

**ACCOUNTING STANDARDS FOR MICRO, SMALL AND MEDIUM
ENTERPRISES: EFFECTIVE OR NOT?**

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Abstract

Micro, Small and Medium Enterprises (MSMEs) in economies around the world are very large. It's easy to start a business because the capital needed is not as big as if you are doing a big business, making the number of micro, small and medium entrepreneurs increase every year. Micro, small and medium entrepreneurs have proven their ability to survive in the midst of a financial crisis. Still, there are fundamental problems faced, namely how can the business survive, develop or even excel in competition? Meanwhile, one of the requirements of a capital borrower such as banking is that the business must have financial reports in accordance with financial accounting standards set by regulators.

This study uses a literature review to see whether the Financial Accounting Standards for Micro, Small and Medium Enterprises are effective enough based on existing phenomena.

Keywords : MSMEs, Finanancial Accounting Standards

1. INTRODUCTION

Discussions on Micro, Small and Medium Enterprises (MSMEs) never stop in the world of economy. Because the form and amount of capital are relatively small as large as private companies, business actors still underestimate micro, small and medium enterprises. In fact, in many countries, especially developing countries, the number of micro, small and medium enterprises is very large and also contributes a very large number to the country's economic position.

In micro, small and medium enterprises, when starting a business, business actors are not required to have large funds, carry out complete market research and other things that are usually done in building large-scale businesses. Micro, small and medium entrepreneurs with limited funds, can start their business according to the business goals they want. This is what makes the development of micro, small and medium enterprises around the world very fast (Novietta and Nurmadi, 2020).

How a micro, small and medium enterprise can survive, develop or excel in competition with similar types of business is a problem in itself. How a micro, small and medium enterprise can make a financial report so that the maximum business profit is obtained, is a special issue that continues to be questioned by micro, small and medium entrepreneurs. This has led to

previous research, which tries to discuss and provide solutions, to answer this phenomenon. This study uses literature research to see whether accounting standards for micro, small and medium enterprises are effective enough in overcoming problems of business actors, especially those related to funding and financial reporting.

2. LITERATURE REVIEW

Many previous studies have discussed micro, small and medium enterprises around the world. Wang & Yang (2014) stated that financing difficulties are a more prominent problem for small and micro enterprises than medium enterprises, and claim that financing difficulties for small and micro enterprises should be the focus of small and medium business financing problems. (UKM), and that the difficulties in financing small and micro enterprises are not only caused by their own shortcomings, but also due to the combined influence of financial institutions, government policies and other factors. Therefore, it is necessary to improve the level of operational management of small and micro businesses and strengthen the support of financial institutions and government policies, in order to overcome financing difficulties for small and micro enterprises.

Abdin (2019) discussed Micro, Small and Medium Enterprises and their roles in economic and employment development and how Micro, Small and Medium Enterprises (MSMEs) play an important role in the country's economic and social development and then act as nurseries of entrepreneurship.

Vasanth, et.al (2012) revealed that the micro, small and medium enterprises sector is often driven by individual creativity and innovation. The small and medium enterprises sector is a sector of the economy that is often neglected and disorganized, even though it has a very large influence on the state of the economy. The micro, small and medium enterprises sector shows that this sector has the maximum potential for job creation, but they lack the necessary support from relevant Government Departments, banks and financial institutions and other companies, which is an obstacle to becoming more competitive in the national market and international.

It can be seen that the large number of small and medium enterprises in a country is often not matched by adequate management. How can a micro, small and medium enterprise run well, if entrepreneurs do not understand good business management methods?

One of the things that should receive great attention in running a business is financial management. With good financial management, business actors can maximize their resources to

achieve the goals they want. This can be achieved if business actors understand the importance of having good financial reporting as well. By having financial reports, business actors can see the state of assets, capital debt, revenues and income, so that the overall business situation can be seen. For example, business assets. Measurement and valuation of the asset in accounting are important. Considering many factors in measuring and valuation of assets will make the company obtain maximum benefits and reduce the risk of future use of these assets (Nurmadi, et. al, 2020).

Many countries, carry out special policies for micro, small and medium enterprises. This is because there are differences in the form and management of micro, small and medium enterprises compared to larger private companies. For example, these policies are the issuance of Accounting Standards for micro, small and medium enterprises. The point is, business actors can take advantage of these special rules in preparing a financial report so that they can manage their business properly so that they can survive, develop or excel in competing one day. The question is, are these financial accounting standards for micro, small and medium enterprises effective for use by the business actors themselves?

3. RESEARCH METHOD

This article uses a literature review to explain whether the function of the Accounting Standards for Micro, Small and Medium Enterprises is effective for business actors.

4. RESULTS AND ANALYSIS

Mazhindu & Mafuba (2013) conducted research and stated that the purpose of this research paper is to determine the level of application of International Financial Reporting Standards (IFRS) for Small and Medium Enterprises (SMEs), the benefits obtained by these SMEs, promotion of the implementation of this IFRS. Research findings indicate that 80% of SMEs do not keep accounting records; no one has adopted IFRS for SMEs. 20% who have accounting records observe IFRS requirements generally that are in line with Generally Accepted Accounting Standards. Most of the SMEs do not have accounting records and do not have basic knowledge of financial accounting. Some SMEs prepare Comprehensive Income Reports, Financial Position Reports and Cash Flow Reports. Little effort has been made to encourage the adoption of IFRS for SMEs by policymakers in the retail trade sector. The benefits that SMEs will gain from adopting IFRS for SMEs are better decision making that leads to growth through better accountability and compliance with tax regulations.

Sorrentino & Smarra (2014) conducted research and stated that accounting standards with complex origins, such as micro, small and medium enterprises, are commonly known as "redundant accounting standards", which can be defined together with two different but correlated perspectives: 1. questions about comparing the costs and benefits of complying with accounting standards by small businesses and / or privately owned entities; 2. Competitive loss for public accountants (CPA) serving the entity. Also focuses on the cost-benefit analysis of compliance with accounting standards by small and medium-sized entities.

Belmonte & Santos (2015) conducted research and stated that small and medium enterprises are incorporated into the process of harmonizing international accounting standards, so that these standards carry the responsibility for the annual presentation of a complete set of financial statements. The complexity of the requirements can be noted because most financial reports are designed only to meet inspection requirements. Its purpose is to identify the financial reports used by small and medium entrepreneurs in managing their business.

It is clear that in fact the regulators in many countries intend to accommodate the needs of micro, small and medium enterprises of the need for regulations in making financial reporting. This is in accordance with the existing phenomenon, namely how a micro, small and medium enterprise can survive, develop or will be competitive.

What about developing countries like Indonesia for example? Hasanah et. al (2018) conducted research and stated that non-public accountability financial accounting standards are standards designed to improve the quality of micro, small, and medium entity financial reports

in producing accounting information. Accounting information can help micro, small, and medium entities make important decisions, identify business developments, and manage finances so they can be more successful. However, many micro, small, and medium entities have not been able to produce proper financial reports in accordance with applicable standards. They found that micro, small, and medium entity actors agree that implementing non-public accountability financial accounting standards will be easy and beneficial for their business, but they need trainers to guide them. The trainer will be able to skillfully record these transactions and adapt them to their needs.

Satyawati & Mujiyono (2018) conducted research and stated that currently, small and medium enterprises play an important role in improving the Indonesian economy, both in terms of number of businesses, job creation, and national economic growth. Currently, many small and medium enterprises are still in the process of recording financial transactions and reporting financial manually. The results of this study are as follows: 1) Small businesses are dominated by human resources. 2). Many small business owners do not understand financial accounting and reporting systems well. They operate by manual and conservative descriptions by simple book notes. They do not know or are not familiar with a computerized accounting system and do not know whether it is useful or not to support their business continuity. 3) Personal expenses and operational costs are paid using the same source.

At this time, there have been Financial Accounting Standards for Micro, Small and Medium Enterprises (<http://iaiglobal.or.id/>). Financial Accounting Standards for Micro, Small and Medium Entities contain accounting arrangements that are simpler than financial accounting standards Entities Without Public Accountability, because they regulate transactions carried out by Micro, Small and Medium Entities with measurement which is purely historical cost. Financial Accounting Standards for Micro, Small and Medium Entities are expected to be capable assisting Micro, Small and Medium Enterprises players in preparing financial reports so that make it easier for Micro, Small and Medium Enterprises to get access to funding. The basis for measuring the elements of financial statements in the Financial Accounting Standards for Micro, Small and Medium Entities is historical cost. The historical cost of an asset is the amount of cash or cash equivalents paid to acquire the asset at the time of acquisition. Cost a liability is an amount of cash or cash equivalents received or the amount of cash that is expected to be paid to meet the liability in normal business conduct. Fair presentation of financial statements requires the entity to present relevant information, precise representation, comparability, and understandability. An entity shall provide a complete financial statement at the end of each period reporting.

It is clear that with the existing regulations, Accounting Standards for micro, small and medium enterprises are issued so that the financial reporting of micro, small and medium enterprises becomes more effective and efficient, because theoretically it will be easier for business actors to carry out financial bookkeeping. By having financial books that are in accordance with financial accounting standards, micro, small and medium entrepreneurs can clearly see how the actual achievement of business targets is every day, week or month. They can also see the cash inflows and outflows so that they can determine whether there are parts that have so far turned out not to be in place, thus affecting profits, or formulate a better business strategy to increase profits. More importantly, by having financial books that comply with financial accounting standards as required, micro, small and medium entrepreneurs can develop their businesses by obtaining additional capital from legal outsiders, such as banking.

One thing that can be a common thread in the results of research discussing financial accounting standards for micro, small and medium enterprises is that these financial accounting standards will only be effective if there is a synergy between regulators and the business actors themselves. For example, for a simpler research conducted by Novietta and Nurmadi (2020), it is concluded that the problems faced by informants in carrying out their business activities are a lack of venture capital, not maximizing marketing business results and not knowing and not understanding about simple financial statement preparation.

5. CONCLUSION

Regulators have made efforts to accommodate micro, small and medium entrepreneurs in terms of accounting standards for financial reporting for micro, small and medium enterprises. The rules made are of course intended so as not to burden business actors in order to prepare financial reports according to established standards, so that they can carry out their business as much as possible to obtain the expected results. On the other hand, awareness of the business actors themselves is needed, so that they are willing to obey the established rules with their own awareness, and have a strong desire so that their business can increase. Synergy between regulators and micro, small and medium business actors is absolutely necessary, in terms of socializing regulations, technical guidance on the use of rules and assistance for business actors. In the future, this must be supported by similar research so that regulators can always update the necessary regulations in line with the times.

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