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Analysis of Implementation of Financial Accounting System in Micro Small and Medium Enterprises (MSMEs) in Patrang District, Jember District

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ABSTRACT

In general, many Micro, Small and Medium Enterprises engaged in trading businesses have not been able to prepare business performance reports and financial reports in accordance with generally accepted accounting standards. Information is a very important component for companies because it is a basic input in every decision making, therefore relevant, timely, accurate, and complete information is needed by every company. Management accounting is a systematic connective tissue in presenting information that is useful and can assist company leaders in their efforts to achieve predetermined organisational goals. Management accounting information has a function as an accounting information processing system and as a type of information. The main challenge faced by MSME entrepreneurs is financial management and management that has not followed good and correct accounting principles. The current research aims to provide an understanding of the application of accounting in MSMEs in Patrang District, Jember Regency, and to find out the obstacles that hinder the application of accounting in MSMEs in Patrang District, Jember Regency and provide solutions for MSME actors in applying accounting with good and correct accounting principles.

Keywords: Accounting Cycle, Accounting Information Systems, Accounting Records, Micro, Small and Medium Enterprises (MSMEs), Understanding of Accounting



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INTRODUCTION

Currently, various types of businesses are required to be more advanced and able to survive in running this type of business. Indonesia as a developing country places more emphasis on development and economic growth in a better direction. This process directly affects various forms of business in Indonesia. Over time, various types of businesses have been formed in Indonesia, both small-scale businesses and large-scale businesses. One type of business in Indonesia is Small and Medium Enterprises (SMEs). The business sector, which is part of the Small and Medium

Enterprises (SMEs) scale, has a very essential role in the Indonesian economy, as evidenced by the increase in Gross Domestic Product (GDP) from year to year.

The theoretical basis is based on the literature contained in books, journals, and the results of previous research that examines the application of accounting in Small, Micro, and Medium Enterprises (MSMEs). The theoretical basis is useful in preparing theoretical frameworks and guidelines for researchers in the research process.

Accounting according to Sumarsan (2017: 1) is the art of collecting, identifying, classifying, and recording transactions and events related to finance, so that it can produce financial information or a financial report that can be used by interested parties. Based on this explanation, it can be concluded that accounting is a process of collecting, identifying, classifying, and recording transactions and events related to finance. This process produces useful financial information for report users (users) for decision making.

The definition of accounting according to the Financial Accounting Standards Board (FASB) (2017) is a service activity that functions to provide quantitative information which is then used for economic decision-making. Meanwhile, according to Paul Gradi (2017), accounting is an organizational function in a systematic, reliable, and original way in recording, classifying, processing, making summaries, analyzing, and interpreting all transactions and events as well as the financial character that occurs in the company's operations as accountability for its performance.

Accounting cycle

The accounting cycle according to Hery (2014: 42) is the process of compiling all business transactions that occur within the company until a financial report is prepared. Meanwhile, according to Michell Suharli (2006:49) Understanding the Accounting Cycle is a sequence of transactions, events, activities, and processes from start to finish starting from the beginning like a circle that will never break until the end. According to Bahri (2016), the accounting cycle is the stage that starts from the occurrence of transactions to the depreciation of financial statements so that they are ready for the next recording. From this explanation, it can be concluded that the accounting cycle is the stage of the accounting process in an accounting information system that is needed to collect and process data related to business transactions that occur within the company. It is said to be a cycle because each stage of the accounting process is carried out repeatedly as long as the company operates.

METHODS

The research that the writer will do is a case study. A case study is an in-depth exploration of a bound system (eg, activities, events, processes, or individuals) based on extensive data collection. Case studies involve case investigations, which can be defined as an entity or object of study that is circumscribed, or separate for research in terms of time, place, or physical boundaries. It is important to understand that cases can be individuals, programs, activities, or groups. Once the case is clearly defined, the researcher investigates it in depth, usually using several data collection methods, such as interviews, field observations, and documentation. The conceptual framework for case studies is that by gathering in-depth information about a case, the researcher will achieve an in-depth understanding of the case, whether that case is an individual or a group.

Data analysis technique

The data analysis phase is the stage for systematically collecting and organizing the interview records and documentation. The collected data will be analyzed constructively and qualitatively. This research was conducted to explore and provide a more detailed description of the obstacles that hinder the application of accounting to MSMEs in Patrang District, Jember Regency, and provide solutions for MSME actors in implementing accounting following good and correct accounting

rules, what strategies are being carried out and their implementation in the field. Miles and Huberman suggest that activities in qualitative data analysis are carried out interactively and continuously at each stage of the research so that they are complete and the data is saturated (Sugiyono, 2014).

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The data analysis technique used in this study follows the concept given by Miles and Huberman. Activities in data analysis in this concept are data collection, data reduction, data display, and conclusion drawing. Miles and Huberman's data analysis technique can be described as follows:

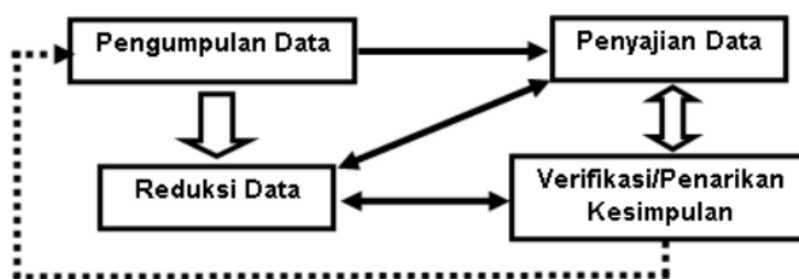


Figure 1. Analisis data
Source: Miles & Huberman (1994)

There are three types of qualitative data analysis techniques, namely data reduction, data presentation, and conclusion (Miles and Huberman, 1992). Then, qualitative research analysis techniques are as follows:

Data Reduction

Data reduction is a process of simplifying and changing from data obtained roughly in the field. This process is carried out during research until the data is ready to be processed, even before the data is collected as in the preliminary stages of research, study problems, and the data collection approach chosen by the researcher.

You need to do data reduction because usually there is a lot of qualitative data, it can be data that you take from books, interviews, and observations. After carrying out the data reduction process, you must proceed to the data categorization section. You can organize and categorize this data according to your needs as a researcher, for example, data based on date, informant characteristics, or research location.

Data Presentation

Then when the data has been analyzed, the activity that needs to be done is to analyze the results of the data and then interpret the data analysis. The purpose of interpreting this analysis is to conclude

the qualitative research that you have done. After the interpretation of this analysis is complete, the researcher can present the data.

Presentation of data is an activity when groups of information are compiled, thus giving the possibility of drawing conclusions and taking action from researchers. The form of presentation of qualitative data is in the form of narrative text or field notes, and matrices and/or graphs/networks/charts.

These forms of data presentation combine information that is arranged in a form that is neatly arranged and easy to understand. Presentation of data in a well-categorized form makes it easier for researchers to see what is going on, whether the conclusions are correct, or vice versa to re-analyze.

Conclusion Drawing

If the data results show that the data obtained is sufficient and what is needed, then conclusions can be drawn using theory and data results in the field. The conclusion you write should include all the important information and be in line with your research outline. The conclusion must also be presented in a language that is easy for readers to understand, clear and concise.

The method used to analyze the data is qualitative analysis with a descriptive type. Research with qualitative analysis is research that has the characteristics of the data expressed in a natural state or as it is, without changing it in the form of symbols or numbers. This type of descriptive research is tasked with making an objective representation of the symptoms contained in the research problem.

The stages in this descriptive research are:

1. Classifying data based on accounting records, accounting reporting, and business constraints that hinder MSMEs in applying accounting that has been obtained through semi-structured interviews and questionnaires.
2. Identify the accounting recording and reporting of each classification.
3. Analyze the constraints faced by MSMEs in applying accounting.
4. Process data and make overall conclusions based on the data obtained.

RESULTS AND DISCUSSION

The Role of Accounting in SMEs

Accounting is the recording of economic activities carried out routinely in each period to produce information that is useful for stakeholders as a basis for making decisions regarding the company's economic activities and conditions (James M. Reeve et al., (2011: 9). According to Ahmed Riahi and Belkoui (2012: 37) accounting is a service activity that provides quantitative information about economic entities that is useful in making economic decisions Horngren Walter T. et al (2012: 4) accounting is an information system in a business, which is processed and carried out procurement of information to be reported to interested parties. From the understanding above, the role of accounting is to produce accounting information generated by the activities of a company. The challenges that are still faced by MSMEs in Indonesia are the absence of a clear division of tasks between administrative fields and operations, low access to small industries in financing as business capital, and lack of clarity on legal status.

The challenges above can be overcome by applying accounting in a business. Business actors will get many benefits from accounting for proper financial management. The role of accounting in MSMEs itself is to provide important financial information for MSME actors in running their businesses. Such information includes:

- a. Company performance information

With performance information, business actors can find out the amount of profit/loss through the income statement. Information from the income statement is used as a tool to evaluate performance.

- b. Tax calculation information
MSMEs also need to have a tax report, to find out how much tax must be paid in a certain period.
- c. Information on the company's fund position
The existence of accounting provides information about the position of company funds, through the balance sheet. With the balance sheet, the company knows the use of assets and knows the acquisition of business funds which are dominated by debt or equity.
- d. Information on changes in owner's capital
Accounting provides information on changes in funding sources in a business.
- e. Information on cash receipts and disbursements
The cash flow report generated by accounting provides information for MSME actors to determine the acquisition and use of the main asset in the form of cash.
- f. Information on activity planning
Accounting produces a budget report that describes the planning of a business in the future.
- g. Information on the number of fees

From the understanding of perception and accounting in MSMEs above, it can be concluded that the perceptions of MSME actors about accounting are the process of interpreting, giving meaning, and interpreting accounting in a business or enterprise by using the five senses and considering the benefits to be obtained from this process. People act based on their perceptions regardless of whether those perceptions reflect reality. Everyone has their perception of an event. One person's description of reality may be very different from another person's description.

Information systems are a very important part of a business, starting from small, medium, and large businesses. This is because an information system is the most basic thing in every decision-making, so receiving good, accurate, and timely information is very necessary for every business activity, both small and medium businesses, even large businesses. Management accounting is part of a system that liaises systematically and accurately in every business activity in terms of presenting important information so that this information can assist company management to achieve predetermined organizational goals. This activity aims to provide an understanding of the application of accounting to MSMEs in Patrang District, Jember Regency, and to find out the obstacles that hinder the application of accounting to MSMEs in Patrang District, Jember Regency and provide solutions for MSME actors in applying accounting by good and correct accounting principles.

After carrying out the pre-survey activities carried out by the author for MSMEs, there were dominant problems found, among others, there were MSMEs who had difficulty understanding the use of accounting information systems properly. This is because there are still many entrepreneurs who have not kept accounting records properly. Even though competition is getting tougher in this era of economic globalization, they should use accounting information as a necessity in running their business. Information technology has a significant impact on accounting information systems, especially in processing data that has changed from a manual system to a computer system as a tool for processing data. In terms of accounting knowledge, small entrepreneurs see that the accounting process is not too important to implement. Small entrepreneurs think that their goal of having a business is to make a living, so they don't need a recording system that is too complicated. measurement or assessment of each business activity.

In the process of achieving these objectives, in addition to conducting a literature study, this research also identifies the accounting recording and reporting of each classification. By using a simple descriptive statistical analysis. The process of establishing an accounting system for SMEs is mostly based on limited and simple knowledge. Of the several MSMEs that exist, there are several that carry out good financial recording and reporting above, as many as 36 MSMEs stated that the implementation of recording and preparing their financial reports was based on limited owner/staff

knowledge regarding accounting and its preparation was carried out in the simplest way possible. Meanwhile, when viewed from the financial transaction documents managed by MSMEs, only a few carry out accounting financial records regularly and at the same time carry out documentation or carry out administration using good transaction evidence.

When viewed from the recording system of the Accounting Financial Statements, most of these MSMEs carry out financial recording activities regularly and use the accrual basis (accrual basis). Most of the SMEs studied have understood the importance of financial and accounting information for the success of their businesses. The importance of financial information for MSMEs can be seen from the large use of financial information as a basis for evaluating the performance of MSME business success, as a basis for preparing business plans for the following year, and as material for consideration in making other important decisions.

Although most of the selected MSMEs have recorded and reported their financial transactions, there are still quite some MSMEs, especially micro and small businesses, who have not or have not recorded and management of financial information periodically or separately from finance personal/family business owners. Third, of the majority of MSMEs that record and book financial information periodically and separately, most of the implementation practices are carried out directly by the business owners themselves or other employees who generally have limited or simple accounting knowledge.

As a consequence, very few MSMEs record and store all documents regarding their business activities and make complete and overall financial reports by the applicable formal financial accounting standards. Most MSMEs only record and only report financial information, especially for activities that directly involve financial transactions (money and goods coming in and out) and reports related to receipts and financing (income statements). There are various obstacles and obstacles faced by SMEs, the lack of employees who specifically have accounting skills or qualifications and the lack of facilities that support good financial management are the biggest problems that result in the low quality of most of the existing accounting information systems in the SMEs studied. This problem stems from the lack of capital and financial resources needed by selected MSMEs to build and implement a good accounting information system.

Based on these findings, this study deems it necessary to encourage parties educational institutions work together to conduct training programs or education that are widely accessible to MSME actors regarding the basics of financial management and the creation of a good accounting information system so that it complies with the available formal financial accounting standards. In addition, educational institutions and the government can also directly assist MSMEs by providing consulting and advisory services to MSMEs who want to create an accounting information system or MSMEs who need an assessment/examination of the practice of implementing and utilizing the accounting information system that they have been running so far. In addition to the findings above, it should be noted that this study also has several weaknesses.

First, due to the limited resources of the author, the scope of this research is forced to be limited in the number of samples, the type of business sector, and the size of the area. It would be better if further research related to this topic is expanded in scope by increasing the number of samples and the type of sector business, as well as the coverage area or even to other provinces in Indonesia.

Second, this research has not or has not tried to dig deeper into the factors that influence the successful implementation of financial management information systems in existing MSMEs, especially those that use technology and computer programs. Consequently, further explanation of these factors or fields in future studies will be very much needed to enrich and improve understanding of the use and implementation of accounting information systems in MSMEs, so that they can become a basis for consideration in implementing better accounting systems and providing more benefits for MSME entrepreneur

CONCLUSION

Based on the results of the research and discussion described above, several conclusions can be drawn as follows:

1. In terms of accounting knowledge where small entrepreneurs view that the accounting process is not too important to apply. Small entrepreneurs think that their goal of having a business is to make a living, so they don't need a recording system that is too complicated. measurement or assessment of each business activity.
2. There are various obstacles and obstacles faced by SMEs, the lack of employees who specifically have accounting skills or qualifications and the lack of facilities that support good financial management are the biggest problems that result in the low quality of most of the existing accounting information systems in the SMEs studied. This problem stems from the lack of capital and financial resources needed by selected MSMEs to build and implement a good accounting information system. Based on these findings, this study considers it necessary to encourage educational institutions to work together to carry out training or education programs that are widely accessible to MSME actors regarding the basics of financial management and the creation of a good accounting information system so that it complies with the available formal financial accounting standards. In addition, educational institutions and the government can also directly assist MSMEs by providing consulting and advisory services to MSMEs who want to create an accounting information system or MSMEs who need an assessment/examination of the practice of implementing and utilizing the accounting information system that they have run so far.

LIMITATION

By looking at the limitations of the research stated above, the following suggestions are expected to be taken into consideration by future researchers:

1. There are limited resources at the disposal of the author, the scope of this research is forced to be limited in the number of samples, the type of business sector, and the size of the area. It would be better if further research related to this topic is expanded in scope by increasing the number of samples and the type of business sector, as well as the scope territory or even to other provinces in Indonesia.
2. In Most of the MSMEs that record and book financial information periodically and separately, most of the implementation practices are carried out directly by the business owners themselves or other employees who generally have limited or simple accounting knowledge
3. This research has not or has not tried to dig deeper into the factors that influence the successful implementation of financial management information systems in existing MSMEs, especially those that use technology and computer programs. Consequently, further explanation of these factors or areas in subsequent studies will be very much needed to enrich and improve understanding of the use and implementation of accounting information systems in MSMEs, so that they can become a basis for consideration in implementing better accounting systems and providing more benefits for MSME entrepreneurs

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