MSME FINANCIAL REPORTS ARE EASY TO IMPLEMENT BASED ON FINANCIAL ACCOUNTING STANDARDS FOR MICRO, SMALL AND MEDIUM ENTITIES

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Abstract- MSMEs is a business that is taken into account in the Indonesian economy. MSMEs are also often referred to as the wheels of the economy in Indonesia. The aim of this research is to find out which MSME financial reports are easy to implement based on Financial Accounting Standards for Micro, Small and Medium Entities. The method used in this study uses a qualitative method with a library approach. Literature or literature study can be interpreted as a series of activities relating to methods of collecting library data, reading and taking notes and processing research materials. Data collection in research is carried out by reviewing and/or exploring several journals, books and documents (both printed and electronic), as well as other sources of data and/or information that are considered relevant to the research or study. The research results show that the Financial Accounting Standards for Micro, Small and Medium Entities are accounting standards aimed at meeting the financial reporting needs of MSMEs. Financial reports based on Financial Accounting Standards for Micro, Small and Medium Entities only include Profit and Loss Statements, Financial Position Reports and notes to Financial Reports. MSME financial reports based on the Financial Accounting Standards for Micro, Small and Medium Entities are easy to apply and can be held accountable by management for the resources entrusted to them because the standards applied by the Financial Accounting Standards for Micro, Small and Medium Entities are simpler and adapt to the conditions in the MSMEs themselves.

Keywords: Standard, Micro, Small and Medium Entities

I. Introduction

MSMEs are an important part of the Indonesian economy. MSMEs are also often referred to as the wheels of the economy in Indonesia. MSME is an abbreviation for Micro, Small and Medium Enterprises, based on Law No. 20 of 2008. Micro Enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Enterprises as regulated in this Law. A small business is a productive economic business that stands alone, carried out by an individual, or a business entity that is not a subsidiary, or not a branch of a company that is owned, controlled, or is part, either directly or indirectly, of a medium or large business that meets Small Business criteria as intended in this Law. Meanwhile, medium-sized businesses are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled or become part of them, either directly or indirectly. Financial recording is the basis that every entrepreneur must have in order to develop MSMEs.

In fact, many MSMEs experience difficulties in accounting practices caused by various factors including; limited knowledge, and many of them do not understand the importance of recording and bookkeeping for business continuity (Linawati, 2015). In relation to these conditions, the Indonesian Accountants Association through the Financial Accounting Standards Board on July 17 2009 established Financial Accounting Standards for Entities Without Public Accountability. Financial Accounting Standards for Entities Without Public Accountability are intended for entities whose financial reports are not publicly accountable and are usually applied to small and medium businesses. The Financial Accounting Standard for Entities Without Public Accountability, which is basically a simpler standard, in fact still has several accounting requirements that are not, or have not been able to be met by MSMEs, so on May 18 2016 the Financial Accounting Standards Board approved the Exposure Draft Financial Accounting Standards Micro, Small and Medium Entities. These Financial Accounting Standards for Micro, Small and Medium Entities came into effect on January 1 2018, then "What are the Financial Accounting Standards for Micro, Small and Medium Entities"?

Financial Accounting Standards for Micro, Small and Medium Entities are accounting standards aimed at meeting the financial reporting needs of micro, small and medium entities. Financial reports in the Financial Accounting Standards for Micro, Small and Medium Entities only include Profit and Loss Statements, Financial Position Reports, and notes to Financial Reports.

The financial position report according to the Financial Accounting Standards for Micro, Small and Medium Entities does not determine the format or sequence of the accounts presented. However, MSMEs can present asset accounts in order of liquidity and liability accounts in order of maturity. Presents comparative information, namely information from the previous period for all amounts presented in the current period's financial statements. The profit and loss report is presented according to the Financial Accounting Standards for Micro, Small and Medium Entities, namely where the report includes all income and expenses recognized

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in a period, unless the Financial Accounting Standards for Micro, Small and Medium Entities require otherwise. Financial Accounting Standards for Micro, Small and Medium Entities regulate the treatment of the impact of corrections to errors and changes in accounting policies which are presented as retrospective adjustments to previous periods and not as part of profit or loss in the period in which the change occurs. Notes to financial statements are presented systematically to the extent practical.

The measurement used in Financial Accounting Standards for Micro, Small and Medium Entities is based on historical costs so that it is sufficient to record assets and liabilities at cost. Financial Accounting Standards for Micro, Small and Medium Entities is intended to meet the financial reporting needs of micro, small and medium entities. Based on the above background, researchers are interested in taking the topic "MSME Financial Reports in General Based on Financial Accounting Standards for Micro, Small and Medium Entities Financial Accounting Standards". It is hoped that this standard will be able to help MSME business actors in preparing financial reports because the standards applied by Financial Accounting Standards for Micro, Small and Medium Entities are simpler and adapt to the conditions in the MSMEs themselves.

II. Research Methods

The method used in this study uses a qualitative method with a library approach. Literature or literature study can be interpreted as a series of activities relating to methods of collecting library data, reading and taking notes and processing research materials. In library research there are at least four main characteristics that researchers need to pay attention to, including: First, that researchers deal directly with text or numerical data, not with direct knowledge from the field. Second, library data is "ready to use" meaning that researchers do not go directly into the field because researchers deal directly with data sources in the library. Third, that library data is generally a secondary source, in the sense that researchers obtain material or data from second hand and not original data from first hand data in the field. Fourth, that the condition of library data is not limited by space and time (Zed, 2003:4-5). Based on the above, data collection in research was carried out by reviewing and/or exploring several journals, books and documents (both printed and electronic), as well as data sources and/or other information deemed relevant. with research.

III. Discussion

3.1. Accountancy

Accounting is the process of recording, classifying, summarizing, managing and presenting information, transactions and events related to finance so that users can easily understand it, for making decisions and for other purposes. Accounting functions to provide quantitative, financial information about financial entities, which is intended as information that can be useful in making economic decisions. Accounting has a goal, in general the goal of accounting, namely to collect and report information relating to company finances, performance, financial position and cash flow.

3.2. Accounting Cycle

The accounting cycle is a set of processes for compiling acceptable company financial reports, and is accounted for as follows:

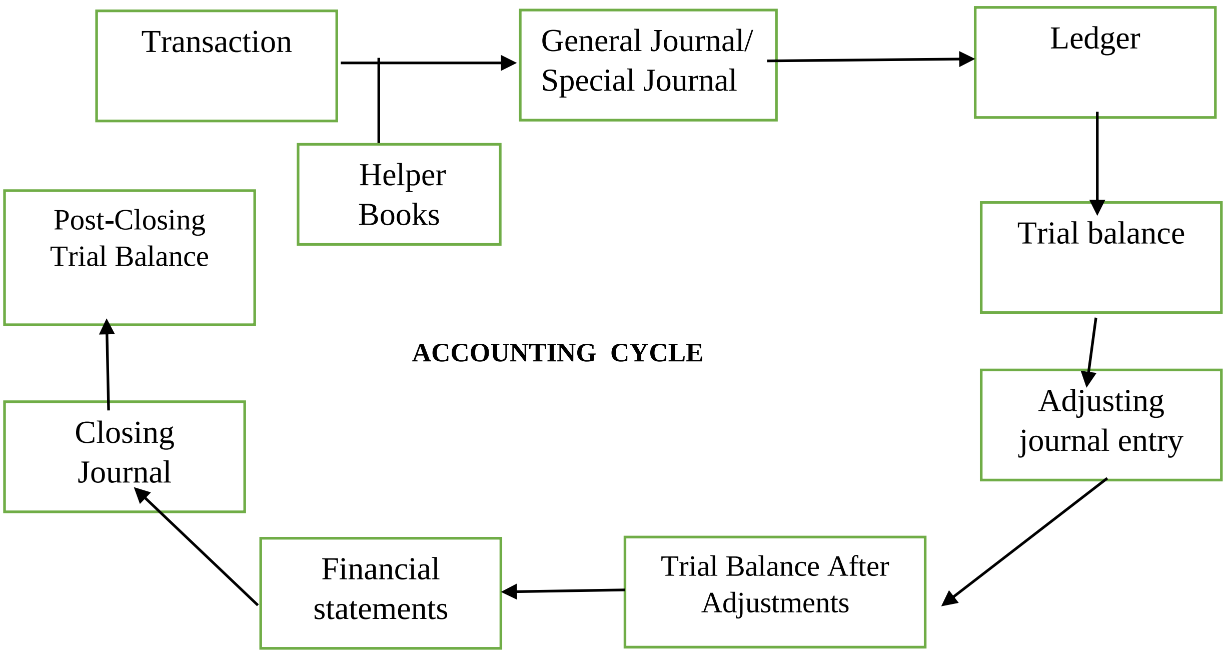

Figure 3. 1 Accounting Cycle

The following is an explanation of the accounting cycle:

1. Transactions

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This transaction is carried out with the aim of studying the transactions that have been carried out so that they can be used to determine their effect on the accounts in the accounting equation when preparing the financial statements used. Subsidiary book, created as a control book for Receivables, Payables and Banks

2. General Journal/Special Journal
   After all transactions have been analyzed according to type, the next step is to record them in a general journal or special journal (Cash Receipts Journal, Cash Disbursements Journal, Sales Book, Purchase Book, Memorial Journal) based on the date the transaction occurred. At this stage, transactions are recorded according to transaction evidence which includes accounts for assets, debt, capital, income and costs.
3. Ledger
   After journaling, the next stage is posting to the ledger. In general, what is done at this stage is to record the date of the transaction, write down a description of the transaction carried out, and record the amount of rupiah for each transaction according to the debit and credit.
4. Trial Balance
   The trial balance is a list that presents account balances from the general ledger. To prepare a trial balance, the final balance of each ledger is presented in the prepared trial balance.
5. Adjusting Journal
   At the end of the period, adjustments are usually made to accounts, including supplies, depreciation of fixed assets, merchandise inventory.
6. Trial Balance After Adjustments
   In the next stage, after preparing the trial balance and recording the adjusting journal, the trial balance needs to be updated after there are adjustments in several accounts.
7. Financial Reports
   Based on the trial balance after adjustments, the next step is to sort the accounts presented in the financial statements, namely the profit and loss report, financial position report, capital changes report, and cash flow report.
8. Closing journal
   At this stage, closing journal entries need to be made with the aim of closing the nominal account at the end of the period.
9. Post-Closing Trial Balance
   The final stage in the accounting cycle is preparing the trial balance after closing. This stage is carried out with the aim of ensuring a balanced financial position so that the next accounting period can be used to start the accounting cycle.

3.3. Financial Reports

1. Understanding Financial Reports

   Financial reports are documents that contain recording information about all transactions related to money, sales and purchases. Financial reports also have the function of clarifying the company's financial position, so that the report is detailed, accurate and well calculated.

   Financial reports are an important source of information for users of financial reports in the context of making economic decisions. This financial report will be more useful if the information contained in the financial report can be used to predict what will happen in the future (Hery, 2015)

   Financial reports are a means that can be used by an entity to communicate conditions related to its financial condition to interested parties from both internal and external entities (Sochib, 2018).
2. The purpose of financial reports

   The purpose of financial reports is to provide information regarding the financial position, financial performance and cash flow of an entity which is useful for most users of financial reports in making economic decisions (Sochib, 2018). The purpose of financial reports is to present generally accepted accounting reports regarding financial position, profit and loss statements, and notes to financial reports (Kiet Tumiwa, et al. 2022)
3. Types of Financial Reports
   a. Profit and Lost Statement
      .Profit and Loss Statement
      The income statement is a report that describes the financial development of a business unit during the accounting period. This financial report contains information about the components of the company's expenses and income to determine net loss or profit.
   b. Capital Change Report
      A report on changes in capital (equity) is a type of report that includes information regarding changes in a company's capital (equity) in a period.
   c. Financial Position Report or Balance Sheet
      The financial position report (Balance Sheet) is a report that explains information about the company's financial condition during a certain period. In this report you can find out the total assets, equity and liabilities of the company.
   d. Cash Flow Report
      A cash flow report is a report that shows all aspects related to company activities, both those that have an indirect and direct effect on cash
4. Calculation of Final Inventory Without Stock Taking of Goods in the Warehouse
   In recording the availability of goods or products, there are two methods, namely the perpetual method and the periodic method. It doesn't matter if the business uses the perpetual method, because the ending inventory balance can be known at

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any time you want. If the business uses a periodic method, stock taking must be carried out. Stock taking is the activity of calculating the physical availability of goods for the inventory of goods being stored, with the aim of selling the goods. There are two ways to calculate ending goods inventory without stock taking goods in the warehouse:

a. View inventory card
   By looking at the inventory card, we can immediately find out the final balance of each item that is still available and can add it up immediately. This applies if the business has or uses an inventory card.
b. Calculate using the gross profit method formula
   Ending inventory = Beginning inventory + purchases – COGS..

3.4. Micro, Small and Medium Enterprises (MSMEs)

According to the Job Creation Law, namely Government Regulation Number 7 of 2021 concerning Facilitation, Protection and Empowerment of Cooperatives and Micro, Small and Medium Enterprises, it is one of the pillars of people's economic strength which is able to expand employment opportunities and play a role in equalizing and increasing people's income, encouraging economic growth, and realizing national stability (Government of Indonesia, 2021). The criteria for MSMEs based on Government Regulation Number 7 of 2021 are as follows

1. Initial business capital
- For the establishment and registration of a Micro Business, the required business capital criteria must have capital of a maximum of IDR 1,000,000,000 (one billion rupiah), excluding land and buildings where the business is located
- For the establishment and registration of a Small Business, the requirements for business capital are that you must have capital of IDR 1,000,000,000 – IDR 5,000,000,0000, excluding land and buildings where the business is located
- For the establishment and registration of Medium Enterprises, the required business capital criteria must have business capital of more than IDR 5,000,000,000 (five billion rupiah) up to a maximum of IDR 10,000,000,000 (ten billion rupiah), excluding land and buildings where the business is located.
2. Number of Workers
   According to Government Regulation Number 7 of 2021, the number of workers for micro businesses is a maximum of 10 people, for small businesses there are more than 10 to 49 workers, and for medium businesses the number of workers is at least 50 to 150 employees.
3. Annual Sales Results
   According to Government Regulation Number 7 of 2021, the annual sales results or turnover of each business entity are as follows:
- Micro business : Maximum IDR 2.000.000.000
- Small business : IDR 2.000.000.000 – IDR. 15.000.000.000
- Medium business : IDR 15.000.000.000 – IDR. 50.000.000.000

MSMEs have the following characteristics:
- Materials or product types may change at any time or are not permanent
- Self-built management
- Privately owned capital
- The marketing department is local
- The number of employees working is only limited

The aim of Micro, Small and Medium Enterprises (MSMEs) is to develop and grow their businesses as part of National economic development according to fair economic democracy.

3.5. Financial Accounting Standards for Micro, Small and Medium Entities

The Accounting Standards for Micro, Small and Medium Entities are stand-alone Financial Accounting Standards, intended for use by entities that are unable or do not fulfill the accounting requirements regulated by the Financial Accounting Standards for Entities Without Public Accountability.

Financial Accounting Standards for Micro, Small and Medium Entities, clearly describes the concept of business entities as one of its basic assumptions and therefore, to be able to make financial reports based on Financial Accounting Standards for Micro, Small and Medium Entities, Entities must be able to distinguish between personal property and assets and results from the business, and between a company/entity and another company/entity. Micro, Small and Medium Entities are entities without significant public accountability, as defined in the Financial Accounting Standards for Entities Without Public Accountability, which meet the definition and criteria of micro, small and medium enterprises as regulated in the applicable laws in Indonesia, at least -at least for 2 consecutive years (IAI, 2022). Financial Accounting Standards for Micro, Small and Medium Entities are accounting standards that are made simple because they regulate general transactions carried out by Micro, Small and Medium Entities and the basis for measurement is purely historical costs so that it is sufficient to record assets and liabilities at their cost (IAI, 2022)

1. Scope
   The scope of Financial Accounting Standards for Micro, Small and Medium Entities is stated in the Financial Accounting Standards for Micro, Small and Medium Entities which reads:
   a. Financial Accounting Standards for Micro, Small and Medium Entities are intended for use by micro, small and medium entities
   b. Micro, small and medium entities are entities without significant public accountability, as defined in the Financial Accounting Standards for Entities Without Public Accountability, which meet the definition and criteria for micro,

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small and medium enterprises as regulated in the applicable laws and regulations in Indonesia, for at least 2 consecutive years

c. Financial Accounting Standards for Micro, Small and Medium Entities can be used by entities that do not meet the definitions and criteria in the Financial Accounting Standards for Entities Without Public Accountability if the authority permits the entity to prepare financial reports based on the Financial Accounting Standards for Micro, Small and Medium Entities.

2. Objectives of Financial Reports Financial Accounting Standards for Micro, Small and Medium Entities

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

3. Elements in Financial Reports Based on Financial Accounting Standards for Micro, Small and Medium Entities
   a. Asset
      Assets are resources controlled by an entity as a result of past events and from which future economic benefits are expected to be obtained by the entity.
   b. Liabilities
      Liabilities are current obligations of an entity arising from past events, the settlement of which results in an outflow of the entity's resources that embody economic benefits.
   c. Equity
      Equity is the residual interest in an entity's assets after deducting all its liabilities

4. Recognition of Financial Report Elements
   Recognition of financial report components is the process of preparing accounts in the profit and loss report or balance sheet that meet the following criteria:
   a. Economic benefits in the future
      Economic benefits can certainly flow out of or into an entity
   b. Have costs that can be measured reliably

5. Measurement of Financial Report Elements
   Measurement is the process of determining the amount of money to recognize assets, liabilities, income and expenses in financial statements. The basis for measuring financial report elements in Financial Accounting Standards for Micro, Small and Medium Entities is historical cost. The historical cost of an asset is the amount of cash or cash equivalents paid to acquire the asset at the time of acquisition. The historical cost of a liability is the amount of cash or cash equivalents received or the amount of cash expected to be paid to fulfill the liability in the normal course of business.

6. Basic Assumptions
   The basic assumptions used by the Financial Accounting Standards for Micro, Small and Medium Entities in financial statements are as follows:
   a. Accrual Basis
      Entities prepare financial reports on an accrual basis. In the accrual basis, items are recognized as assets, liabilities, equity, income and expenses when they meet the definition and recognition criteria for each of these items.
   b. Business Continuity
      In preparing financial reports, management uses Financial Accounting Standards for Micro, Small and Medium Entities to assess the entity's ability to continue its business continuity in the future. The entity is a going concern, unless management wishes to liquidate the entity or cease operations, or there are no realistic alternatives. If an entity does not prepare financial reports in accordance with the going concern assumption, then the entity does not have business continuity.
   c. Business Entity Concept
      An accounting entity is an entity that stands alone, as a separate economic unit. Determining the entity is based on identifying each economic unit that requires economic data. If the entity has been identified, the accountant can determine what data and economic activities need to be analyzed, recorded and summarized, in the financial statements.Penyajian

7. Presentation
   Fair presentation of financial reports based on the Financial Accounting Standards for Micro, Small and Medium Entities requires the entity to present information to achieve its objectives as follows:
   a. Relevant
      Information used by users for the decision making process
   b. Exact Representation
      The information in financial reports presents exactly what is to be presented and is free from material errors
   c. Comparability
      The information presented can be compared between periods, to identify trends in financial position and performance. Information in an entity's financial statements can also be compared between entities to evaluate financial position and performance.
   d. Comprehensibility

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The information presented can be easily understood by users. Users are assumed to have sufficient knowledge and a willingness to study the information with reasonable diligence.

8. Financial Reports Financial Accounting Standards for Micro, Small and Medium Entities.
   Presenting detailed financial reports based on Financial Accounting Standards for Micro, Small and Medium Entities are as follows:
   a. Financial Position Report
      Financial reports are systematic reports, which describe the company's assets, liabilities and capital, and aim to describe the financial position.

Table 3.1. Financial Position Report

ENTITY STATEMENT OF FINANCIAL POSITION DECEMBER 31, 20x8			
ASSET	Notes	20x8	20x7
Cash and cash equivalents : :			
- Cash	3	Xxx	Xxx
- Giro	4	Xxx	Xxx
- Deposito	5	Xxx	Xxx
Amount of cash and cash equivalents		**Xxxxx**	**Xxxxx**
Accounts Receivable	6	Xxx	Xxx
Supplies		Xxx	Xxx
Prepaid expenses	7	Xxx	Xxx
Fixed Assets		Xxx	Xxx
Accumulated depreciation		(xxx)	(xxx)
TOTAL ASETTS		**Xxxxx**	**Xxxxx**
LIABILITIES			
Accounts Payable		Xxx	Xxx
Bank Debt	8	Xxx	Xxx
TOTAL LIABILITIES		**Xxx**	**Xxx**
EQUITY			
Capital		Xxx	Xxx
Retained Earnings	9	Xxx	Xxx
TOTAL EQUITY		**Xxxx**	**Xxxx**
TOTAL LIABILITIES & EQUITY		**Xxxxx**	**Xxxxx**

Source : IAI, Exposure Draft, SAK EMKM 2016

   b. Income statement
      An income statement is a report that presents income and expenses for the period, then the difference between income and expenses will become loss/profit for that period.

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Table 3.2. Income statement

ENTITY INCOME STATEMENT DECEMBER 31, 20x8	**Notes**		
INCOME		20x8	20x7
Operating revenues	10	Xxx	Xxx
Other income		Xxx	Xxx
Total Income		xxxxx	Xxxxx
EXPENSES			
Operating expenses	11	Xxx	Xxx
Other Expenses		Xxx	Xxx
Total Load		**xxxxx**	**Xxxxx**
PROFIT (LOSS) BEFORE INCOME TAX	12	Xxx	Xxx
Income tax expense		Xxx	Xxx
PROFIT (LOSS) AFTER INCOME TAX		Xxxx	Xxxxx

Source : IAI, Exposure Draft, SAK EMKM 2016

c. Notes to Financial Reports

According to Financial Accounting Standards for Micro, Small and Medium Entities, notes to financial reports relate to:

1. Statement that the financial statements have been prepared based on the Financial Accounting Standards for Micro, Small and Medium Entities
2. Contains economic policy
3. Specific account details and additional information, explaining important materials and transactions, so that it can be useful for users to understand financial reports.

Table 3.3. Notes to Financial Reports

ENTITY NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 20xx
1. GENERAL The entity was established based on a notarial deed 1 January 20x7 made before a notary S,H notary in Jakarta and obtained approval from the Minister of Law and Human Rights No. Xxx 2016. The entity meets the criteria as a Micro, Small and Medium Entity according to Law no. 20 of 2008
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **a. Compliance Statement** Financial reports are prepared using Financial Accounting Standards for Micro, Small and Medium Entities **b. Basics of Preparation**

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ENTITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 20xx

The basis for preparing financial reports is historical costs and uses accrual basis assumptions. The presentation currency used to prepare financial reports is the rupiah.

c. Accounts receivable

Trade receivables are stated at the invoice amount

d. Supply

Raw material inventory costs include purchase costs and purchase transportation costs. Conversion costs include direct labor costs and overhead. Fixed overhead is allocated to conversion costs based on normal production capacity. Variable overhead is allocated to production units based on actual use of production facilities. The entity uses the average inventory cost formula.

e. Fixed assets

Fixed assets are recorded at cost if the assets are legally owned by the entity. These fixed assets are depreciated using the straight-line method without residual value

f. Recognition of Income and Expenses

Sales revenue is recognized when an invoice is issued or delivered to a customer. Expenses are recognized when incurred

g. Income tax

Income tax follows the tax provisions applicable in Indonesia

3. CASH

	20x8	**20x7**
Petty cash Jakarta-Rupiah	Xxxx	Xxxx

4. GIRO

	20x8	**20x7**
PT Bank xxx-Rupiah	Xxxx	Xxxx

5. DEPOSITS

	20x8	**20x7**
PT Bank xxx-Rupiah	Xxxx	Xxxx

6. ACCOUNTS RECEIVABLE

	20x8	**20x7**
Shop A	Xxxx	Xxxx
Shop B	Xxxx	Xxxx
Total	**Xxxx**	**Xxxx**

7. PREPAID EXPENSES

	20x8	**20x7**
Rent	Xxxx	Xxxx

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ENTITY **NOTES TO FINANCIAL STATEMENTS** **DECEMBER 31, 20xx**		
Insurance	Xxxx	Xxxx
Licenses and Permits	Xxxx	Xxxx
Total	**Xxxx**	**Xxxx**
8. BANK LOANS		
On March 4 20x8 the entity obtained a working capital credit loan (KMK) from PT. Bank ABC with a maximum credit of Tp.xxx with an effective interest rate of 11% per year with a maturity ending April 19 20x8. The loan is secured by the entity's inventory of a plot of land		
9. BALANCED EARNINGS		
Retained earnings are the difference between income and expenses, after deducting distributions to owners.		
10. SALES REVENUE		
	20x8	**20x7**
Sale	Xxxx	Xxxx
Sales Returs	Xxxx	Xxxx
Total	**Xxxx**	**Xxxx**
11. OTHER EXPENSES		
	20x8	**20x7**
Loan interest	Xxxx	Xxxx
Etc	Xxxx	Xxxx
Total	Xxxx	Xxxx
12. INCOME TAX EXPENSES		
	20x8	**20x7**
Income tax	Xxxx	Xxxx

Source : IAI, Exposure Draft, SAK EMKM 2016

IV.Conclusion

Financial reporting is the basis that every business actor must have in order to develop MSMEs. Financial Accounting Standards for Micro, Small and Medium Entities are accounting standards aimed at meeting the financial reporting needs of micro, small and medium entities. Financial reports in the Financial Accounting Standards for Micro, Small and Medium Entities only include Profit and Loss Statements, Financial Position Reports and notes to Financial Reports. MSME financial reports based on the Financial Accounting Standards for Micro, Small and Medium Entities are to provide information on the financial position and performance of an entity that is useful for a large number of users in making economic decisions by anyone who is not in a position to request special financial reports to meet these information needs. These users include resource providers to entities, such as creditors and investors. In fulfilling its objectives, MSME financial reports based on the Financial Accounting Standards for Micro, Small and Medium Entities also show management's accountability for the resources entrusted to them. So, this standard is able to help MSME business actors in preparing financial reports because the standards applied by the Financial Accounting Standards for Micro, Small and Medium Entities are simpler and adapt to the conditions in the MSMEs themselves.

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