

## The Effectiveness of Financial Statement Implementation for MSMEs Ice Jellyfish

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### Article Info

**Received:**  
November 9, 2023

**Revised:**  
December 5, 2023

**Online available:**  
January 25, 2024

**Keywords:** Micro Enterprises, Financial Statements, Ice Jellyfish

### Abstract

Micro, Small and Medium Enterprises are business activities that are able to expand employment, provide broad economic services to the community, play a role in the process of equitable distribution and increase in community income, encourage economic growth, and play a role in realizing national stability. Accounting practice is a solution to problems that often occur in micro, small and medium enterprises, namely financial management problems. Accounting practices should have been widely known or even practiced by MSMEs. The purpose of this study is to know and analyze what accounting practices are like for MSME business actors Ice Jellyfish. This type of peelitian uses a qualitative approach method. Data sources are obtained from interviews and observations. The results of the study are known that the financial statements of Ice Jellyfish MSMEs are still simple by recording transactions that often occur in their business and SAK is still not understood by these MSME actors. One of the things that affects this is because of the lack of educational background and socialization or training from the government and institutions that oversee MSMEs is still not optimal so that the understanding of the importance of financial statements is still not understood by MSME actors Ice Jellyfish. The suggestion from the results of this study is that MSME players are expected to apply financial statements based on the established SAK and start recording with EMKM SAK for MSME actors who are just starting recording in the future

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*Cite this as: Gerhani, F. (2024). The Effectiveness of Financial Statement Implementation for MSMEs Ice Jellyfish. TGO Journal of Education, Science and Technology, 2(1), 47–52..*

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## INTRODUCTION

UMKM atau biasa disebut dengan Usaha Mikro Kecil dan Menengah adalah sebuah usaha yang bergerak di berbagai bidang usaha diantaranya, usaha perdagangan, usaha pertanian, usaha industri, usaha jasa dan lain-lain. Di Indonesia, UMKM merupakan salah satu cara yang efektif dalam mengurangi angka kemiskinan dan pengangguran. Dari data statistik yang dilakukan, UMKM mewakili jumlah kelompok usaha terbesar. UMKM merupakan kumpulan dari berbagai pelaku ekonomi terbesar dalam perekonomian di Indonesia serta menjadi faktor pertumbuhan ekonomi pasca krisis ekonomi. Selain menjadi kontribusi besar dalam pembangunan nasional, UMKM juga dapat menjadi peluang kerja yang cukup besar bagi tenaga kerja di Indonesia yang

tentunya membutuhkan pekerjaan di sulitnya mencari pekerjaan di jaman globalisasi sekarang ini. Oleh karena itu dibutuhkan kesadaran kita untuk mengembangkan unit-unit UMKM agar terciptanya kesejahteraan masyarakat. UMKM juga menjadi perhatian lebih pemerintah untuk lebih lagi mengembangkan unit-unit UMKM. Karena keberhasilan UMKM mempunyai manfaat yang sangat besar khususnya untuk perekonomian Indonesia, membuat masyarakat pelaku UMKM lebih mandiri, membuat masyarakat lebih aktif dan kreatif dalam berpikir ide-ide terbaru untuk pengembangan usahanya.

MSMEs or commonly referred to as Micro, Small and Medium Enterprises are businesses engaged in various business fields including, trading businesses, agricultural businesses, industrial businesses, service businesses and others. In Indonesia, MSMEs are one of the effective ways to reduce poverty and unemployment. From the statistical data conducted, MSMEs represent the largest number of business groups. MSMEs are a collection of the largest economic actors in the economy in Indonesia and are a factor in economic growth after the economic crisis. In addition to being a major contribution to national development, MSMEs can also be a considerable job opportunity for workers in Indonesia who certainly need work in the difficult way to find work in today's globalization era. Therefore, our awareness is needed to develop MSME units in order to create community welfare. MSMEs are also a concern for the government to further develop MSME units. Because the success of MSMEs has enormous benefits, especially for the Indonesian economy, making the community of MSME actors more independent, making people more active and creative in thinking about the latest ideas for business development.

But behind it all, there are obstacles or challenges faced by MSME actors, namely related to fund processing and the preparation of financial statements because good fund processing will be an important factor in the success of MSMEs themselves. According to Suhairi (2004) argues that the weakness of MSMEs in preparing financial statements is due to low education, lack of understanding of Financial Accounting Standards (SAK), and training in preparing financial statements. In addition, the results of this study are in line with the results of research conducted by Jati et.al., (2009) that the implementation of accounting bookkeeping to produce financial statements is still difficult for MSMEs. Limited knowledge of accounting bookkeeping, complicated accounting processes, and the assumption that financial statements are not important for MSMEs. Now here there is an MSME trader named "Ice Jellyfish". The beginning of the establishment of the Ice Jellyfish business was in 2012.

Based on Law of the Republic of Indonesia No. 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs) in (Rachmawan, et al, 2015). Micro enterprises are productive businesses owned by individuals and / or individual business entities that meet the criteria for micro enterprises, have a net worth of at most IDR 50,000,000 (fifty million rupiah) excluding land and buildings for business premises; or have annual sales of at most Rp. 300,000,000.00 (three hundred million rupiah).

Small business is a productive economic business that stands alone, carried out by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or become part either directly or indirectly of medium enterprises or large businesses that meet the criteria of small businesses. Have a net worth of more than Rp. 50.000.000,00 , excluding land and buildings for business premises; or have annual sales of more than Rp. 300,000,000.00 up to a maximum of Rp. 2,500,000,000.00.

Medium enterprises are productive economic enterprises that stand alone, carried out by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or become part either directly or indirectly with small businesses or large businesses. Have a net worth of more than Rp. 500,000,000.00 up to a maximum of Rp. 10,000,000,000.00 excluding land and buildings for business premises; or have

annual sales of more than Rp. 2,500,000,000.00 up to a maximum of Rp. 50,000,000,000.00.

According to S Mulyawan (2015), financial statements are a testing tool for the work of the bookkeeping department used to determine or assess the company's financial position. From the financial statements, it can be known the company's financial position and the results that have been achieved by the company. As stated by Mamduh M Hanafi (2004) in general financial statements that are often used consist of:

1. Financial Statements Balance sheet that describes the position of wealth owned by a company at a certain time, the balance sheet is usually stated as of a certain date. The balance sheet is divided into two parts: the left side presents the assets owned by the company, the right side presents the source of funds used to acquire these assets. For each side of the balance sheet is arranged or sorted based on the liquidity of the asset. Liquidity in question is proximity to cash. Therefore, cash is placed in the first line. Likewise with the right side (pasiva) of the balance sheet. Liabilities are sorted from accounts payable to share capital.
2. The Income Financial Statement summarizes the company's activities over a certain period. The income statement is often considered an important report in the annual report.
3. The Cash Flow Financial Statement summarizes a company's cash inflows and outflows for a specific period of time. The cash flow statement is necessary because in some situations, the income statement does not accurately describe the company's financial condition.

Financial Statements are the final result of the accounting process which includes two main reports, namely the Balance Sheet and the Profit and Loss Statement. Financial statements are prepared with the intention of providing financial information of a company to interested parties as consideration in making decisions. These interested parties include management, owners, creditors, investors, and the government.

Based on the above problems, there is a need for efforts to improve MSME development, including helping capital with special loans that facilitate conditions not to burden MSME actors. Helping to increase capital from either the formal financial sector or the informal financial sector. Business protection, both traditional businesses classified as low economy and high business must receive protection from the government both from laws and government regulations. Development of partnerships that help MSMEs both from domestic and foreign markets. In addition, government training for MSMEs both from aspects of entrepreneurship, management, administration and knowledge of accounting for profit bookkeeping in financial statements. . Obstacles that hinder MSMEs in implementing accounting include educational background, have never attended accounting training and there is no need for the application of accounting. The purpose of this study is to determine the perception of accounting knowledge possessed by micro, small and medium enterprises (MSMEs) on the preparation of financial statements

## METHOD

This research uses qualitative research conducted with direct interview techniques with business owners, namely Mr. Hartono. This research was conducted on MSME business actors, namely Ice Jellyfish located in Jember.

The focus of the research is to find out how the perception or view of micro business actors. The perception in question is the views or opinions of micro business actors associated with accounting knowledge used for business management, accounting knowledge to compile financial statements, and how the form of reports made by these business actors

## RESULTS AND DISCUSSION

The financial recording system in the Micro, Small and Medium Units (MSMEs) of Ice Jellyfish is still simple. Currently, financial recording is carried out with a focus on cash inflows and cash outflows. Any transaction involving cash receipts is recognized as income, while transactions involving cash expenditures are recognized as expenses. This model is the foundation for business actors in understanding their company's finances.

This approach also includes the use of business proceeds to meet household needs. This shows that MSMEs Ice Jellyfish is not only seen as a business entity, but also as a supporter of daily life. In this context, business sustainability depends not only on the financial balance of the company but also on the ability of the business to meet the personal needs of its owners. Although MSME business actors Ice Jellyfish realize the importance of accounting bookkeeping and financial reporting, there are still obstacles in its implementation. They recognize that bookkeeping and financial reporting are important aspects in the growth and development of their business. This awareness is reflected in their efforts to record separately cash inflows and outflows.

One of the main challenges faced by MSME entrepreneurs in Ice Jellyfish is the lack of knowledge and educational background related to good bookkeeping and financial reporting. Although they recognize the importance of this aspect, but a lack of in-depth understanding can be an obstacle in optimizing the company's financial potential. In an effort to improve the quality of financial statements, business actors need an increased understanding of accounting concepts, cash flow management, and financial performance appraisal.

Addressing the deficiency in knowledge and educational background among Micro, Small, and Medium Enterprises (MSMEs) requires a multifaceted approach. One avenue is through formal or informal training and education initiatives. These programs can equip MSME business actors with the necessary skills to understand the intricacies of compiling accurate and relevant financial statements. By enhancing their financial literacy, these entrepreneurs can adeptly identify financial trends, engage in critical analysis, and consequently, make more informed and strategic decisions crucial for the sustained development of their businesses.

Moreover, integrating simple accounting software represents a practical solution to enhance efficiency in financial bookkeeping for MSMEs. The adoption of technology facilitates the seamless recording of transactions, automates the generation of financial statements, and provides a comprehensive understanding of the company's financial health. Despite the initial investment required, the long-term benefits accrued from streamlined financial processes can offer significant value addition to the MSME.

In conclusion, the awareness of the importance of accounting and financial reporting among MSMEs, including Ice Jellyfish, is a positive step. However, continuous efforts are crucial to further enhance their comprehension and application of these essential practices. Engaging in training sessions, participating in educational programs, and embracing technological advancements are pivotal strategic measures to overcome the challenges encountered by business actors in the MSME sector. By actively pursuing these initiatives, MSMEs can unlock the full financial potential of their enterprises. Training programs can provide valuable insights, improving the financial literacy of business owners and managers. Educational initiatives can offer in-depth knowledge about best practices in accounting and financial management, enabling MSMEs to navigate complexities with confidence.

The integration of technological advancements, especially through the adoption of user-friendly accounting software, streamlines financial processes. This not only enhances efficiency in bookkeeping but also facilitates the generation of accurate and timely financial reports. Consequently, MSMEs can make well-informed decisions,

driving sustainable growth even in the face of the constantly changing dynamics of the business landscape. In essence, ongoing commitment to learning, combined with the strategic incorporation of technology, positions MSMEs for success. By continually refining their approach to accounting and financial management, these businesses can thrive in the competitive and ever-evolving business environment.

## CONCLUSION

Researchers concluded that MSME players Ice Jellyfish is not ready to record financial reporting because business actors do not understand Financial Accounting Standards (SAK). Socialization from interested parties is very necessary to provide understanding. Even better if it is given in the form of education and training so that the recording of financial statements will have the opportunity to be applied. Thus, financial reporting and accounting bookkeeping are an integral part of the development of MSME businesses, so that if they have understood financial accounting standards (SAK) they want to record because they consider the importance of doing financial reporting based on predetermined SAK.

Based on the data analyzed, it can be said that basically Ice Jellyfish MSME business actors have indeed considered that accounting bookkeeping and financial reporting are important for the growth and development of their business, and become an integral part of their business activities. Based on the results and discussion of the study, the suggestion that can be recommended by researchers is to cultivate the habit of MSME actors to make financial records in accordance with SAK-ETAP so that they can be used as accountability to strengthen the reports that have been made. There needs to be good facilities and communication with MSME coaches related to this to conduct training to improve the skills or quality and professionalism of MSMEs, especially in the field of financial management. In addition, researchers also suggest to immediately apply accounting standards for micro, small and medium entities (SAK EMKM) to MSMEs that are just starting to record transactions that occur in their business fields

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