



IJFBS

Finance & Banking Studies

Finance & Banking Studies

IJFBS, VOL 10 NO 4 ISSN: 2147-4486

Contents available at www.ssbfn.net/ojs

<https://doi.org/10.20525/ijfbs.v10i4.1493>

Accounting Information System Implementation and Compatibility with MSMEs Accounting Standards for Preparing Financial Statements at Micro, Small and Medium Enterprises (MSMEs) in Malang, East Java, Indonesia

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Abstract

This study aims to determine the application of Accounting Information Systems in micro, small and medium enterprises in Malang Raya. With a population of entrepreneurs of trade and services and industry in Malang with a sample of 200 respondents. The form of research is interpretive research with primary data, and data collection is a survey using a questionnaire. The study results indicate that many micro and small companies in Malang Raya have implemented accounting information systems but have not been able to perfectly compile complete financial reports that can be used for economic decision-making. However, medium-sized companies have started to make perfect records. Accounting information systems include purchasing systems, sales systems, production systems, cash disbursements, and cash receipts systems.

Keywords: Accounting information system; MSMEs accounting standards; Financial statements

JEL Classifications: M4; F65; M41

Introduction

There are cases of violations and theft of business property because a good accounting reporting system has not been implemented so that reports can be trusted. In addition, many micros, small and medium enterprises have not been able to develop because of the lack of accounting and accountability for the financial transactions.

In companies, a report is something that should be made every period. In addition to assessing company performance, financial reports finance is also a form of corporate responsibility while controlling owner resources. According to (Suwardjono 2013), financial statements are a means of communication and a form of commitment between companies and owners or other parties generated through system accountancy. Thus, an accounting system following the activities is needed to produce financial reports as its users require. Based on the activities carried out, the company is categorized into trading, service, and manufactured companies. In the three types, there are differences in the cycle the accounting. The difference is that trading companies only carry out activities relating to the receipt and issuance of merchandise. While on service company, the company only conducts transactions related to service delivery. In contrast to trading and service companies, company manufacturers carry out production activities which will then be handed over to the customer. Thus, the accounting cycle for this type of company is more complicated than trading and service companies.

Manufacturing companies generally have three main activities: production, sales/marketing, and administrative (Suwardjono, 2013). Each work unit carries out these activities. However, not close the possibility for the company to add work units as needed. Thus, this leads to more records and reports generated by the company. The main difference between a trading company and manufacturing is in the inventory account, i.e., there is an inventory of raw material and consumables, consumables, work-in-process inventory, and finished goods inventory in manufacturing companies (Suwardjono, 2013). However, the inventory item on the statement of financial position is generally the total of total stock owned by the company. Accounting information systems are needed when making decisions. Therefore, it is necessary to design a suitable method to manage and control finances appropriately and efficiently. In large, the design includes three main activities: analyzing documents and proof of transactions used by the company, classifying and recording documents and evidence of transactions according to the group, and summarizing previously registered information into financial statements (Suwardjono, 2013). If the company's actions are still inappropriate in designing an accounting information system, it will be challenging to make decisions. In addition, the data processed by the company be of less quality.

Every entity with a business process must have a financial report to find out its assets and liabilities. The business process is a series of well-organized and interrelated activities and tasks performed by humans, computers, or machines so that it can help to achieve a goal (Romney, 2016). However, many entities still do not have a sound accounting information system. MSMEs are proven to have encouraged and stimulated sustainable national economic growth. Data from the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop and SMEs) in 2017 shows that 97% of employment is provided by MSMEs, thus contributing significantly to reducing unemployment in Indonesia. Seeing this vital role, support from all parties is needed to develop and realize advanced, independent, and modern MSMEs. Based on the description above, it is necessary to examine the application of accounting information systems and conformity with EMKM accounting standards to prepare financial reports for SMEs in Malang Raya, Indonesia.

Formulation of the question

How to apply an accounting information system following SAK EMKM in making financial reports to improve and develop UKMK?

Research objective

By applying an accounting information system following SAK MSMEs to prepare financial reports, it can improve and develop MSME businesses.

Literature Review

An accounting information system is a series of procedures, forms, records (journals, ledgers, subsidiary ledgers), and coordinated reports to provide the financial information needed by management to facilitate company management (Romney, 2016). The accounting information system for a business entity consists of: purchase accounting system (purchase requisition procedure, price quote procedure, purchase order procedure, goods receipt procedure, purchase payable and distribution approach), sales accounting system (sales order procedure, credit approval procedure, goods delivery procedure, billing procedure, accounts receivable recording procedure, sales distribution, cash). The accounting system is a series of operations, parts, forms, records, financial reports, and tools for processing financial transactions into reports, especially financial statements (Romney, 2016). Making an accounting system is intended to make financial reports properly and perfectly. Likewise, in making an accounting system, it must also contain elements of an internal control system to secure company assets, be thorough in recording and reporting accounting data and be efficient and effective.

Financial statements result from an accounting process that provides a company's financial information that is useful for interested parties in making economic decisions (Budiutomo, 2017; Devi, 2017). Financial Statements consist of five types: Profit/Loss Statements, Balance Sheets, Changes in Capital, Cash Flows, and Notes to Financial Statements (Baridwan, 2004). The entity's statement of financial position includes the following items: a) Cash and cash equivalents, b) Receivables, c) Inventories, d) Fixed assets, e) Accounts payable, f) Bank loans g) Equity. An entity's income statement includes the following items: a) Revenue, b) Finance expense c) Tax expense. The notes to the financial statements contain a) A statement that the financial statements have been prepared following SAK EMKM b) Summary of accounting policies c) Additional information and details of certain items that explain important and material transactions so that it is helpful for users to understand the financial statements (Fatimah, 2017; Devani, 2017; Aribawa, 2016; Ma'rifatul, 2012; Padamandari, 2017; Sitorus, 2016; Nur Diana, 2018; Djuwito, 2017; Fransiskusdemien, 2017; Husein, 2008; IAI, 2016; Ganjar, 2012; Hidayaturrohman, 2016; Kartikahadi, 2012; Warsadi, 2017; Ray, 2011; Abdul, 2011; Irsyad, 2017; Sri, 2017; Musyarofah, 2013; Kurnianto, 2012; Ismadewi, 2017; Suhartati, 2012; Siregar, 2012; Mahmud, 2016; Tulus, 2011).

The purpose of financial statements is to provide information on an entity's financial position and performance that is useful to many users in making economic decisions by anyone who is not in a place to request specific financial statements to meet their information needs. These users include resource providers to entities, such as creditors and investors. In fulfilling its objectives, financial statements also show management's accountability for the resources entrusted to it (Tulus, 2012).

The purpose of financial statements in general, according to (Baridwan 2004): 1) To provide information to parties in need about the condition of a company from the point of view of numbers in monetary units. 2) Provide valuable information to business and economic decision-makers by existing and professional investors, creditors, management, governments, and other users. 3) Provide information regarding the financial position, performance, and changes in the financial position of an enterprise that is useful for a large number of users in making economic decisions. 4) Provide information about the financial position, performance of changes in equity, cash flow, and other information.

The preparation of Financial Statements based on SAK EMKM provides information on the entity's financial position consisting of information about the entity's assets, liabilities, and equity on a specific date. The elements are defined as follows according to (IAI 2016):

- a. Assets are resources controlled by the entity due to past events and from which future economic benefits are expected to flow to the entity.
- b. Liabilities are present obligations of the entity arising from past events, the settlement of which results in an outflow from the entity of resources embodying economic benefits.
- c. Equity is the residual interest in the entity's assets after deducting all of its liabilities. The entity's performance information consists of income and expenses during the reporting period and is presented in the income statement.
 - (1) Income is an increase in economic benefits during the reporting period in the form of cash inflows, an increase in assets, or a decrease in liabilities resulting in an increase in equity that does not come from contributions from investors.

- (2) Expenses decrease economic benefits during the reporting period in the form of cash outflows or decreases in assets or increases in liabilities resulting in a decrease in equity that is not attributable to distributions to investors.

The basis for measuring the elements of financial statements in SAK EMKM is historical cost. The historical price of an asset is the amount of cash or cash equivalents paid to acquire the asset at the time of acquisition. The historical cost is the amount of cash or cash equivalents received or the amount expected to be paid to meet the liability in the ordinary course of business.

Contribution of research

With the application of an accounting information system following SAK MSMEs, good financial reports can be prepared to improve performance and develop MSME businesses.

Methods and Data

This type of research is interpretive with primary data sources, from questionnaires distributed to micro, small and medium entrepreneurs. This research is on entrepreneurs in Malang Raya with a sample of 250 entrepreneurs consisting of service, trade, and industrial businesses. The form of data is primary data by sending questionnaires to entrepreneurs in Malang Raya. Then it is documented and described in the form of tables, with a response rate of 80% so that the questionnaire collected as many as 200 respondents.

Results

The results of the survey were divided into three groups, namely micro-enterprises with 160 respondents (70%), small enterprises with 35 respondents (17.5%), and medium enterprises with five respondents (2.5%). Based on the type of business, it is divided into service and trade businesses as many as 195 respondents (97.5%) and industrial firms as many as five respondents (2.5%). The education level of respondents is divided into the range of elementary 10%, junior high school 20%, senior high school 30%, diploma or undergraduate or bachelor 40%. Age respondents between 20-30 years as many as 25 respondents (12.5%), 30-40 years as many as 50 respondents (25%), 40-50 years as many as 115 respondents (57.5%) over 50 years as many as ten respondents (5 %). There are 120 respondents (60%) male and 80 female respondents (40%). According to the answers to the questionnaire, the application of accounting information systems in micro, small and medium enterprises can be identified in the picture below.

An accounting information system that is reflected in the credit sales cycle has been created by the company, which includes sales order forms, invoices, accounting records such as sales journals, sales, and accounts receivable ledgers, and sales and accounts receivable subsidiary ledgers as well as daily sales reports and monthly sales reports. The results of the questionnaire answers from micro, small and medium enterprises are shown in the table below:

Application of accounting information systems in the sales cycle

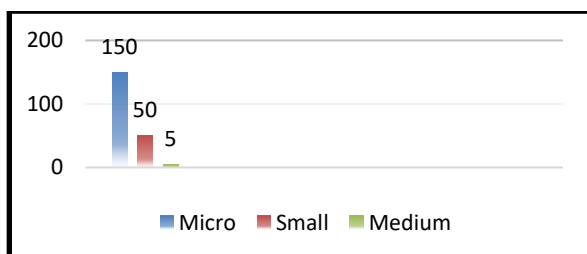


Figure 1: EMKM Sales Cycle

Application of the sales system in micro, small and medium enterprises in the city of Malang with respondents' answers for micro-enterprises 150 entrepreneurs have implemented the procedure sales, small businesses

50 entrepreneurs and five medium businesses have implemented procedures or sales cycle following EMKM standards to be able to make financial reports well.

An accounting information system reflected in the credit purchase cycle has been created by the company, which includes a purchase request form, a price quote request letter, a purchase order letter, a cash-out receipt letter, and accounting records and reports. The answers to the questionnaire from micro, small and medium enterprises are shown in the table below.

Application of accounting information systems in the purchasing cycle

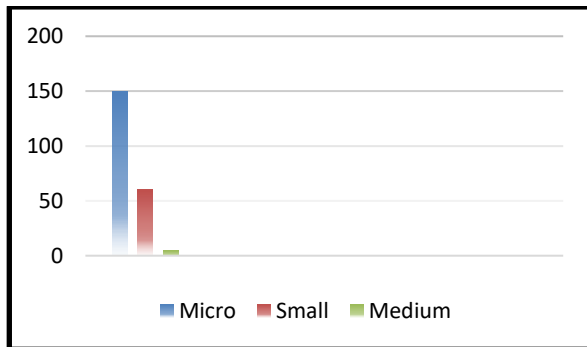


Figure 2: EMKM Purchasing Cycle

Application of the purchasing system in micro, small and medium enterprises in the city of Malang with respondents' answers for micro-enterprises 150 entrepreneurs have implemented purchase procedures, small businesses 60 entrepreneurs and medium enterprises five entrepreneurs have implemented procedures or purchasing cycles that are following EMKM standards to be able to make good financial reports.

The accounting information system in the cash receipts cycle has made notes on cash receipts and reports on cash receipts. The results of the questionnaire answers from micro, small and medium enterprises are shown in the table below:

Application of accounting information system in cash receipt cycle

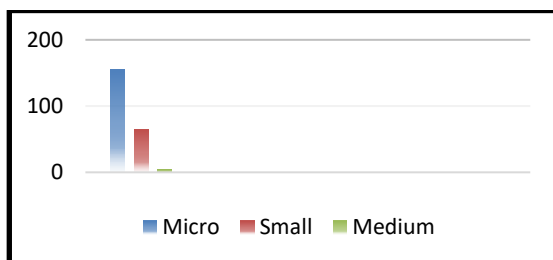


Figure 3: Cash Receipts Cycle

Application of cash receipts system in micro, small and medium enterprises in Malang with respondents' answers for micro-enterprises 150 entrepreneurs have implemented cash receipts procedures, small businesses 65 entrepreneurs and medium enterprises five entrepreneurs have implemented procedures or cash receipt cycles following EMKM standards to be able to make good financial reports.

The accounting information system in the cash disbursement cycle has made cash disbursements records and cash disbursements reports. The results of the questionnaire answers from micro, small and medium enterprises are shown in the table below:

Application of accounting information systems in the cash disbursement cycle

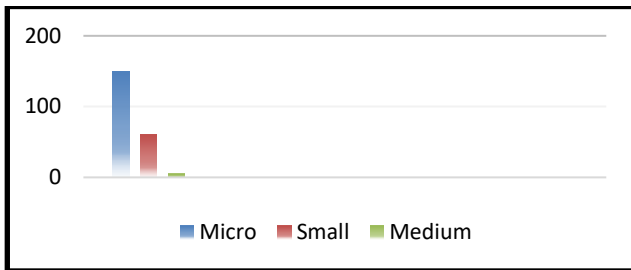


Figure 4: Cash Disbursement Cycle

Application of the cash disbursement system in micro, small and medium enterprises in the city of Malang with respondents' answers for micro-enterprises 150 entrepreneurs have implemented cash disbursement procedures, 60 small businesses and medium enterprises five entrepreneurs have implemented procedures or cash disbursement cycles following standards EMKM to be able to make good financial reports.

In applying EMKM standards, micro, small and medium enterprises have not all made financial reports. Micro and small businesses still make small records such as cash receipts and cash disbursements. However, it has not reported all assets, debt, and equity in the balance sheet and revenues and expenses in the income statement. However, most medium-sized companies have made reports according to the EMKM standard, including income statements, statements of changes in equity, statements of financial position, statements of cash flows, and notes to financial statements. In asset reporting, micro, small and medium enterprises have followed the EMKM standard, as answered in the following questionnaire:

Reporting of assets in the Balance Sheet

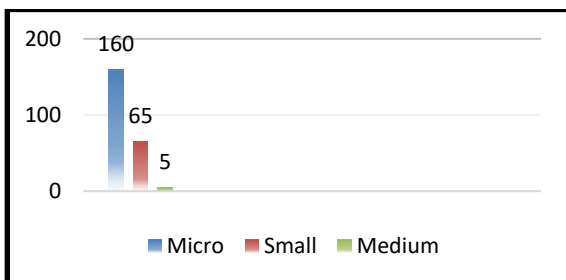


Figure 5: Asset Reporting

In reporting the micro assets, small businesses have made small notes about their assets, but they have not made a report on the financial position or balance sheet every year to know how much their assets total. For medium-sized businesses, information on financial position has been prepared to show the state of assets, liabilities, and equity at the end of the accounting period. For example, in reporting debts arising from purchase transactions on credit, micro, small and medium-sized companies have followed the EMKM standard, as answered in the following questionnaire:

Reporting Debt in the Balance Sheet

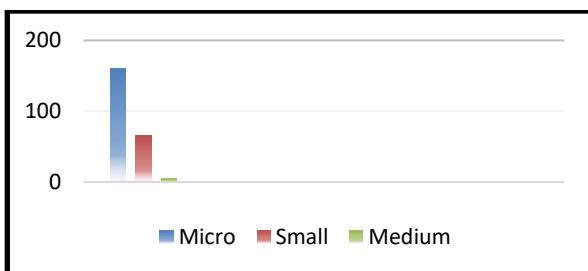


Figure 6: Debt Reporting

Micro, small businesses have small records to know when the debt will be paid off or due, but they do not make financial reports that show all assets, debt, and equity at the end of each accounting period. Financial statements have been prepared to show their financial position for medium-sized businesses at the end of the accounting period. In reporting equity, micro, small and medium enterprises have followed the EMKM standard, as answered in the following questionnaire:

Reporting Equity in the Balance Sheet

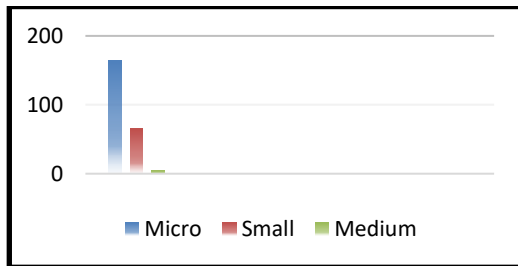


Figure 7: Reporting Equity

Micro and small enterprises' equity does not report the equity amount at the end of each accounting period. Still, medium enterprises already have a record of financial position at the end of each accounting period. For example, in reporting income arising from cash and credit sales transactions from the settlement of receivables, micro, small and medium enterprises have followed the EMKM standard, as answered in the following questionnaire:

Income Reporting in Profit and Loss

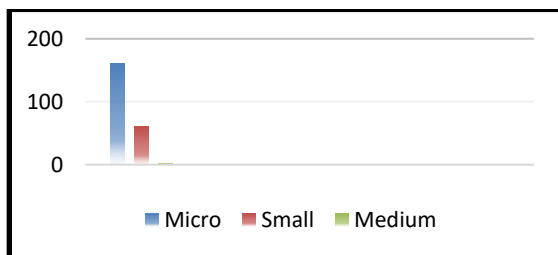


Figure 8: Income Report

Micro and small businesses only have a report on the amount of money received in the cash box at the cashier. Do not make reports on the number of sales or revenue received. In reporting costs arising from purchase transactions and other expenditures, micro, small and medium enterprises have followed the EMKM standard, as answered in the following questionnaire:

Reporting Expense/Cost in Profit and Loss

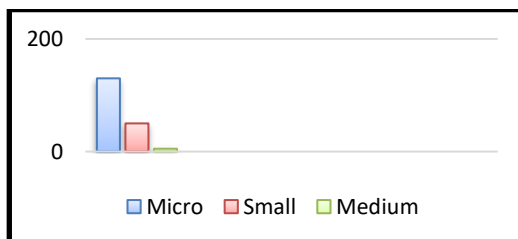


Figure 9: Expense Reporting

For reporting expenses incurred, they only have payment receipts. Still, no reports are made on all costs incurred in the profit/loss statement. Still, medium-sized businesses have produced reports on all expenses incurred in the income statement for the accounting period. The form of the company mentioned above, based on the answers to the questionnaire, is as shown in the following table:

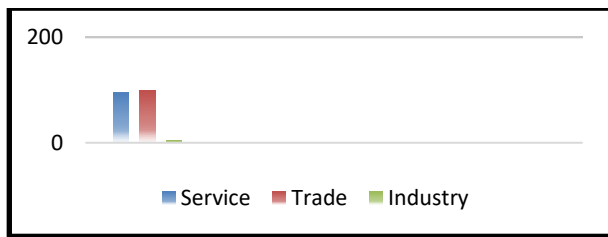


Figure 10: Types of Business

The type of business studied here consists of 95 business suits, 100 trading businesses, and five industrial businesses in Malang.

Discussions

In applying accounting information systems for micro, small and medium enterprises in Malang with 200 entrepreneurs as research samples, most of the micro, small and medium enterprises already have an accounting information system consisting of simple accounting records. However, micro and small businesses have not made formal financial reports following SAK EMKM, which consists of comprehensive income/loss statements, statements of financial position, cash flow, and notes to financial statements. So that each accounting period they can find out the development of their business, for example about the profit earned, the increase in equity owned. As for medium-sized companies, most of them have made a good accounting information system to produce financial reports correctly and reliably. The results of this study indicate that many small and medium-sized businesses have made accounting records according to the rules of SAK MSMEs so that mainly medium-sized businesses can make financial reports well. However, many have not implemented accounting information systems for micro-enterprises, so they cannot make financial reports well.

Conclusion

The study results show that micro and small businesses have not yet made complete records such as proof of transactions, journals, ledgers, and reports to create good financial statements for each accounting period to know the development of their business. In addition, most medium-sized companies have implemented good accounting systems and procedures to create and trust reliable financial reports by parties outside the business entity, such as the tax office, creditors, and investors. For future research, it is better to discuss the application of accounting information systems with variable indicators of the use of information technology on the quality of accounting information.

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