

# Society Assistance Financial Report Based On Financial Accounting Standard Of Entities Without Public Accountability Standard In Encouraging Small And Middle Enterprises Development

Galuh Tresna Murti

**Abstract:** The purpose of this research is to describe and to know the effectiveness of the society assistance that establish and develop communities that are economically independent. The society assistance improve their skills in preparing financial reports in accordance with applicable standards in order to apply financial statements for well the best of business development. The method used is qualitative as a means to determine the technical implementation of the activities through interviews, questionnaires, and direct observations. Assistance activities were carried out on two business partners of shirt manufacturer in Surapati Shirt Manufacture Center Bandung of Sangkuriang Print and Eno Collection. Result obtained is an effective assistance session of preparing financial report based on Financial Accounting Standard of Entities Without Public Accountability Standard.

**Index Terms:** Financial Accounting Standard of Entities Without Public Accountability, Micro, Small and Medium Enterprises.

## 1 INTRODUCTION

### 1.1 Background

Small and Middle Enterprises (SME) play important roles in national economy growth, distributing development outcomes. The previous monetary crisis in Indonesia shows that SMEs are relatively more resilient in facing of the global economic crisis [1]. As much as 99 % of the total companies in Indonesia are companies of Small, and Middle Enterprises [1] with an estimation of 89% growth in 2015 [2]. SME development through business empowerment approach needs to pay attention to state of preparedness aspects of SMEs in reporting their business activities since they are the major requirement for SMEs in order to obtain additional funds from investors in developing their business activities. Based on a survey conducted by CPA Australia for Indonesian SMEs in 2014, as many as 79% of respondents said they would apply for external financing for business improvement and to maintain their business [3]. Participation of stakeholders needs to be supported and developed so that SMEs can survive better in national economy. The impact of globalization has brought in number of goods and services from abroad, which is a threat to SMEs.

Therefore, promotion and development of current SMEs is more urgent and very strategic in order to raise the people's economy; SMEs independence is expected to be achieved in the future. Indonesian Institute of Accountants as professional body appointed by the Indonesian government as regulator profession issue Financial Accounting Standards for SMEs, namely Financial Accounting Standard of Entities Without Public Accountability (SAK ETAP), officially enacted effective January 1, 2013. However lack of knowledge and understanding of both SAK ETAP, has caused difficulty for SMEs in preparing the standard financial reporting [4]. Guidance for SMEs is carried out through intensive assistance to help SMEs create financial statements in accordance with the standards of SAK ETAP, making their financial statements acceptable for investors or banks. Common problems faced by SMEs in Indonesia in the development of their business are: (1) lack of funding for business development; (2) lack of information and access to raw materials and markets; (3) low quality of human resources; (4) lack of ability to produce innovative products; and (5) weak guidance/assistance (incubation) [5]. The success of the new SME (start-up SMEs) is only 20% in the first year and 10% in the second year, resulting in the need to increase its success rate [6]. Another problem is that SME linkages with business prospects are vague while the planning, vision, and mission have not been steady. This happens because most SMEs gathers income by raising revenue with characteristics as follows: being a family owned business, using technology that is still relatively modest, having less access to capital (bankable); there is no separation of venture capital with personal expenses [7]. With the problems mentioned above, we are interested in performing research on assistance SMEs especially regarding financial reporting standards-based SMEs, with the Financial Accounting Standards Entities Without Public Accountability.

### 1.2 Research Problems

The research problems in this paper are:

1. Limited funding for business development;
2. Lack of information and access to raw materials and

- Galuh Tresna Murti
- Doctoral students of Accountancy Department, Faculty of Economic and Business, Padjadjaran University, Dipati Ukur Street PO Box. 40132 Bandung Indonesia,
- Accounting Study Program, Politechnic LP3I Bandung, Pahlawan Street 59 PO Box 40123, Bandung Indonesia
- E-mail: [galuh.tresna@yahoo.com](mailto:galuh.tresna@yahoo.com)

markets;

3. Low quality of human resources;
4. Low ability to produce innovative products;
5. Lack of assistance (incubation).
6. Relatively modest technology, and
7. No separation of venture capital from individual expenses.

### 1.3 Purpose of Research

This research is conducted to obtain an overview of the technical assistance activities of Financial statements based Financial Accounting Standards Entities Without Public Accountability on SMEs in Surapati Shirt Manufacture Center Bandung.

### 1.4 Research Question

This research poses these questions:

1. How financial statements of SMEs are prepared prior to assistance of SAK ETAP ?
2. What are the constraints in the preparation of financial statements of SMEs associated technical guidance before making the financial statements based on SAK ETAP?
3. How effective is the implementation of the technical guidance of making financial statements based on SAK ETAP according to participants?

### 1.5 Research Objectives

The objectives of this research are:

1. To know the financial statements of SMEs associated technical guidance before making the financial statements based on SAK ETAP.
2. To determine the constraints in the preparation of financial statements of SMEs associated technical guidance before making the financial statements based on SAK ETAP.
3. To find out the effectiveness of implementation of the technical guidance of making financial statements based on SAK ETAP according to participants.

## 2. GENERAL DESCRIPTION OF RESEARCH AREA

The existence of industrial centers in Bandung is based Bandung Mayor Decree No. 530 / Kep.295-DISKUKM.PERINDAG/2009. The centers include: 1) Shoes Center Cibaduyut, 2) Jeans Center Cihampelas, 3) Shirt and Print Center Suci, 4) Knitting Center Binong Teak, 5) Textile and Clothing Center Cigondewah, and 6) Tofu and Tempe Center Cibuntu [8]. In 2010, the list of industrial centers in Bandung includes four more additions: 1) Automotive spare parts Center Kiara Condong, 2) Dolls Center Warung Muncang, 3) Dolls Center Sukamulya, and 4) Bag Center Leuwipanjang [8]. Based on above explanation, there are 10 industrial districts in the city of Bandung. But only seven of them are endorsed as Bandung's essential aspects; Knitting Trade Center Binongjati, Cloth Trade Center Cigondewah, Jeans Trade Center Cihampelas, Center of Shirt Industry Shirt Suci, Shoe Industry Center Cibaduyut, Tofu Industry Center Cibuntu, and Dolls Industrial Center Sukamulya Sukajadi.

### 2.1. Scope of Industry

There are 30 SME entrepreneurs, members of the Shirt Center Suci. Those who become partners in the assistance activities preparation of financial statements based SAK ETAP are two of them, Sangkuriang Print and Eno Collection. The scope of business for the two is as follows:

1. Print Sangkuriang's business consists of clothes manufacture and advertising.
2. Clothes manufacture consists of services making shirts, jackets, hats, flags, and shirts. Advertising consists of banner creation services, billboards, neon boxes, embossed prints, x-banners, roll banners, stamps, cards, pins, mugs, and key chains.
3. Eno Collection manufactures shirts, jackets, hats, and shirts.

### 2.2 Annual Average Income Data

Annual average income data for two of SME partners are as follows:

1. In an interview, the owner Sangkuriang Print stated that their income ranged from 20,000,000 up to 100,000,000 IDR per month. The income is typically volatile and depends in new student admissions or election campaign the head of government events.
2. Based on interviews with the owner Eno Collection, income obtained in one month is by an average of 50,000,000 IDR.

Based on this annual average income, Sangkuriang Print and Eno Collection are included in micro enterprise category.

### 2. 3 Employees Data

#### 2. 3. 1 Sangkuriang Print

Sangkuriang Print has 7 employees and has conduct its business with family financial management, i.e. employing relatives of the owner. Out of all employees of Sangkuriang Print, none of them possess accounting educational background. Below is data of Sangkuriang Print based on age, gender, and education background:

**Table 1**  
*Employee Data based on Age*

No.	Amount of Employee	Age
1	1	40-49
2	2	30-39
3	4	18-29
<b>Total</b>	<b>7</b>	

**Source:** Data Processing (2015)

**Table 2**  
*Employee Data based on Gender*

No.	Amount of Employee	Gender
1	4	Male
2	3	Female
<b>Total</b>	<b>7</b>	

**Source:** Data Processing (2015)

**Table 3***Employee Data based on Education Background*

No.	Amount of Employee	Education Background
1	1	Diploma
2	4	High School
3	2	Junior High School
<b>Total</b>	<b>7</b>	

*Source: Data Processing (2015)***Table 4***Employee Data based on Knowledge Background*

No.	Amount of Employee	Knowledge Background
1	0	Accounting
2	3	Not Accounting but Economics
3	4	Not Accounting and Not Economics
<b>Total</b>	<b>7</b>	

*Source: Data Processing (2015)***Table 5***Employee Data based on Knowledge Background*

No.	Amount of Employee	Knowledge Background
1	0	Have participated in Accounting training
2	7	Have never participated in Accounting training
<b>Total</b>	<b>7</b>	

*Source: Data Processing (2015)*

Based on tables above, we can see the composition of employees in Sangkuriang Print are majority comprised of employees by aged 18-29, male employees, high school education background, and no knowledge background of accounting and economics, and all have never participated in accounting training.

### 2.3.2 Enno Collection

Eno Collection has 23 employees. Similar with Sangkuriang Print, no employees from Eno Collection possessed accounting education background. Below is the data of Eno Collection based on age, gender, and educational background.

**Table 6***Employee Data based on Age*

No.	Amount of Employee	Age
1	1	40-49
2	14	30-39
3	8	18-29
<b>Total</b>	<b>23</b>	

*Source: Data Processing (2015)***Table 7***Employee Data based on Gender*

No.	Amount of Employee	Gender
1	19	Male
2	4	Female
<b>Total</b>	<b>23</b>	

*Source: Data Processing (2015)***Table 8***Employee Data based on Educational Background*

No.	Amount of Employee	Educational Background
1	1	Diploma
2	20	High School
3	2	Junior High School
<b>Total</b>	<b>23</b>	

*Source: Data Processing (2015)***Table 9***Employee Data based on Knowledge Background*

No.	Amount of Employee	Knowledge Background
1	0	Accounting
2	0	Not Accounting but Economics
3	23	Not Accounting and Not Economics
<b>Total</b>	<b>23</b>	

*Source: Data Processing (2015)***Table 10***Employee Data based on Knowledge Background*

No.	Amount of Employee	Knowledge Background
1	0	Have participated in Accounting Training
2	23	Have never participated in Accounting Training
<b>Total</b>	<b>23</b>	

*Source: Data Processing (2015)*

Based on tables above, we can see the composition of employees in Enno Collection are majority comprised of employees by aged 30-39, male employees, high school education background, and no knowledge background of accounting and economics, and all have never participated in accounting training.

## 3. LITERARY REVIEW

### 3.1 Small Medium Enterprise (SME)

Micro firms are defined as enterprises with net assets less than IDR 50 million (land and buildings excluded) or enterprises which have less than IDR 300 million total annual sales. Small firms are enterprises with net assets from IDR 50 million to IDR 500 million (land and buildings excluded) or with total annual sales from IDR 300 million to IDR 2.5 billion.

Medium-sized firms are those with net assets from IDR 500 million to IDR 10 billion (land and buildings excluded) or with total annual sales from IDR 2.5 to 50 billion [9]. World Bank Enterprise Survey stated that size of enterprise is defined by the number of employees: ranging from 5-19 employees, the firm is considered small, and from 20-99 employees, it considered as a medium-sized firm. According to Indonesian tax regulation, small firms are those that have assets valued between IDR 50 million and IDR 500 million with an annual turnover of between IDR 300 million and IDR 2.5 billion, while medium-sized enterprises are those that have assets valued between IDR 500 million and IDR 10 billion and have a yearly turnover between IDR 2.5 billion and IDR 50 billion [1].

### 3.2 Financial Accounting Standard of Entities Without Public Accountability Standard (SAK ETAP)

Based on The Indonesian Financial Accounting Standards Board (2013), SAK ETAP is a standard financial accounting designed for SME. Entities Without Public Accountability are entities that: a) does not possess significant public accountability, and b) publishes financial reports of general purposes for external users [10].

#### 3.2.1 Financial Report Objective

The objective of financial statements is to provide information about the financial position, financial performance, and cash flows 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 ask for financial reports to meet specific information needs [10].

#### 3.2.2 Complete Financial Report

Entities Financial Reports are [10] :

1. Balance Sheet
2. Income statement
3. Statement of changes in equity
4. Statement of cash flows
5. Notes to the financial statements, which contains a summary of significant accounting policies and other explanatory information

## 4. RESEARCH METHODOLOGY

### 4.1 Research Type

This study is using an Action research method. "action research is a process through which an individual or group who wants a change in certain situations tests procedures that are expected to produce changes and then, having reached the stage of conclusion that can be accounted for, carry out this procedure"[11]. The main objective of this research is to change (1) the situation, (2) behavior, (3) organization, including the structure of the working mechanism, work environment, and institutions. Meanwhile, according to the level of their explanations this study is included as descriptive study. "Descriptive research is research done to determine the value of independent variables, either one or more variables (independent) without making comparisons, or connect with other variables [11]." In accordance with the type of data, this study falls under category of qualitative research, within a qualitative research the data are expressed in the form of words, sentences, and images [12].

### 4.1.1 Data and Information Gathering Method

Data and information gathering method in this research is using methods of participant observation, in which researcher is involved in assistance activities. Method applied is technical assistance method with integrated assistance program. Integrated assistance program is a model of SMEs development which focuses on improving the institutional system (capacity building) and managerial aspects of SMEs and intensively and sustainably, by actively involving the proposing team. The proposer team tasked with providing advice (advisory) and consultancy, in particular relating to the operational activities of daily SME [13]. Technical assistance method with integrated assistance program focuses on program application that is as follows:

- a) Proactive and intensive. The team is actively proposing programs, day-to-day, goes into the field to help entrepreneurs SME partners. Together, they seek and find solutions to problems of partners in the field.
- b) Practical and applicative approach. Various theories of making financial reports are directly tested at the practical level. Therefore it can be measured how effective an idea or team problem solving proponent for the advancement of SMEs, making it no longer only a concept.
- c) Emphasizing the success of the approach of personnel. The program is desperately in need of proposing team's ability in assisting entrepreneurs SME partners, of how entrepreneurs can believe and eager to follow various suggestions and inputs by proposer team without sounding patronizing.

### 4.1.1 Interviews

Interviews were conducted on the owners and employees of Sangkuriang Print and Eno Collection to discover the preparation of ongoing financial statements and also assistance activities that are being undertaken.

### 4.1.2 Documentation

Documentation studies are conducted to determine the documents of financial transactions and financial statements of Sangkuriang Print and Eno Collection.

### 4.1.3 Questionnaire

The questionnaire was conducted to determine the effectiveness of the organization assisting the preparation of financial statements in terms of assistance participants, namely the owners and employees of Sangkuriang Print and Eno Collection. The questionnaires are distributed to the participants before and after the end of assistance. Before the participants filled out a questionnaire, the intent and purpose of the questionnaires are informed to avoid blank questionnaire. The participants fill out and return the questionnaire during the same activities. Data collection tool in the questionnaire is in form of scale, used a set of numeric values assigned to the perception given to measure the effectiveness of a training program. While interviews and observations are intended to obtain in-depth information from the participants, which include:

- a) Preparedness of the team in organizing assistance, quality and preparedness of instructors, method of presentation, the media used, availability of materials/tools for training, timing and evaluation for the participants.

- b) Structure of the material, composition of matter, benefits and suitability of the material to the needs of participants, the level of implementation by participants including supporting factors and obstacles, the results and its value.
- c) Suggestions for improvement of the system implementation, materials, methods, participants, and the training outcomes.

#### 4.2 Data Analysis and Information

To assess the effectiveness of the training that has been done, researchers set a questionnaire. Calculations is done by using champion formula by Dean J. Champion, by counting the number of "yes" then the calculations carried out in the following manner: [13]

$$\text{Percentage} = \frac{\sum \text{answer "Yes"}}{\sum \text{total question in the questionnaire}} \times 100\%$$

Criteria of training effectiveness level according to Dean J. Champion are as follows:

- 0% - 25 % percentage is not effective.
- 26%- 50% percentage is less effective.
- 51% - 75% percentage is quite effective.
- 76% - 100% percentage is very effective

#### 4.3 Data Source

Data source is obtained from primary data during activity assistance of financial report based on SAK ETAP.

#### 4.4 SME Participation

SME participation in this assistance program is that:

- a) SME partner holds an active role in assistance of financial report in accordance with Financial Accounting Standard of SAK ETAP.
- b) SME partners give information of any transactions, accounting practices that have been done, and other drafted, filed, and archived documents.

### 5. OUTCOME AND ANALYSIS

#### 5.1 SME Financial Report Prior to Technical Assistance of Preparing Financial Report Based on SAK ETAP

Prior to assistance both SME partners do not prepare complete financial report, but only making simple and manual notes of:

- a) Raw materials purchase, recording of the entire transactions including purchases of raw materials and addition material. The owner notes purchase date of the transactions, as a tool to record the transactions in order not to leave any purchases unaccounted.
- b) Payment of employee salaries, recording all transactions of salary payment.
- c) Sales records, recording of the entire transaction that occurs. This is useful to facilitate managers in knowing the income generated.
- d) Use of daily cash money originating from purchase of raw materials, salaries of employees, sales, and other income or cash disbursements.

These notes are quite simple, but according to the owner, the listing could help him conducting management of SMEs.

Although, as admitted by the owner, in reality the process of recording is done inconsistently leaving many transactions are not recorded. Many transactions are only based on confidence toward the consumers. Transaction receipts are often scattered and such they are not filed in a special archive of the accounting department. The owner complained of he could not review the condition of the actual income because income calculation is performed only based on turnover minus costs that require cash.

#### 5.2. Obstacles in SME Partners' Financial Report Preparation before Technical Assistance of Financial Report based on SAK ETAP

With a limited number of employees, the division of tasks between the employees is not done in an orderly manner. Likewise, the division of labor on the part of finance and accounting was not divided between the cashier/finance divisions, which received money with the accounting department who made the recording on any transactions. Usually the process of receiving money and recording is done directly by the owner or the owner's wife or child but there is no handover process or cut off. Some constraints experienced by the finance department of Sangkuriang Print and Eno Collection are that there was no record at all in the form of money used as capital, as operating costs. Several transaction records are often lost after the transaction has been completed and payments from customers has been done. Similar occurrences happen when daily cash records are not conducted regularly. Recording is often done by recording cash inflow of customers and recording cash outflow for the purchase of materials from suppliers. Also there is recording of the number of orders to be done. All records are often not attached with supporting documents, as they are often discarded after the process is completed or after cash receipts and cash disbursements process is completed. The lack of separation between personal property with business assets is also becoming a problem. Often the use or the personal decision by the owners are not recorded and are often taken from the venture capital assets without any additional capital owners in business records. The absence of financial statements in SMEs is generally started on a reluctance to record every transaction that occurs. They are busy receiving orders and lacking of specialized staff in charge of conducting recording each transaction.

#### 5.3 Effectiveness of Technical Assistance of Financial Report Preparation based on SAK ETAP According to Participants

Based on the questionnaire of 20 participants, results below are generated:

1. 76% or 15 people answered yes to the question "After following the guidance, you feel to have additional knowledge in preparing financial statements in accordance with SAK ETAP."
2. 53% or 11 people answered yes to the question "The aim is to provide you with skills in preparing the financial statements in accordance with SAK ETAP."
3. 85% or 17 people answered yes to the question "Are you satisfied with the activities of assisting the preparation of financial statements in accordance with SAK ETAP?"

4. 60% 12 people answered yes to the question "This assistance has fulfill your expectation of how it should be."
5. 70% or 14 people answered yes to the question "The quality of the tasks assigned according to your assessment is fair."
6. 90% or 18 people answered yes to the question "Assistance has benefits for partners of SMEs."
7. 100% or 20 people answered yes to the question "You are not familiar with SAK ETAP before assistance?"
8. 77% or 15 people answered yes to the question "Do you feel knowing SAK ETAP after assistance?"
9. 85% or 17 people answered yes to the question "Are you eager to practice the training result in your daily work in SMEs?"
10. 90% or 18 people answered yes to the question "Do you expect anymore assistance preparation of financial statements at a later stage?"

The percentage of the questionnaire were summed and averaged by the number of questions, as many as 786 divided by 10 produces 78,6%. The questionnaire result in conclusion falls into a very effective category.

## 6. CONCLUSION

1. Prior to the assistance activity of financial statements of SMEs based on SAK ETAP, partner does not make financial statements as they should. Partner has been limited only those SMEs, which only make record, cash inflows and cash only (cash base), and records are often not recorded total transactions.
2. Obstacles in the financial statements based on SAK ETAP before assistance is as follows:
  - a) Number of employees is limited. No employee has a background in accounting education.
  - b) Division of tasks between the parts is not done in an orderly manner.
  - c) No division of labor between the cashier/finance.
  - d) No handover process or cut off.
  - e) Absence of a record at all in the form of money used as capital, as operating costs.
  - f) Some of the recording of transactions is often lost when transaction is considered completed and payments from customers have been done.
  - g) Registration of daily cash often not done regularly.
  - h) Recording is often not provided with supporting documents, as is often discarded after the process is completed cash receipts and cash disbursements process is completed.
  - i) Absence of separation between property owners with a wealth of business
  - j) Often the use or the personal decision by the owners are not recorded and are often taken from the venture capital assets without any additional capital owners in business records.
  - k) Failure to record every transaction that occurs because of the rush to accept orders
  - l) Absence of specialized staff in charge of conducting recording each transaction.

1. Effectiveness of Assistance Activities Perceived by Participants
2. Based on the results of questionnaires, processed by the formula champion, the assistance is considered to be very effective by all participants. It is seen from the percentage and number of participants who answered yes, 78.6%.

## 6.2 LIMITATION AND SUGGESTION

### 6.2.1 LIMITATION

This research has a limited data and a very small range sample, therefore we expect the next researcher to expand the number and increase the number of samples.

### 6.2.2 SUGGESTION

Based on the above conclusion, similar training is crucial to bring more participants since many SMEs experience difficulty in applying accounting in their business activities. Small entrepreneurs mostly are not keeping good records of their financial statements of the business. Small and medium entrepreneurs usually do bookkeeping

## REFERENCES

- [1] Mourougane Anabelle. Promoting SME Development in Indonesia. Economic Departement Working Paper No. 995. ECO/WKP(2012)72. 17 Oktober 2012
- [2] cpaustralia.com.au /smallbusiness. Accessed on 10 August 2015
- [3] CPA Australia Asia Pacific Small Business Survey for Indonesia.2014.
- [4] I Made Nasr. Mengungkap Kesiapan UMKM Dalam Implementasi Standar Akuntansi Keuangan Entitas Tanpa Akuntabilitas Publik (PSAK-ETAP) Untuk Meningkatkan Akses Modal Perbankan. 2012. Majalah Ekonomi. Fakultas Ekonomi dan Bisnis Universitas Airlangga. Tahun XXII.No. 3 Desember 2012.
- [5] [www.beritasatu.com](http://www.beritasatu.com). 2013 Permasalahan-permasalahan yang dihadapi UKM di Indonesia Jumat, diakses 20 April 2014 , 02.30 AM
- [6] Hasbullah Rohani, Model Pendampingan UMKM Pangan Melalui Inkubator Bisnis Perguruan Tinggi. Jurnal Ilmu Pertanian Indonesia (JIPI), April 2014 Vol. 19 (1): 43 49 ISSN 0853 – 4217
- [7] Sudaryanto, Ragimun dan Rahma Rina Wijayanti. Strategi Pemberdayaan UMKM Menghadapi Pasar Bebas Asean. <http://www.kemenkeu.go.id/>
- [8] Surat Keputusan Walikota Bandung Nomor 530/Kep.295–DISKUKM.PERINDAG/2009
- [9] Kementerian Koperasi dan UKM, 2012.
- [10] Dewan Standar Akuntansi Keuangan. Standar Akuntansi Keuangan Entitas Tanpa Akuntabilitas Publik. Ikatan Akuntan Indonesia Jakarta : 2013

- [11] Sugiono Metode Penelitian Bisnis. Bandung . Alfabeta. 2004
- [12] Imam Ghozali. Aplikasi Analisis Multivariate Dengan Program IBM SPSS 21 Update PLS Regresi. Universitas Diponegoro. Semarang. 2013
- [13] Hamid Patilima, Metode Penelitian Kualitatif. Alfabeta. Bandung. 2013