million rupiahs).

3. Medium Enterprise

Medium enterprise is intended by Law of the Republic of Indonesia No. 20 chapter 1 article 1 of 2008 regarding Micro, Small and Medium enterprises is an a self-supporting economic entity run by individuals or business entities which is not a subsidiary or a branch of a company that is owned, controlled or directly or indirectly becomes a part of a small or a large enterprise with the amount of net asset and annual sales results as mentioned by the Law chapter 4 article 6 (the criteria of a medium enterprise) as follows :

- a. Having a net asset more than 500.000.000 IDR (five hundred million rupiahs) up to maximally 10.000.000.000 (ten billion rupiahs) excluding the land and building where the business is run, or
- b. Having annual sales results more than 2.500.000.000,00 (two billion and five hundred million rupiahs) up to maximally 50.000.000.000,00 (fifty billion rupiahs).

Table 2. Criteria of business based on Law No. 20 of 2008

No	Description	Criteria	
		Asset	Turn over
1	Micro enterprise	Max. 50 million	Max. 300 million
2	Small enterprise	>50 million-500 million	>300 million-2.5 billion
3	Medium enterprise	>500 million-10 billion	>2.5 billion-50 billion

Source of data : Law No. 20 of 2008

II. Method

This is qualitative research. According to Lexy. J Moleong. (2009 : 6), qualitative research is intended to understand the phenomena of what is experienced by the subject of research such as behavior, perception, motivation, actions and others, holistically and descriptively in the form of words and languages in a natural special context by using various scientific methods. The sampling technic used was purposive sampling where the sample was not emphasized on the quantity but on the depth of information from the sample as the source of information. This research was done for the MSMEs in Manado City. The duration was 8 months, from March 2019 to October 2019. Sources of Data is Primary data and secondary data, primary data are data of research directly collected from their original sources through observation or interviews. The data include : a) Documents or evidence of transaction used in the activities MSMEs. b) Accounting record mode for recording the financial transactions of the MSMEs. c) Constraints faced by the MSMEs, in accounting application. D) Financial statement written by the MSMEs and Secondary data, secondary data function as the complement for the primary data. They are obtained by reading, studying and understanding through other media such as literature, scientific journals on MSMEs, method of research, SAK EMKM and others. Sample taking was done randomly. Some techniques were used in collecting the data, namely : 1. Observation, as mentioned by Sutrisno Hadi in Sugiyono (2010 : 145), is a complex process consisting of various biological and psychological processes two of which are very important, i.e observation and memory. In this research, there were 2 variables that were observed, those were, things related to Accounting Science in this case, SAK EMKM as the dependent variable while the MSMEs and the people, in this case, the business owners and employees, the independent variable. 2. Interview, According to Esterberg in Sugiyono (2013 : 231), interview is the meeting of two persons for exchanging information and ideas through questions and answers in order to construct a meaning in a certain topic. Interview is intended to directly get information that explain or answer research questions objectively. 3. Documentation According to Sugiyono (2010 : 329), documentation is a record of events that have already passed. Documents used in this study are records of transactions occurred, financial statements from MSMEs. Relevant building sources and regulations such as financial accounting standards for MSMEs and the law on

MSMEs.4. Library Studies, the researchers gathered information related to the topic of the problem to be examined through scientific journals about Financial Accounting Standards for MSMEs and research method as well as quoting from the internet. The most important instrument of research is the researchers. The data analysis techniques used was descriptive analysis. Research with qualitative analysis is research that has the characteristics of data stated in the natural condition or as it is which is not modified in the form of symbols or numbers (Nawawi and Martini, 2004 :174). Descriptive research is intended to make an objective representation of the symptoms contained in the research problems. The representation is done by describing symptoms as data or facts as they are (Bungin, 2003). Steps of analysis followed : 1. Classifying the data based on the accounting recording, accounting reporting and the business constraints that hinder the MSMEs in applying the accounting as shown by semi-structured interview and questionnaire. 2. Identifying accounting recording and reporting from each classification. 3. Analyzing the constraints faced by MSMEs in applying accounting. 4. Processing the data and drawing conclusions as a whole based on the data gathered. Steps of Research is

1. The researchers conducted observation in the site of research.
2. The researchers conducted the research in the site planned.
3. The researchers gathered the data from the 50 MSMEs.
4. The researchers analyzed the data gathered from the 50 MSMEs chosen.
5. The researchers wrote the research report.
6. The researchers wrote a journal for publication.

III. Results and Discussion

Because there are so many businesses in Manado City, the researchers limit this research to only a few businesses related to student activities namely photocopy, food stalls, laundries, motor bike and car repair shops, pulse kiosks, small kiosks and billboards. From the results of research that has been done in 50 MSMEs in some sub districts in Manado City obtained an overview of the application of accounting as follows :

Table 3. Types of business, constraints and financial statements made

Type of Business	Capital (000)	Number of Workers	Constraints	Financial Statements Made
Ewa shop	10.000	2	Stock of goods is hampered in shipping	Available
"Never" Workshop	50.000	4	Many competitors	Unavailable
Bersama Restaurant	1.000	1	Location is not strategic	Cash receipts and disbursements
Fried Food	5.000	3	Many competitors	Unavailable
Pulse Counter	5.000	1	Many competitors	Purchase/sale/income/cost
Nina Stahl	10.000	3	Limited stock	Purchase/sale of product
Imanuel Kiosk	5-7.000	1	Many competitors	Purchase/sale of product
Billboard	5.500	1	Many competitors	Purchase/cash receipts
Photocopy	300	3	Run out of stock/damaged machine	Unavailable
Grocery Stall	8.000	1	Run out of stock/a lot of debt	Available
Shop	7.000	1	Many competitors	Purchase/sale of product
Restaurant	700	1	Many people buy on credits	Unavailable
Car Repair Shop	5.000	1	Many competitors, lack of machinery	Unavailable
Food Stall	5.000	2	Many people buy on credits	Unavailable
Vegetable Vendor	6/700 IDR	1	Many competitors, lack of tools	Unavailable
Restaurant	20.000	4	Many people buy on credit	Purchase, cash receipts, employ salary records
ModaClass House Furniture	150.000	6	Small business place	Available
Grilled Fish Gallery	6.000	8	Many competitors, product does not sell	Available
Tinutuan with	10.000	1	Many competitors, product	Purchase/sale/income/cost

noodles Restaurant			does not sell	
Refill water Depot	100.000	3	Many competitors, products don't sell	Purchase/sale/income/cost
Mobil Ungke Motors Workshop	25.000	2	Much debt	Unavailable
Yul Stall	10.000	1	Limited stock of products	Purchase/sale
Ibu Yanti Cake Stall	2.000	2	Many competitors, products don't sell	Unavailable
Muna Cake Stall	2.000	1	Many competitors	Unavailable
Fitri Shop	10.000	2	Stock of good is hampered in shipping	Purchase/sale
Sari Water Depot	100.000	4	Many competitors	Unavailable
Ibu Ane Restauraant	2.000	1	Much debt	Cash receipts & disbursements
Fried Food	5.000	3	Many competitors, products don't sell	Available
Pulse Counter	5.000	1	Many competitors	Purchase/sale/income/cost
Rico Photocopy	25.000	5	Many competitors	Purchase/sale/income/cost
Opa Kiosk	5-7.000	1	Many competitors, products don't sell	Purchase/sale of products
Billboard	3.500	1	Many competitors	Purchase, cash receipts, record of wages
Photocopy	15.000	3	Many Competitors	Purchase/sale
Stall	8.000	1	Out of stock/much debt	Available
Shop	7.000	1	Many competitors	Purchase/sale
Restaurant	700 IDR	1	Many competitors, products don't sell	Unavailable
Car Repair	5.000	1	Many competitors, lack of tools	Unavailable
Food Stall	5.000	2	Many competitors, lack of tools	Unavailable
Vegetable Vendors	6/700 IDR	1	Many people buy on credits	Unavailable]]
Restaurant	20.000	4	Many competitors, products don't sell	Purchase/cash receipts, record of wages
Furniture Shop	150.000	6	Small business place	Available
Grilled Fish	6.000	8	Many competitors, products don't sell	Available
Tinutuan & Noodles Restaurant	10.000	1	Many competitors, products don't sell	Purchase/sale/income/cost
Refill Water Depot	100.000	3	Many competitors	Purchase/sale/income/cost
King & Queen Laundry	30.000	3	Many competitors	Purchase/sale/income/cost
Ara Kiosk	5.000	1	Many competitors	Unavailable
Andre Motor Workshop	5.000	-	Many competitors, business place is not strategic	Unavailable
Nona Kiosk	7.000	2	Many competitors, business place is not strategic	Unavailable

From table 1, we can see that of the 50 MSMEs being researched, 18 entities or 36% which have not made business record, let alone accounting record, while only 2 entities or 4% which recorded cash receipts and disbursements, 4 entities or 8% which recorded purchase and sale of products and employee wages, 8 entities or 18% which recorded purchase and sale of products, 10 entities or 20% which recorded purchase sale, income and cost and the remaining 8 entities or 16% which have made financial statements with the help of experts. It

can then be concluded that of the 50 business entities being researched, only 8 entities or 16% have made financial reports while 42 other business entities or 84% have not made financial statements due to incomplete records and in compatibility with the recording requirements for the MSMEs. From table 3.1 above we also know that there are 5 categories of constraints experienced by the MSMEs, namely: (1) Hampered by many competitors (31 entities or 62%), (2) Hampered by stock depletion while capital does not return due to uncollectible accounts (10 entities or 20%) and there were 4 business entities (8%) which did not develop because their location are not strategic, and 3 entities (6%) did not develop due to lack of capital causing insufficient stock and 2 entities or 4% were constrained due to late shipping. It can then be concluded that the biggest problem is tight competition in the same type of business, so there is a need for creativity and precise and quick calculation to be able to complete in developing the business and therefore, a good accounting record is needed so that the company is able to calculate the income and costs incurred. In addition, accounting records are needed to record who has owed, what amount and when it will be paid. All must be well documented so that the business owner can demand the payment from the debtor accounting to the agreement and the business can run again. Moreover, promotion efforts are needed to introduce businesses and business locations and order to be better known to the public or consumers, who needs goods and services. There are 6% of businesses that capital. In facts, this can be immediately overcome by applying for loans to banks, and other financial institutions. For this reason, a good accounting record is needed so that financial institutions can provide the needed capital assistance, while the 4% of businesses whose shipments were late could actually be minimized if there had been a better procurement plan for those businesses.

IV. Conclusions and Suggestions

Conclusions

1. Of the 50 businesses studied, only 8 businesses have made financial reports while the other 42 or 84% have not been able to made financial reports due to lack of knowledge in terms of their records. Some others recorded their activities only partially and did not conform to the requirement of accounting record that apply for MSMEs.
2. The biggest obstacle in these businesses is the number of competitors in the same business so it requires high creativity as well as precise and quick calculation to be able to completed and develop the business. For this reason, a good accounting record is needed so that the entrepreneurs are able to calculate the income and costs incurred in the business. From this record, it can be seen how much profit is obtained in the business. Besides, a good accounting record can produce good financial reports and can be used to obtain loans from banks or other financial institutions for the business development.

Suggestions

1. There should be a socialization about the importance of financial records and financial statements in accordance with the provisions of SAK EMKM.
2. There should be a training for financial records and financial statements in accordance with the provisions of SAK EMKM.

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