

## A Conceptual Paper: Implementation of EMKM SAK On The Quality Of Financial Reports

Dyah Permata Cahyani<sup>1\*</sup>, Maya Indriastuti<sup>2</sup>

<sup>1</sup>Department of Accounting, Faculty of Economics and Business, Universitas Islam Sultan Agung, Indonesia. Email: [dyahpermatac.19@gmail.com](mailto:dyahpermatac.19@gmail.com)

### ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) are a strategic sector in the Indonesian economy that contributes significantly to job creation and local economic growth. However, the implementation of accounting standards in MSMEs still faces challenges, particularly in terms of understanding, recording practices, and the preparation of appropriate financial reports. This study aims to assess the extent to which MSMEs in Semarang city implement the Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) and to analyze the factors influencing its implementation. The approach used is descriptive qualitative, utilizing survey methods and interviews with MSME actors. The results of this study are expected to provide a picture of actual accounting practices in the field and serve as a basis for the development of more effective accounting education and mentoring programs for MSMEs.

**Keywords:** Accounting Implementation, Financial Accounting Standards, Financial Reports, MSMEs.

### INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in strengthening the national and global economy, particularly in job creation and income generation. In various regions, MSMEs face challenges in accessing financial resources, which significantly impacts their growth and profitability. Innovation is a crucial prerequisite for business success, particularly for MSMEs adapting to complex and competitive market dynamics. Integrating innovation is crucial to maintain competitiveness (Ben Hamadi & Fournes, 2023). Transparency in environmental management is now considered one of the key indicators in assessing a company's commitment to financial performance. Companies that openly implement green accounting reporting not only strengthen their reputation in the public eye, but also increase trust from investors and other stakeholders (Al-Faryan, 2024). This condition is becoming increasingly relevant as regulatory pressure and social expectations for sustainable business practices increase.

Indonesia has abundant natural resources, enabling Indonesians to capitalize on these resources by becoming entrepreneurs. MSMEs are a popular choice among Indonesians because they require minimal start-up capital. These businesses can also be run solely by the owner, minimizing the need for employees. MSMEs play a significant role in the economy, particularly in developing countries, necessitating clear financial reporting principles for these entities. The primary objective of financial reporting is to provide useful information to investors, lenders, and creditors in making resource-provisioning decisions (Wijekoon et al., 2024). A challenge for MSMEs is that not many are capable of maintaining proper financial records, bookkeeping, and reporting. Yet, maintaining financial records, bookkeeping, and reporting is crucial for every entity to evaluate its performance annually (Nina et al., 2018). Currently, most MSMEs do not have adequate accounting records, making it difficult to obtain accurate financial information, especially for external parties such as banking credit analysts in the credit decision-making process (Puspasari & Herwiyanti, 2021).

Essentially, financial reports serve as a testing tool for bookkeeping. However, over time, the function of financial reports has evolved into a basis for determining or assessing a company's financial position. Another function is to assess performance or measure a company's ability to meet its short-term and long-term obligations. Financial reports can also be used to predict a company's future business continuity. MSMEs also need to prepare financial reports in accordance with financial accounting

standards, like other business entities. This is because these financial reports contain information that can be used to develop MSMEs. Existing MSME financial reports generally only list cash inflows and outflows, without any other economic activity. Owners feel that simply recording cash inflows and outflows is sufficient, so they don't want to carry out recording activities and prepare more detailed financial reports in accordance with accounting standards (Nuvitasari et al., 2019).

The components of financial statements in the General SAK consist of (i) the statement of financial position at the end of the period (ii) the income statement (iii) the statement of changes in equity (iv) the statement of cash flows, and (v) the notes to the financial statements (IAI, 2021). The components of financial statements in the ETAP SAK are (i) the balance sheet, (ii) the income statement, (iii) the statement of changes in equity, (iv) the statement of cash flows, and (v) the notes to the financial statements (IAI, 2011). The components of financial statements based on the EMKM SAK are simpler than those in the General SAK and ETAP SAK. In the EMKM SAK there are only three components of financial statements, namely (i) the Income Statement (ii) the Notes to the Financial Statements, and (iii) the Statement of Financial Position (IAI, 2018).

data obtained from (Semarang City Cooperative and Micro Enterprises Office, 2023), after the enactment of PP No. 7 of 2021 (Central Government, 2021) which states that micro business capital (excluding land and buildings for business premises) is less than or equal to IDR 1 billion and annual sales are less than or equal to IDR 2 billion, in Semarang City there are only 30,024 micro business groups MSMEs in Tembalang District were chosen as the research object because this district has the largest number of MSMEs in Semarang City. MSMEs in Tembalang District increased from 3,464 in 2022 to 3,514 in 2023. The high number of housing and campuses in Tembalang District creates a large market for products and services. Residents and students, as large consumer groups, require a variety of goods and services. The dynamic business environment in Tembalang District, especially influenced by the large number of housing and the presence of campuses, for this reason the number of MSMEs continues to grow, especially in the culinary sector. This creates a variety of choices for consumers and leads to intense competition among MSMEs in the culinary sector. Kiky Cooking is one of the stalls in the Tembalang area. Kiky Cooking has been operating since September 13, 2022, until now. Kiky Cooking is included in the small business category with a net worth of Rp. 50,000,000 to Rp. 300,000,000 and an annual turnover of Rp. 300,000,000 to a maximum of Rp. 720,000,000. Kiky Cooking is a shop that sells various types of food products. To support its business growth, Kiky Cooking needs to implement an accounting recording system. efficient and accurate. This will ensure the continuity of business operations and assist in analyzing any issues that may arise through financial reporting.

iven several issues related to the limited understanding of financial recording and reporting among MSMEs, this thesis will focus on the implementation of SAK EMKM by the Kiky Cooking MSME. This aims to identify obstacles and potential improvements in the implementation of these standards among MSMEs. Based on the description above, the research questions proposed are as follows:

1. What are the main components contained in SAK EMKM?
2. Do MSME actors at Kiky Cooking understand the concepts and principles of SAK EMKM?
3. Does the implementation of SAK EMKM affect the quality and readability of Kiky Cooking's financial reports?
4. What are the technical, administrative, or resource challenges that hinder the implementation of SAK EMKM by MSMEs at Kyki Cooking?
5. What are the internal and external factors that influence the successful implementation of accounting standards in MSMEs at Kiky Cooking?

## **LITERATURE REVIEW**

### **Readiness Theory**

According to (Puji, 2019), readiness is a state that enables individuals to face change. Readiness to implement the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) can be realized in actual situations experienced by Micro, Small, and Medium Enterprises (MSMEs). MSMEs are considered ready to adopt SAK EMKM if they have successfully prepared financial records in accordance with applicable accounting guidelines. In this study, the context of "readiness" refers to how MSMEs will adapt their previous financial accounting standards to the latest financial accounting standards, namely SAK-EMKM. Readiness in this research context includes an evaluation of the extent to which MSMEs are

ready to adopt changes. from conventional accounting financial standards to Financial Accounting Standards for Micro, Small and Medium Entities (SAK-EMKM).

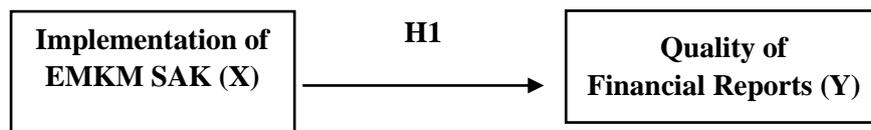
The bookkeeping system at Kiky Cooking, a small and medium enterprise (SME), has been very simple and tends to ignore financial administration principles in accordance with accounting standards. Implementing accounting procedures to produce financial reports remains very challenging for Kiky Cooking. Kiky Cooking faces challenges in preparing financial reports. These challenges stem from limited accounting knowledge, the complexity of the accounting process, and the perception that financial reports are not important for MSMEs.

**HYPOTHESIS DEVELOPMENT**

The hypothesis in this study was formulated to test the relationship between the independent variable (X), understanding and implementation of the Financial Accounting Standards for Micro, Small, and Medium Enterprises (SAK EMKM), as measured by the extent to which Kiky Cooking has understood, implemented, and adjusted its financial recording and reporting in accordance with the Financial Accounting Standards for Micro, Small, and Medium Enterprises (SAK EMKM).

The dependent variable (Y) is the quality of financial reports, which can be measured by aspects such as readability, transparency, accuracy, and usefulness for decision-making and access to financing. The hypothesis in this study was formulated to examine the relationship between the understanding and implementation of Financial Accounting Standards for Micro, Small, and Medium Enterprises (SAK EMKM) and the quality of financial reports of MSMEs at Kiky Cooking. Based on this framework, the research hypothesis (H1) is formulated as follows:

H1: Implementation of SAK EMKM has a positive effect on the quality of MSME financial reports at Kiky Cooking.



**Figure 1. Research Model**

**RESEARCH METHOD**

Type of Research

This study uses a qualitative descriptive research method, which involves collecting all data and information related to financial transactions conducted by Kiky Cooking in order to prepare financial reports in accordance with SAK EMKM. Qualitative research is a method that produces descriptive information in the form of written or spoken words from individuals and observed attitudes. The purpose of descriptive research is to provide a systematic, factual, and accurate picture of the reality and characteristics of a particular population or region (Moleong, 2018). Another reason for using descriptive research is that the researcher wants to analyze and describe the business operations carried out by Kiky Cooking in depth.

**Population and sample**  
 The population in this study consists of company employees and customers. It concerns company management and service quality towards customers. The sample in this study consisted of 20 company employees and 100 customers.

#### Data collection methods

In qualitative research, data collection methods rely on triangulation of data obtained from three approaches, namely interviews, observation, and documentation (Rijal Fadli, 2021).

### **RESULTS AND DISCUSSION**

The results of this study indicate that the implementation of Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) at Kiky Cooking has not yet been fully optimal. Based on interviews and field observations, financial recording practices are still dominated by simple cash-based records, focusing primarily on daily cash inflows and outflows. Comprehensive financial statements as required by SAK EMKM—namely the Statement of Financial Position, Income Statement, and Notes to Financial Statements—have not been consistently prepared.

The findings reveal that the owner and employees of Kiky Cooking have limited understanding of the basic concepts and principles of SAK EMKM. Although the respondents are generally aware of the importance of financial records, accounting is still perceived as a complex and time-consuming activity that does not directly contribute to daily operational decisions. This limited conceptual understanding significantly affects the level of compliance with accounting standards.

In terms of readiness, the results show that Kiky Cooking is not fully prepared to implement SAK EMKM independently. The business lacks structured bookkeeping procedures, standardized documentation, and accounting personnel with formal training. This condition supports Readiness Theory, which emphasizes that the successful adoption of new standards depends heavily on the cognitive, technical, and resource preparedness of the entity.

From a financial reporting quality perspective, the study finds that the existing financial reports of Kiky Cooking have low levels of readability, transparency, and accuracy. Financial information is fragmented and does not clearly reflect the business's financial position or performance. As a result, the reports are not sufficiently useful for decision-making purposes, particularly for evaluating profitability, cost efficiency, or funding needs.

However, when guided simulations of SAK EMKM-based reporting were introduced during the research process, a noticeable improvement in financial report structure and clarity was observed. The preparation of a simple income statement and statement of financial position enabled the owner to better understand business performance, asset ownership, and liability obligations. This indicates that SAK EMKM, when applied correctly, has strong potential to enhance financial report quality.

The study also identifies several key obstacles that hinder SAK EMKM implementation at Kiky Cooking. Internally, the main challenges include limited accounting knowledge, absence of accounting systems, and the perception that formal financial reporting is unnecessary for small-scale businesses. Externally, the lack of continuous mentoring, limited access to accounting training, and minimal supervision from relevant institutions further constrain implementation efforts.

These findings are consistent with prior studies which highlight that MSMEs often struggle with accounting standard adoption due to human resource limitations and low financial literacy. The results reinforce the argument that the main barrier to SAK EMKM implementation lies not in the standards themselves, but in the capability and mindset of MSME actors.

Despite these challenges, the results suggest that SAK EMKM is highly suitable for MSMEs like Kiky Cooking due to its simplified structure. Compared to General SAK and SAK ETAP, SAK EMKM is easier to understand and more aligned with the scale and complexity of MSME transactions. This makes it an appropriate accounting framework for improving financial accountability at the micro and small enterprise level.

Overall, the findings support the research hypothesis that the implementation of SAK EMKM has a positive effect on the quality of MSME financial reports. Although current implementation at Kiky Cooking remains limited, the evidence shows that improved understanding and guided application of SAK EMKM can significantly enhance the readability, transparency, and usefulness of financial reports.

In conclusion, this study demonstrates that effective implementation of SAK EMKM requires more than regulatory availability. Continuous education, mentoring programs, and practical assistance are essential to transform accounting standards into meaningful tools for MSME development and sustainability.

### **PRACTICAL IMPLICATIONS, RECOMMENDATIONS, AND FUTURE RESEARCH**

The findings of this study provide several important practical implications for MSME actors, policymakers, and accounting educators. For MSME owners such as Kiky Cooking, the results highlight the importance of adopting structured financial recording practices based on SAK EMKM. Proper implementation of these standards enables business owners to better understand financial performance, manage resources efficiently, and support informed decision-making related to pricing, cost control, and business expansion.

For policymakers and regulatory institutions, particularly local government agencies and professional accounting bodies, this study emphasizes the need for more intensive and continuous mentoring programs. The low level of accounting readiness among MSMEs indicates that one-time training or socialization is insufficient. Instead, hands-on assistance, simplified templates, and periodic supervision are required to ensure sustainable implementation of SAK EMKM at the grassroots level.

From an educational perspective, the results suggest that accounting education for MSMEs should focus more on practical application rather than technical theory. Training materials should be adapted to the real business conditions of MSMEs, using simple language, real transaction examples, and user-friendly tools. This approach is expected to reduce resistance and improve MSME actors' acceptance of accounting standards.

Based on the identified obstacles, this study recommends that MSMEs gradually adopt SAK EMKM through step-by-step implementation. Initial focus should be placed on basic income statements and cash management, followed by the preparation of statements of financial position and notes to financial statements. Such a phased approach can reduce implementation burden and improve learning effectiveness.

In addition, collaboration between universities, local governments, and MSME associations is strongly recommended. Academic institutions can play a strategic role by providing community service programs, accounting clinics, and student-assisted bookkeeping initiatives to support MSMEs in applying SAK EMKM consistently.

Despite its contributions, this study has several limitations. The research focuses on a single MSME case, which limits the generalizability of the findings. Moreover, the study relies heavily on qualitative data from interviews and observations, which may be subject to interpretation bias.

Future research is encouraged to expand the scope by involving multiple MSMEs across different sectors and regions. Quantitative or mixed-method approaches could also be employed to statistically examine the relationship between SAK EMKM implementation and financial report quality. Additionally, future studies may explore the role of digital accounting applications as moderating factors in improving SAK EMKM adoption.

In conclusion, this study affirms that SAK EMKM has strong potential to improve the quality of MSME financial reporting. However, its effectiveness depends on the readiness, understanding, and continuous support received by MSME actors. Strengthening these aspects is essential to ensure that accounting standards function not merely as regulatory requirements, but as strategic tools for MSME sustainability and growth.

## **CONCLUSION**

This conceptual paper aims to analyze the influence of the level of understanding of MSME actors (especially Kiky Cooking in Tembalang) on the concepts and principles of SAK EMKM, Identify the obstacles faced by MSMEs in implementing SAK EMKM, both from the technical, administrative, and resource aspects, Analyze the influence of the implementation of SAK EMKM on the quality, transparency, and readability of MSME financial reports, Explore internal and external factors that influence the successful implementation of accounting standards by MSMEs, Provides a conceptual and practical basis for the development of more effective accounting education and mentoring for MSMEs.

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