

## Analysis of Accounting Application and use of Accounting Information in MSME Assisted by the Cooperative Service of Mataram City

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### ABSTRACT

This study attempts to see the application of accounting and the use of accounting information in MSMEs registered with the Mataram City Cooperative Service. The method used in this study is a case study based on a developing phenomenon. Data collection techniques use interviews and documentation. Data analysis in this study uses peer criteria and trust methods. The findings of this study show that the application of accounting information systems in MSMEs registered with the Mataram City Cooperative Service has been carried out, and is still relatively low, the use of accounting information is carried out at the cost level and decision making for cash inflows and outflows.

## INTRODUCTION

MSMEs (Micro, Small, and Medium Enterprises) are those run by the community or family. MSMEs play an important role in improving the Indonesian economy. MSMEs are able to absorb a large number of workers in addition to contributing to economic growth. However, it is not easy to encourage the growth of MSMEs. Many businesses do not last long, and MSME actors are often forced to close their businesses due to the challenge of competing with other business actors (Vinatra et al., 2023) .

The challenge often faced by MSMEs is the difficulty in making financial reports (Sulisti, 2019). The importance of financial reports for the operations of MSME actors in general has not been realized. This is due to the lack of information and knowledge related to accounting (Damak-Ayadi et al., 2020) . In fact, business progress is greatly influenced by the understanding of accounting (Biduri et al., 2021) . Inadequate knowledge related to accounting can result in management failure, because business actors face challenges in formulating strategic decisions (Hudha, 2017) . Businesses seem to have no clear direction if they do not have a comprehensive understanding of accounting. This is due to the fact that business actors are not aware of whether their business is profitable or not (Parera et al., 2019). In addition to profits and losses, business actors also face problems in setting selling prices. Often, they determine prices without referring to accounting data. Pricing is more often done based on instinct or still relying on general prices in the market. They do not consider whether the price is too high or too low. This increases the risk of decreasing competitiveness of MSMEs (Suryantara & Animah, 2021) .

Accounting is a very important tool for understanding financial conditions and measuring business performance . Information obtained from accounting is very useful for decision makers in formulating better financial steps (Anggraini et al., 2021). For MSMEs, accounting certainly provides positive benefits for their financial management. However, there are still many MSMEs who think that accounting is not very significant for their business (Biduri et al., 2021). Generally, MSME owners prioritize business development through marketing strategies, finding the right suppliers, and providing good service, but they often do not understand in detail the cost flows that occur (Mulyani, 2018) . With the implementation of good accounting and compliance with standards (SAK EMKM), both small and large companies can make strategic decisions that support the maintenance and development of their businesses. On the other hand, accounting information serves as a basis for economic decision making, which makes it easier to choose one of the many potential actions (Herawati, 2020).

This study attempts to answer the research question about how to implement accounting records and utilize accounting information in MSMEs registered with the Mataram City Cooperative Service.

## THEORETICAL REVIEW

### *Micro, Small and Medium Enterprises*

Law of the Republic of Indonesia No. 20 of 2008 in Chapter 1 Article 1 has provided an explanation regarding the definition of MSMEs, namely:

1. Micro Business is a productive business owned by individuals or individual business entities that meet certain criteria. These criteria include minimum asset ownership of Rp. 50,000,000 and a maximum annual turnover of Rp. 300,000,000.
2. Small Business is a form of productive economy that stands alone, carried out by individuals or business entities. This business is not a subsidiary or branch of a larger company, whether owned, controlled, or has a direct or indirect position in a medium or large business. The criteria for small businesses include ownership of assets between Rp 50,000,000 - Rp 500,000,000, and annual turnover ranging from Rp 300,000,000 - Rp 2,500,000,000
3. Medium Enterprises are productive economic enterprises that also stand alone and are carried out by individuals or business entities. However, this business is not included in the category of subsidiaries that are owned, controlled, or have direct or indirect relationships with small or large businesses. To be categorized as a medium enterprise, a business must have a net worth of between Rp 500,000,000 to Rp 10,000,000,000 and achieve annual sales results of between Rp 2,500,000,000 to Rp 50,000,000,000

### ***Accounting Concepts***

Accounting is the process of identifying, recording, measuring, and communicating relevant financial information to facilitate decision making, as defined by *the American Institute of Certified Public Accountants (AICPA)*. Accounting is generally defined as the dissemination of information to consumers, including stakeholders, through reports.

In formulating basic accounting principles, there are several theoretical concepts used, namely:

a. Proprietary Theory

This theory assumes that the entity acts as an agent or representative of the owner (proprietor). The main focus in accounting records and presentation of financial statements is the owner himself. The goal is to determine the net worth that is the owner's right. In this context, the applicable accounting equation is:  $\text{Assets} - \text{Liabilities} = \text{Owner's Equity}$ .

b. Entity Theory

This theory states that an entity is a separate entity and must be distinguished from its owners. In this view, an entity is considered to have assets and obligations that must be fulfilled to stakeholders. The accounting equation used is:  $\text{Assets} = \text{Equity}$ .

c. Fund Theory

The main emphasis of this theory is the accounting recording of a pool of assets that have been restricted to meet a specific set of obligations. This theory views an entity as a pool of funds that have been established to oversee obligations, with restrictions on the use of assets. The accounting equation for this theory is:  $\text{Assets} = \text{Restrictions on Assets}$ .

d. Theory of the Firm

Accounting information in this theory focuses on parties related to the company, especially those who contribute to the progress, development, and sustainability of the company. The application of this theory is clearly seen

in accounting reports that include socio-economic accounting, environmental accounting, and human resources. The basic nature of accounting and all its results, including financial statements, accounting assumptions, and theoretical concepts of accounting, are part of the basic principles of accounting. On the other hand, the development of accounting techniques used in the preparation of financial statements is also based on this principle.

### ***Financial statements***

Financial statements contain information related to the financial resources of a business entity or company during a certain period of time. Balance sheets, income statements, statements of changes in equity, cash flow statements, and financial statement annotations are all included in the financial statements of a business entity based on the SAK for Non-Public Accountability Entities. Summaries of significant accounting policies and other explanatory information are included in the notes (Indonesian Institute of Accountants, 2016).

### ***Accounting Information***

Accounting information is a method, process, and application of information in the form of accounting numbers which are then used as a basis for assessing the performance of an entity (Christian & Rita, 2016). If a company does not have accounting information, its operations can be threatened. It is clear that the failure of the company will be influenced by the deteriorating financial condition and the absence of accounting records, which will limit access to the information needed (Mulyani, 2016).

Accounting information is categorized into three categories, according to Belkaoui (2006):

a. **Operation Information**

It consists of raw data used to evaluate the implementation of operational activities as a whole, as well as at the level of sections and individuals who have authority and responsibility. The types of information included in this category include information about production, purchasing, raw materials, payroll, and sales.

b. **Management Accounting Information**

Various types of reports, including reports: budget, sales, production costs, and costs arranged by responsibility center and activity, are used to present management accounting information to management. This information is very important for management in planning and supervising the entity's operations, assessing performance, and implementing improvements when necessary.

c. **Financial Accounting Information**

The financial position, performance, and financial changes of an entity are clearly described in financial accounting information. This information is very useful for decision making by managers and external parties. For external parties, including the government, this information serves as a basis for calculating income tax and can be used to produce national income statistics and others. On the other hand, accounting information also plays

an important role in assessing the stability and profitability of an entity, as well as the company's ability to provide benefits to its stakeholders.

### ***Conceptual Framework***

Financial management and management that are not in line with good and correct accounting principles are the main obstacles faced by business actors in the MSME sector. The success or failure of an MSME is mainly determined by the effectiveness of its financial management. The Indonesian Accounting Association (IAI) introduced the Financial Accounting Standards for Micro, Small, and Medium Enterprises (SAK EMKM) in 2019 to assist MSMEs in preparing the necessary financial reports. The purpose of this initiative is to encourage the expansion of MSMEs in Indonesia and to increase the transparency and accountability of financial reporting. MSMEs can access important information that ensures the continuity of their business through the implementation of this standard. This information includes the financial position of the business, changes in owner's capital, and cash income and expenses.

### **METHODOLOGY**

The qualitative research approach used by researchers is descriptive. In-depth analysis of a phenomenon or case is the goal of this research method, which uses a case study approach. This method allows researchers to investigate the context, conditions, and interactions surrounding the case. A series of scientific activities carried out intensively at the individual, group, institutional, and organizational levels are called case studies. Therefore, the purpose of this study is to gain a deep understanding of the events being studied (Rahardjo, M. , 2019). This research was conducted on MSMEs registered with the Mataram City Cooperative Service. The criteria for MSMEs that are the focus of the study are MSMEs with a business period of 5-15 years and income > Rp. 30,000,000 and have recorded finances. Data collection techniques use interviews and documentation using primary and secondary data sources. Data analysis in this research uses a descriptive qualitative analysis approach, which includes data processing in the form of words, descriptions, and numbers (Sudarwan Damin, 2022).

### **RESULTS AND DISCUSSION**

#### ***Implementation of Accounting Records in MSMEs Registered with the Mataram City Cooperative Service***

There are 10 MSMEs registered with the Mataram City Cooperatives Office spread across various regions. Most of these MSMEs are located in Ampanan, Cakra Negara, Selaparang, Sandubaya and Sekarbela. The length of time the MSMEs have been in business varies from 5 years to the longest, 15 years. Meanwhile, the net income per year ranges from more than Rp. 30,000,000 - Rp. 500,000,000.

Based on the interview results, all MSMEs registered with financing have implemented financial records for each transaction. The accounting system is a procedure or method used in the recording. However, of the total, there are 3 MSMEs that do not fully understand how to record properly, while 7 other

MSMEs have successfully implemented the accounting system properly. During the interview, all MSMEs expressed their desire to adopt a computer-based accounting system.

The implementation of accounting systems among MSMEs is influenced by several factors, including the number of workers, the length of time the business has been established, and annual income. The higher the income earned, the more likely it is that MSMEs can hire special employees in the cashier section, who can help implement a more efficient accounting system.

MSMEs revealed that they prefer to carry out sales transactions in cash. This choice was taken to avoid delays in cash receipts that risk causing consumers to default and potentially cause losses to their businesses. All MSMEs interviewed have fixed assets that are privately owned. This is a positive step, because they have used part of their business profits to buy fixed assets, which can reduce rental costs and at the same time increase the value of their business assets.

As many as 8 MSMEs stated that they used personal capital as a form of business ownership. Meanwhile, 2 other MSMEs run their businesses through a form of cooperation, where capital does not only come from a single owner. Interestingly, around 70% of MSMEs carry out cash withdrawals from business results for personal needs. This practice should be avoided by owners, because it is important to separate business financial records from personal finances. However, because business capital is personal, the owner is still allowed to take advantage of it. In accounting, this is known as "prive," which means that taking funds for personal interests will reduce business capital.

Through interviews, all MSMEs revealed that they use the profits they get as capital for their next business activities. Because it can guarantee that the business cycle continues to run and develop, this activity is very profitable. In addition, the company's income can be used for investments such as buying land or for the acquisition of physical assets that can increase the wealth of MSMEs.

In accounting, every income must be recognized and recorded in the cash account. The production costs and cost of goods sold for each product or service offered by most MSMEs, which is 100%, have been calculated. To find out the profit or loss from each sales transaction and to find out the amount of costs that have been incurred, this cost calculation is carried out. In addition, this calculation also helps in setting prices and determining the amount of profit to be achieved.

However, among MSMEs, only 30% implement a sales discount strategy as an effort to increase sales volume. Although discounts can be an effective way, their implementation must be carefully calculated so as not to harm the business. Unfortunately, 70% of MSMEs tend to choose not to give discounts in order to avoid potential losses. This decision reflects a more cautious approach to business management.

All MSMEs stated that they have recognized the burden by recording it. Each MSME has different burdens and costs, depending on the circumstances of their respective businesses. For MSMEs who have employees, recording employee salary burden is important. In addition, all MSMEs are also aware of

other burdens, namely electricity, telephone, and water payments. In addition, each MSME records transportation costs, namely purchasing inventory of goods and shipping goods for sales. For MSMEs who do not have fixed assets and must rent a place, it is necessary to recognize the rental burden of the place. Goods and machines that require special maintenance are also recognized as maintenance costs.

Cash recognition is carried out by MSMEs using the cash basis method, with recording occurring at the time of receipt or disbursement of cash. While all MSMEs make cash flow statements, only 4 of them make income statements. MSMEs provide various reasons for presenting financial statements, especially to understand and report the amount of income and expenses. Financial statements also function to ensure the amount of profit and loss that has been generated for them. However, in general, all MSMEs still feel that they do not need other financial statements, namely a more detailed income statement, statement of changes in equity, balance sheet, and notes to the financial statements.

IAI has prepared and approved SAK for Micro, Small, and Medium Entities, known as SAK EMKM. Based on the interview results, all MSME actors were not aware of the existence of SAK EMKM. They also stated that they had never received socialization or training in preparing financial reports using SAK EMKM.

***Analysis of the Use of Accounting Information in MSMEs Registered with the Mataram City Cooperative Service***

In analyzing the use of accounting information in MSMEs, it is important to establish a benchmark that can be used as a basis for the analysis process. As a measuring tool, we refer to the theory put forward by Belkaoui in 2006. Below, a table is presented showing the measuring tools used in the application of accounting information in MSMEs.

<b>Accounting Information</b>	<b>Classification of Accounting Information</b>	<b>MSME Accounting Information</b>	<b>Business Decisions</b>
Operation Information	Production information, purchasing information, raw material information, payroll information, and sales information.	Books: cash in, cash out, sales, accounts payable, receivables, and purchases.	Assess the implementation of operational activities as a whole.
Management Information	Planning information, implementation information, and	Employee payroll reports and inventory reports.	Prepare planning and supervision as well as performance

	control information.		evaluation and correction.
Financial Information	Financial report information.	Financial income statement, cash flow statement and notes to the financial statements.	For business actors to make economic decisions, know the stability and probability of the business. For external parties it is used as a material for determining taxes and UMKM statistics.

Operational information is utilized by all MSMEs through recording cash inflows and outflows, as shown by the interview results. However, the utilization of operational information through recording accounts payable, receivables, and purchases is still minimal. In fact, operational information can ensure the cost level of all business activities that have been carried out in making business decisions. However, MSMEs apply a straightforward approach in recording cash inflows and outflows in their accounts. This is due to the fact that most of them have an educational background that rarely studies accounting. Although some have received education in accounting, the material taught tends to be very technical. As a result, the stigma that is formed is that accounting is considered something complex and difficult to understand (Suryantara & Ridhawati, 2023). MSMEs can utilize this information into operational information on business activity policies by recording it in cash inflow and outflow records. Employee salary reports and inventory reports have been implemented by 80% of MSMEs for the purpose of providing management information. However, the utilization of management information in the production cost report section is still small, only 40% of MSMEs use it. The purpose of utilizing management information for business decision making is to establish plans and methods for monitoring the running of business operations. Management information is also used as a basis for evaluating and correcting actions that must be implemented in the future.

The use of financial information among MSMEs shows that cash flow occupies the top position with a usage rate of 100%. Followed by notes to financial statements which are the second highest choice. Meanwhile, the income statement is only used by 40% of MSMEs. On the other hand, financial information in the form of a statement of changes in capital and a balance sheet are not used at all by MSMEs. For many MSMEs, preparing accounting information according to standards is often considered as something that is only relevant for large companies that have special accounting expertise, especially in dealing with complex operations. This view further strengthens the doubts of MSMEs to implement standardized accounting practices, considering that they

do not feel that they are included in that category (Ridhawati et al., 2023) . The purpose of financial information is to know the financial position, business performance, and business decision making. The stability and profitability of MSMEs can also be assessed using financial information.

## **CONCLUSION AND RECOMMENDATIONS**

Based on research conducted on MSMEs registered with the Mataram City Cooperative Office, regarding the application of accounting and the use of accounting information, it was concluded that accounting records in MSMEs have begun to be implemented. Although the recording process is still relatively easy, only limited to recording cash inflows and outflows, MSMEs have provided evidence for each transaction. In addition, the use of accounting systems among MSMEs is still low. In addition, MSMEs have also implemented accounting recognition of income, costs, equity, liabilities, and assets. Cash flow statements are generally the format of financial statements prepared by MSMEs and almost all document these reports. However, the level of awareness regarding the preparation of other reports, including balance reports, changes in capital, and profit and loss statements, is still very low. Cash flow statements are still prepared easily and do not meet the standards of MSME SAK. This can be caused by the absence of indoctrination or training in the field of accounting records and the preparation of financial statements based on MSME SAK, as well as the lack of knowledge related to MSME SAK among MSME actors.

Registered MSMEs have also implemented the use of accounting information. Cash inflow and outflow records are used to ensure cost levels and decision-making related to business activities, by utilizing operational information. Meanwhile, management information is used as a resource for business evaluation and development. This information is obtained from inventory reports and employee salary reports. In addition, MSMEs have utilized financial information to understand their financial position and business performance through cash flow reports. However, the application of other reports is still small.

## **FURTHER STUDY**

Based on the research conducted and the conclusions drawn, the author would like to provide several suggestions:

1. To simplify the process of accounting recording and financial reporting, MSMEs are advised to switch from a manual accounting system to a computer-based accounting system. Currently, various accounting software and applications are available, both on computers and mobile phones, some of which can be accessed for free, namely Turbo Cash, BS 1 Accounting, and MYOB. The Ministry of Cooperatives and MSMEs has also launched an Android-based application called Lamikro, which is a free application for creating simple accounting bookkeeping specifically intended for MSMEs. Thus, it is intended that MSMEs can take advantage of these free applications and software.
2. Business actors in the MSME sector should be actively involved or have participated in government or other institutional programs, namely training

or socialization programs in the field of accounting records and preparation of financial reports based on MSME SAK standards.

3. It is important for academics, government, and financial institutions to play an active role in providing training and outreach regarding the application of accounting and the use of accounting information among MSMEs.

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