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Enhancing Financial Reporting Practices Among Indonesian MSMEs: The Transition from Simple Bookkeeping to SAK EMKM-Based Reporting

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Abstract. Micro, Small, and Medium Enterprises (MSMEs) play an important role in Indonesia's economy, yet many lack standardized financial reporting practices. This study aims to prepare financial statements for ABC MSME in accordance with the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM). ABC MSME, established in 2001, operates in the culinary sector and specializes in traditional cookies. A descriptive qualitative case study approach was employed. Data were collected through observation, interviews with the business owner, and documentation of business transactions. The analysis involved reconstructing opening balances, developing a chart of accounts, classifying transactions, and preparing financial statements based on SAK EMKM. The findings reveal that the enterprise had never prepared formal financial statements due to limited accounting knowledge and the absence of separation between personal and business finances. The study successfully produced an Income Statement, Statement of Financial Position, and Notes to the Financial Statements. These findings demonstrate that simple bookkeeping records can be transformed into standardized financial statements through appropriate accounting procedures and guidance.

Keywords: MSMEs, SAK EMKM, financial statements, accounting

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) constitute the backbone of the Indonesian economy, as they dominate the national business structure and contribute significantly to employment creation and economic growth. According to data from the Ministry of Micro, Small, and Medium Enterprises of Indonesia, approximately 30.18 million MSMEs were registered by the end of 2024, comprising 99.71% micro enterprises, 0.24% small enterprises, and 0.05% medium enterprises. This composition indicates that Indonesia's economic activities remain highly dependent on the sustainability and competitiveness of MSMEs. Furthermore, the majority of MSMEs operate in trade, accommodation, food and beverage services, and manufacturing sectors, which serve as key drivers of community-based economic activities [1] [2].

Despite their strategic role in the national economy, many MSMEs continue to face substantial challenges in financial management. One of the most persistent issues is the low quality of bookkeeping and financial reporting practices. In reality, many MSME owners maintain only basic records of cash receipts and cash disbursements without systematically classifying transactions, recording journal entries, or preparing formal financial statements [3], [4] [5]. Consequently, the financial information generated is often inadequate to provide a comprehensive picture of business performance and financial position. This limitation hinders business owners from effectively evaluating performance, making informed managerial decisions, and obtaining access to financing from formal financial institutions.

These challenges highlight the importance of implementing standardized financial reporting practices among MSMEs. In response to this need, the Indonesian Institute of Accountants (Ikatan Akuntan Indonesia—IAI) issued the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM), which became effective on January 1, 2018. SAK EMKM was specifically designed as a simplified accounting framework that accommodates the characteristics and limitations of MSMEs while ensuring the production of relevant, reliable, and decision-useful financial information. Under SAK EMKM, MSMEs are required to prepare, at a minimum, a Statement of Financial Position, an Income Statement, and Notes to the Financial Statements.

Nevertheless, the implementation of SAK EMKM among Indonesian MSMEs remains relatively limited. [6] [4] found that many MSME owners were still unfamiliar with the existence and requirements of SAK EMKM due to insufficient dissemination and guidance from relevant institutions. However, their findings also indicated that most respondents expressed a willingness to adopt standardized financial reporting practices if adequate training and assistance were provided.

Similar findings were reported by [7], who revealed that Kanetah Coffee MSME had recorded its business transactions but had not yet prepared financial statements in accordance with SAK EMKM. Their study emphasized the need for technical assistance in transforming bookkeeping records into standardized financial statements. Likewise, [8] found that Star Laundry MSME routinely maintained transaction records but was unable to present financial statements that complied with SAK EMKM requirements. Furthermore, [9] reported that Classyid.Thrift MSME lacked a standardized bookkeeping system, thereby necessitating the development of SAK EMKM-based financial statements to improve financial governance and reporting quality.

Collectively, these previous studies reveal a consistent pattern. Most MSMEs have already engaged in basic transaction recording; however, such records remain largely informal and have not been transformed into financial statements that comply with applicable accounting standards. This indicates that the primary challenge faced by MSMEs today is not the absence of bookkeeping practices, but rather the inability to convert simple bookkeeping records into standardized, informative, and decision-useful financial statements.

A similar phenomenon is observed in the MSME selected as the subject of this study. Preliminary observations indicate that the business owner routinely performs manual bookkeeping, including records of sales transactions, purchases, cash receipts, and cash disbursements. However, these records have not been systematically processed into a Statement of Financial Position, an Income Statement, and Notes to the Financial Statements as required by SAK EMKM. As a result, the available financial information remains fragmented and fails to provide a comprehensive overview of the enterprise's financial condition and operational performance.

Based on these circumstances, this study is both relevant and necessary because it focuses on the transformation of existing simple bookkeeping records into standardized financial statements in accordance with SAK EMKM. Unlike previous studies, which primarily assessed the level of SAK EMKM implementation, this research goes beyond evaluation by reconstructing and preparing SAK EMKM-compliant financial statements using actual financial records obtained from the MSME under investigation. Therefore, this study is expected to contribute a practical model for financial statement preparation that can be adopted by similar MSMEs, enhance the quality of financial governance, improve business transparency, and facilitate access to formal financing. Ultimately, such improvements are expected to strengthen the long-term sustainability and competitiveness of MSMEs in Indonesia.

2. METHODOLOGY

This study employs a qualitative approach using a descriptive case study method. A qualitative approach is considered appropriate because the research aims to gain an in-depth understanding of the bookkeeping practices implemented by an MSME and to reconstruct financial statements in accordance with the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) based on the financial records maintained by the business owner. According to[10], a case study is an appropriate research strategy for addressing "how" and "why" questions related to contemporary phenomena within their real-life contexts. In this study, the focus extends beyond assessing the extent of SAK EMKM implementation to examining the process of transforming simple bookkeeping records into standardized financial statements that comply with applicable accounting standards.

A descriptive approach is utilized to portray the actual condition of the bookkeeping system adopted by the MSME, identify the degree of conformity between existing bookkeeping practices and SAK EMKM requirements, and prepare financial statements based on the available transaction records. Consequently, this study provides a comprehensive description of the accounting practices implemented within the business while offering a practical solution through the preparation of standardized financial statements.

This study was conducted at ABC MSME, a culinary enterprise established in 2001 that specializes in the production of various traditional cookies. Data were collected using three techniques. First, observation was conducted to assess the level of understanding and implementation of financial reporting practices based on the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) within ABC MSME. Second, interviews were carried out with the research respondent, namely the owner of ABC MSME, to obtain in-depth information regarding the business's financial management practices, bookkeeping activities, and understanding of financial reporting. Third, documentation was employed to support the validity of the research findings and to provide evidence that the study was conducted directly within the research setting.

This study utilized both primary and secondary data sources. Primary data were obtained directly from the business owner and employees through oral and written information, as well as other relevant data collected during field observations. These data provided insights into the financial management practices and operational activities of the enterprise. Secondary data were obtained from existing sources and documents related to the business. Such data included transaction receipts, invoices, sales and purchase records, and other transaction documents that served as supporting evidence for the preparation of financial statements.

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The collected data were analyzed using a descriptive qualitative approach. The analysis focused on identifying and classifying business transactions, reconstructing opening balances, preparing a chart of accounts, and transforming existing bookkeeping records into financial statements in accordance with SAK EMKM. Through this process, the researcher prepared an Income Statement, a Statement of Financial Position, and Notes to the Financial Statements, thereby enabling the enterprise to produce standardized financial reports for the first time [2], [8], [11].

3. RESULT AND DISCUSSION

3.1 Result

ABC MSME, which serves as the object of this study, is a culinary business that has been operating for approximately 25 years. Its main products consist of a variety of traditional cookies that experience high demand, particularly during major festive seasons such as Eid al-Fitr, Christmas, and New Year celebrations. The business's longevity demonstrates its ability to sustain operations and maintain customer loyalty over an extended period. However, preliminary observations and interviews with the owner revealed that throughout its years of operation, ABC MSME had never implemented an accounting system or prepared formal financial statements. This condition was primarily attributed to the owner's limited knowledge of accounting and financial reporting, as well as other responsibilities outside the management of the business. Consequently, business performance was assessed merely based on the remaining balance in the bank account and available cash. Furthermore, there was no clear separation between personal finances and business finances, making it difficult to accurately determine the actual financial condition of the enterprise. Therefore, the preparation of financial statements became necessary to provide more structured and reliable information regarding the financial performance and position of ABC MSME.

In this study, the researcher assisted ABC MSME in preparing financial statements in accordance with the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) using a simple and practical approach that could be easily understood by the business owner. The first stage involved developing a chart of accounts tailored to the characteristics and operational needs of the business. The chart of accounts was designed to classify financial transactions into relevant account categories, thereby facilitating the recording process and the preparation of financial statements for both the current and subsequent accounting periods. In addition, the chart of accounts served as the basis for establishing the opening balance sheet of the business.

The next stage involved the preparation of opening balances. Since ABC MSME had never previously prepared formal financial statements, the opening balances were reconstructed using information obtained from interviews with the owner, direct observations, and available supporting documents. These balances were subsequently reviewed and approved by the owner and were used as the opening balances for the 2026 accounting period. Establishing opening balances was a critical step because it provided an initial representation of the enterprise's financial position at the beginning of the reporting period. The opening balance for 2026 were presented in Table 1.

Table 1. Opening Balance 2026

Account	Amount
Kas ditangan	2.100.000
Kas di Bank	700.000
Piutang usaha	2.780.000
Persediaan	3.250.000
Perlengkapan	525.000
Kendaraan	12.000.000
Akm. Peny. Kendaraan	-
Peralatan	73.000.000
Hutang Usaha	10.000.000
Hutang Gaji	350.000
Hutang Listrik dan air	250.000
Modal Pemilik	75.000.000
Prive Pemilik	5.000.000
Laba Usaha 2025	13.755.000

Subsequently, an inventory of fixed assets owned by ABC MSME was conducted, including production equipment and other operational assets utilized in business activities. Following the identification of these assets, depreciation expenses were calculated in accordance with applicable accounting principles to ensure that the

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reported asset values fairly reflected their economic condition. Prior to this study, neither asset inventory records nor depreciation calculations had ever been prepared by the business. The list of fixed asset and deduction expense were presented in Table 2.

Table 2. Fixed Asset and Depreciation Expense

No	Asset Name	Acquisition Year	Units	Unit Price	Acquisition Cost	Useful Life	Depreciation Rate	Annual Depreciation Expense
1	Oven Deck	2024	1	20.000.000,00	20.000.000,00	10	10%	2.000.000,00
2	Oven tangkring	2020	1	3.000.000,00	3.000.000,00	10	10%	300.000,00
3	Mixer	2022	1	11.000.000,00	11.000.000,00	10	10%	1.100.000,00
4	Mixer	2018	2	6.000.000,00	12.000.000,00	10	10%	1.200.000,00
5	Kompor gas	2015	1	500.000,00	500.000,00	10	10%	50.000,00
6	Kompor gas	2018	3	350.000,00	1.050.000,00	10	10%	105.000,00
7	Kuali besar	2020	3	600.000,00	1.800.000,00	10	10%	180.000,00
8	Mesin parutan Nenas	2023	1	650.000,00	650.000,00	10	10%	65.000,00
9	Becak Barang	2020	1	12.000.000,00	12.000.000,00	10	10%	1.200.000,00
10	Meja Kerja	2005	2	1.500.000,00	3.000.000,00	10	10%	300.000,00
11	Mesin Pemipih adonan	2021	1	12.000.000,00	12.000.000,00	10	10%	1.200.000,00
12	Kulkas 4 pintu	2023	1	4.500.000,00	4.500.000,00	10	10%	450.000,00
13	Kulkas	2010	1	2.500.000,00	2.500.000,00	10	10%	250.000,00
14	Baskom stainless	2020	5	200.000,00	1.000.000,00	10	10%	100.000,00
Total					**85.000.000,00**			**8.500.000,00**

After obtaining the opening balance information and fixed asset data, the researcher collected and analyzed all business transactions occurring between January and April 2026. Based on these transactions, the accounting process was carried out through journalizing, posting to the general ledger, preparing a trial balance, and compiling working papers. These procedures ultimately resulted in the preparation of an Income Statement and a Statement of Financial Position in accordance with SAK EMKM. The Income Statement provides information regarding the business's financial performance during the reporting period, while the Statement of Financial Position presents information on the entity's assets, liabilities, and equity at the end of the period (see Table 3 and 4).

Table 3. Income Statement per May 2026

Account		Credit
Pendapatan Usaha	273.000.000	
Harga Pokok Produksi	195.000.000	
Laba Kotor		78.000.000
Pengurangan		
Beban Gaji	17.000.000	
Beban Transportasi	8.500.000	
Beban Perlengkapan	7.480.000	
Beban Penyusutan	3.541.667	

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Beban Listrik, air dan internet	2.040.000	
Jumlah beban		38.561.667
Laba Bersih sebelum pajak		39.438.333

Table 4. Statement of Financial Position per May 2026

Account	2025	2026
Kas setara kas	2.800.000	17.500.000
Piutang usaha	2.780.000	4.350.000
Persediaan	3.250.000	9.765.000
Perlengkapan	525.000	-
Aset Lancar	**9.355.000**	**31.615.000**
Peralatan usaha	73.000.000	73.000.000
Kendaraan	12.000.000	12.000.000
Akumulasi Penyusutan	-	(3.541.667)
Aset Tetap	**85.000.000**	**81.458.333**
Jumlah Total Aset	**94.355.000**	**113.073.333**
Hutang dan Modal		
Hutang usaha	10.000.000	21.750.000
Hutang gaji	350.000	3.250.000
Hutang Listrik, air, internet	250.000	1.000.000
Modal awal	75.000.000	75.000.000
Laba tahun berjalan	13.755.000	38.561.667
Prive	(5.000.000)	(25.488.333)
Jumlah Hutang dan Modal	**94.355.000**	**113.073.333**

As the final component of the financial reporting process, Notes to the Financial Statements were also prepared. These notes contain general information about the business, the accounting policies applied, and explanations of significant accounts presented in the financial statements. Through the preparation of the Income Statement, Statement of Financial Position, and Notes to the Financial Statements, ABC MSME obtained, for the first time in its history, a complete set of financial statements prepared systematically in accordance with SAK EMKM. These findings demonstrate that standardized financial reporting can be successfully implemented in MSMEs through a simple and practical approach tailored to business needs, thereby improving the quality of financial information available for managerial decision-making and business development.

3.2 Discussion

The findings reveal that the MSME had never prepared formal financial statements despite routinely recording business transactions such as cash receipts, cash disbursements, sales, and purchases. Interviews with the business owner indicated that bookkeeping activities were conducted solely for operational purposes and were not intended to generate financial reports. Consequently, the existing records were unable to provide comprehensive information regarding business profitability, financial position, assets, liabilities, and equity. This finding suggests that the primary challenge faced by the MSME was not the absence of transaction records, but rather the inability to transform those records into standardized financial statements.

To address this issue, the researcher systematically identified, classified, and organized the available transaction data in accordance with SAK EMKM requirements. Through this process, the existing bookkeeping records were successfully reconstructed into a complete set of financial statements, including an Income Statement, a Statement of Financial Position, and Notes to the Financial Statements. The results demonstrate that the transaction records maintained by the MSME contained sufficient information to support the preparation of standardized financial statements once proper accounting classification and adjustment procedures were applied. This finding confirms that the implementation of SAK EMKM does not necessarily require sophisticated accounting systems, but rather an appropriate understanding of financial reporting principles.

The study further indicates that the preparation of SAK EMKM-compliant financial statements significantly improves the quality of financial information available to business owners. The resulting reports provide a clearer understanding of business performance, financial condition, and capital structure, thereby supporting managerial decision-making and enhancing business accountability. Unlike previous studies that primarily assessed the level of SAK EMKM adoption, this research offers a practical approach by demonstrating how simple bookkeeping records can be converted into standardized financial statements. Therefore, the study contributes both theoretically and practically by providing a replicable model for improving financial reporting practices among MSMEs.

4. CONCLUSION

This study concludes that the MSME under investigation had routinely maintained simple transaction records but had never prepared formal financial statements in accordance with SAK EMKM. The findings indicate that the primary obstacle to the implementation of SAK EMKM was not the lack of financial data, but rather the limited ability of the business owner to classify, organize, and present transaction records in a standardized financial reporting format. As a result, the existing bookkeeping practices were insufficient to provide comprehensive information regarding the enterprise's financial performance and position.

Through the reconstruction process conducted in this study, the available transaction records were successfully transformed into a complete set of financial statements consisting of an Income Statement, a Statement of Financial Position, and Notes to the Financial Statements in accordance with SAK EMKM. The results demonstrate that simple bookkeeping records can serve as a reliable foundation for standardized financial reporting when supported by appropriate accounting procedures. Therefore, improving the quality of MSME financial reporting should focus on practical guidance, training, and technical assistance that enable business owners to convert existing records into useful, transparent, and accountable financial information.

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