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**IMPLEMENTATION OF SAK EMKM AS A BASIS FOR FINANCIAL REPORT  
PREPARATION IN THE TRANSPARENCY AND ACCOUNTABILITY OF MSME  
FINANCIAL REPORTS FOR PURNAMA LEATHER BAGS IN KLUDAN,  
TANGGULANGIN, SIDOARJO**

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**ABSTRACT**

*The implementation of the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) is a strategic step to enhance the transparency and accountability of financial reports for Micro, Small, and Medium Enterprises (MSME) in Indonesia. However, many MSMEs, including Purnama Leather Bags in Kludan, Tanggulangin, Sidoarjo, face challenges in applying these standards due to limited financial literacy and resources. This study aims to analyze the implementation of SAK EMKM in improving financial reporting at Purnama Leather Bags MSME. Using a quantitative descriptive approach, data was collected through structured surveys and financial document analysis. The findings reveal that SAK EMKM implementation enhances financial report quality by providing a structured framework, increasing transparency, and ensuring accountability. However, financial literacy barriers remain a major limitation. The novelty of this study focus on the leathercraft sector, highlighting sector-specific challenges in adopting financial standards. This research implies that increased financial training and digital accounting tools are crucial for ensuring better compliance and sustainability of MSMEs.*

**Keywords: Financial Transparency, Financial Accountability, Financial Reporting, SAK EMKM, UMKM.**

**INTRODUCTION**

The implementation of the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) is a strategic step to enhance the transparency and accountability of financial reports for MSMEs in Indonesia (Hariyanto, 2024). SAK EMKM is designed to assist in the preparation of more systematic financial statements in accordance with accounting principles, while still maintaining simplicity in their presentation (Wicaksono et al., 2020). Transparency in financial reporting allows financial information to be presented openly and accurately, while accountability ensures that business personnel are aware of the accuracy of financial reporting. Reports prepared according to standards are very important for MSMEs in building trust with investors, creditors, and business partners (Wicaksono et al., 2024).

Nevertheless, many MSMEs still face obstacles in implementing SAK EMKM, one of which is the Purnama Leather Bag MSME in Kludan, Tanggulangin, Sidoarjo. As a leather craft-based business, this MSME has significant economic potential, but limitations in standard-compliant financial reporting practices hinder their access to funding and broader business opportunities. The lack of financial literacy, insufficient understanding of accounting standards, and limited resources are the main factors that lead to inaccurate or incomplete financial reporting, which ultimately reduces trust from business partners and financial institutions (Fahriani et al., 2023).

The urgency of this research lies in the importance of implementing SAK EMKM to improve the quality of financial statements, strengthen stakeholder trust, and support business sustainability. In an increasingly competitive business environment, transparency and accountability in financial reporting become crucial aspects in enhancing competitiveness and gaining access to formal funding sources. Thus, this research aims to address the gaps in the implementation of SAK EMKM and enhance financial understanding and literacy for MSMEs in the leather craft sector.

Several previous studies have highlighted the benefits of implementing SAK EMKM for MSMEs. Although financial literacy issues remain a significant barrier, a study by Hariyanto (2024), shows that the implementation of SAK EMKM helps in the better structuring of financial statements. Putri et al., (2020), found that the implementation of SAK EMKM can strengthen financial management accountability, but requires intensive mentoring for business actors to apply it optimally. Research by (Siskamy et al., 2023) and (Susanti et al., 2021) also emphasizes the importance of education and training in enhancing MSMEs understanding of these accounting standards. However, these studies are still broad in scope and have not specifically addressed the Kludan leather bag business, which has unique characteristics and implementation issues for SAK EMKM.

The research gap in this study lies in the lack of in-depth examination of the implementation of SAK EMKM in the leather bag industry, particularly in Kludan, Tanggulangin, Sidoarjo. Most previous research has focused on the general application of these standards, without considering the specific challenges faced by certain industrial sectors. Purnama Leather Bag MSME faces difficulties in preparing financial reports according to standards due to limited literacy, minimal training, and lack of support from external resources.

Therefore, this research aims to bridge that research gap by examining the implementation of SAK EMKM in this sector and formulating solutions to improve financial literacy and reporting practices.

Before implementing SAK EMKM, Purnama Leather Bag MSME used a simple and unstructured financial recording system. Income and expenses are only recorded manually without adequate documentation regarding assets, liabilities, and profit and loss. As a result, the existing financial statements do not meet the standards as a basis for strategic decision-making in managing business financial management, as well as supporting documents for investors or financial institutions. This condition hinders MSMEs in obtaining access to funding due to the incomplete structure of financial statement presentation, lack of transparency regarding the detailed cash flow, and accountability in their financial statements. Moreover, low financial literacy is a major obstacle in understanding the importance of preparing financial statements that meet standards. The lack of understanding of accounting principles often results in financial statements that do not reflect the actual financial condition, making it difficult for MSMEs to control and face the risks of financial imbalance that could threaten the continuity of their business.

After implementing SAK EMKM, there was a significant change in the financial management of Purnama Leather Bag MSME. This standard allows them to prepare more systematic yet detailed financial statements, including a detailed balance sheet, income statement, and financial statement notes in accordance with the SAK EMKM financial statement presentation structure. Thus, financial information becomes more transparent and allows business owners to more easily monitor financial conditions and make more accurate decisions. It is hoped that this research can encourage the implementation of SAK EMKM as an accounting standard that can enhance the accountability and transparency of MSME financial reporting. By understanding the challenges and strategies for implementing this standard in the context of the leather bag industry, this research serves as a reference for MSME practitioners, academics, and policymakers in promoting better and more professional financial reporting practices in the MSME sector.

## LITERATURE REVIEW

### *Implementation of SAK EMKM*

The Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) is a standard designed to help MSMEs prepare financial statements in a simpler manner while still adhering to accounting principles. The main objective of SAK EMKM is to simplify the recording of financial transactions for MSMEs, enhance transparency, and facilitate access to formal funding. According to (Pinnarwan et al., 2022), implementation of SAK EMKM can help present structured financial statements, even though they have limited resources. Additionally, research (Kirowati, 2019), mention that many MSMEs have not yet implemented SAK EMKM due to a lack of literacy and socialization regarding its benefits. SAK EMKM includes three main reports, namely the statement of financial position (balance sheet), the income statement, and the notes to the financial statements. These three reports help in more accurate financial reporting planning, which can later be used for decision-making and enhancing their business credibility.

### *Implementation of SAK EMKM in Transparency and Accountability*

The implementation of SAK EMKM plays an important role in increasing the transparency and accountability of MSME financial reports. Transparency means that financial reports are presented honestly and openly, while accountability indicates that these reports can be held accountable by business managers (Hariyanto, 2024). The implementation of SAK EMKM also supports micro, small, and medium entities' access to external funding sources, such as banks or investors. This is due to the fact that accountable and transparent financial statements enhance the entity's reputation in the eyes of external parties, which ultimately encourages the expansion and sustainability of MSMEs. As a strategic tool to achieve accountability and transparency in the financial management of MSMEs, SAK EMKM facilitates the integration of finance with the developing economy (Zubaidah et al., 2024).

### *Basis for the Preparation of Financial Statements*

Financial statements are crucial documents that provide a summary of the financial situation of MSMEs over a specific period. To ensure that financial statements can be produced as a basis for decision-making, MSMEs must adhere to applicable accounting standards, such as SAK EMKM. According to (Reski, 2024), The main obstacle in preparing financial statements in MSMEs is the low level of compliance with accounting standards due to a lack

of understanding of SAK EMKM. Strengthened by research (Yunia et al., 2021), mentioning that the application of basic accounting principles such as relevance, reliability, and consistency greatly influences the quality of financial reporting. To ensure accountability and transparency in MSME financial reporting, it is very important to base the preparation of financial statements on standards.

### ***Preparation of Financial Statements for Transparency and Accountability***

Transparent and accountable financial reports are very important for MSMEs because they can increase trust from investors, creditors, and business partners. Transparency allows business owners to present open and honest reports, while accountability ensures that these reports comply with relevant accounting standards. According to (Arifin et al., 2020), The quality of financial reporting is positively influenced by the use of good accounting principles, especially in relation to accountability and transparency. However, research (Aprilianti et al., 2023) showing that many MSMEs still face obstacles in implementing these standards due to limited understanding and human resources. Therefore, education and training are important factors in helping MSMEs improve the quality of their financial reports.

### ***Transparency in Financial Reporting***

Transparency in financial reporting, their financial data must be accurate, easy to understand, and clear to show to investors and business partners. Transparency is very important in building trust with investors and business partners. According to (Hariyanto, 2024), transparency in financial reports helps reduce the information gap between business owners and other stakeholders. Research by (Candra & Hidayatullah, 2024) also added that transparency can increase market efficiency and minimize the risk of financial data manipulation. In addition, the research (Hasan, 2024) implementation of SAK EMKM helps improve the transparency of MSME financial reports by ensuring more accurate and organized transaction recording.

### ***Accountability in Financial Reporting***

Financial statement accountability means that MSMEs are responsible for the truthfulness and accuracy of the information they present in their financial statements. To ensure that financial statements are reliable and can be used as a basis for business decision-making, this accountability is very important. Accountability not only includes the presentation

of accurate financial statements but also ensures that every transaction recording is done systematically, consistently, and in accordance with applicable accounting principles. According to (Mutiah, 2019), Accountability in financial reports helps MSMEs manage their finances better and enhance business credibility. According to (Allisa & Suryaningrum, 2023) emphasizing that high-quality financial reports can improve organizational performance and strengthen stakeholder trust in the company's financial management. By improving the accountability of financial statements, MSMEs find it easier to access capital and greater business opportunities.

### *Leather Bags MSME*

MSME in the leather bag craft sector have great potential in supporting the national economy. However, many still face challenges in financial report management. According to (Sudrartono et al., 2022), MSMEs playing an important role in enhancing local economic competitiveness and job creation. According to (Nuvitasari et al., 2019) adding that digitalization can help leather bag MSMEs expand their market and improve their operational efficiency. Thus, Purnama Leather Bag MSME can enhance the accountability and transparency of their financial reports by implementing SAK EMKM. This will increase the trust of business partners and open up more growth prospects.

## **RESEARCH HYPOTHESIS**

H<sub>1</sub>: Implementation of EMKM SAK (X1) has a positive effect on the quality of financial reports at Purnama Leather Bag UMKM, Kludan, Tanggulangin, Sidoarjo.

The implementation of EMKM SAK provides a structured financial reporting framework that ensures MSMEs follow standardized accounting principles. By adopting these standards, businesses can improve the accuracy, consistency, and reliability of their financial statements. Proper application of EMKM SAK minimizes errors, enhances financial transparency, and increases compliance with accounting regulations, ultimately contributing to higher-quality financial reports at Purnama Leather Bag UMKM.

H<sub>2</sub>: Preparation of financial reports (X2) has a positive effect on the quality of financial reports at Purnama Leather Bag UMKM, Kludan, Tanggulangin, Sidoarjo.

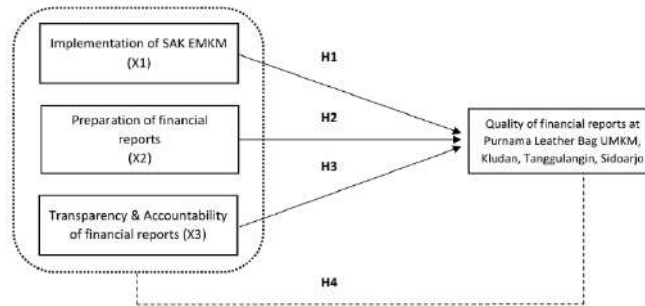
A well-prepared financial report serves as the foundation for effective financial management and decision-making. The completeness, accuracy, and timeliness of financial report preparation ensure that financial data is reliable and relevant for stakeholders. By maintaining a systematic approach in recording and summarizing financial transactions, Purnama Leather Bag UMKM can produce high-quality financial reports that reflect the true financial position of the business.

H<sub>3</sub>: Transparency & accountability of financial reports (X<sub>3</sub>) has a positive effect on the quality of financial reports at Purnama Leather Bag UMKM, Kludan, Tanggulangin, Sidoarjo.

Transparency and accountability are essential components of high-quality financial reporting, as they ensure that financial information is clear, accessible, and trustworthy. Transparent reporting allows stakeholders to gain insight into the financial health of the business, while accountability ensures that financial transactions are recorded accurately and ethically. By upholding these principles, Purnama Leather Bag UMKM can improve the credibility and usability of its financial reports.

**H<sub>4</sub>: Implementation of EMKM SAK as a Basis for Compiling Financial Reports and Transparency and Accountability have a positive effect on the Quality of Financial Reports at Purnama Leather Bag UMKM in Kludan, Tanggulangin, Sidoarjo.**

The integration of EMKM SAK, financial report preparation, and the principles of transparency and accountability collectively enhance the quality of financial reports. A standardized reporting framework, when combined with ethical financial practices and clear financial disclosures, ensures that financial reports are comprehensive, accurate, and aligned with regulatory standards. At Purnama Leather Bag UMKM, the combined influence of these factors leads to improved financial reporting quality, supporting better financial decision-making and business sustainability.



**Figure 1.** Conceptual Framework

## RESEARCH METHODS

This study employs a quantitative method with a descriptive approach using survey methods and financial document analysis. The research focuses on MSMEs in the leather bag industry, specifically UMKM Tas Kulit Purnama in Kludan, Tanggulangin, Sidoarjo. Data collection is conducted through structured questionnaires and an examination of financial statements to assess compliance with SAK EMKM.

### *Population and Sampling*

The population in this study consists of MSME owners and financial personnel in UMKM Tas Kulit Purnama. Due to the absence of a definite population size, a nonprobability sampling method is used, specifically accidental sampling.

### *Measurement of Variables*

This study consists of three main variables: the independent variable, mediating variables, and the dependent variable. The independent variable is the Implementation of SAK EMKM, which refers to the adoption of Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) in financial reporting. This variable is measured using a Likert scale (1–5) based on the level of compliance with SAK EMKM principles, including adherence to financial recording standards, understanding of accounting principles, and use of standardized financial reports.

The mediating variables in this study include Preparation of Financial Reports and Transparency and Accountability of Financial Reports. The preparation of financial reports is assessed based on the completeness, timeliness, accuracy, and compliance of financial statements, measured using a Likert scale (1–5). Transparency is evaluated by the accessibility



of financial information, clarity, and disclosure of financial transactions, while accountability is measured by consistency in financial record-keeping, justification of financial decisions, and adherence to ethical financial practices. Both transparency and accountability are also measured using a Likert scale (1–5).

The dependent variable is the Quality of Financial Reports, which reflects the reliability, accuracy, and usefulness of financial statements for decision-making. The quality of financial reports is measured using a Likert scale (1–5) based on indicators such as relevance, accuracy, comparability, understandability, and completeness of financial disclosures. By using these measurement methods, the study aims to quantitatively assess the relationships between the implementation of SAK EMKM, financial report preparation, transparency, accountability, and the overall quality of financial reports at Purnama Leather Bag UMKM in Kludan, Tanggulangin, Sidoarjo.

## **RESULTS OF RESEARCH AND DISCUSSION**

The Indonesian Institute of Accountants (IAI) has developed the Financial Accounting Standards for Micro, Small, and Medium Enterprises (SAK EMKM), which are clear and specific accounting guidelines intended for micro, small, and medium enterprises. The implementation of SAK EMKM began on January 1, 2018. The main objective of SAK EMKM is to assist MSMEs in preparing accrual-based financial statements that are accountable and transparent while adhering to the principle of simplicity so that they are easily understood by MSME actors. It is hoped that SAK EMKM can improve the financial literacy of MSMEs and make it easier for them to obtain bank financing (Info IAI, 2020).

Purnama Leather Bag MSME in Kludan, Tanggulangin, Sidoarjo, is one example of a small business in the leather craft sector. This MSME focuses on the production and sale of leather bags. The following will discuss the extent to which this MSME has adopted SAK EMKM to produce comprehensive financial statements using methods that include income statements, balance sheets, and financial statement notes in accordance with the SAK EMKM financial statement presentation structure. The existence of this business attracts public attention thanks to its unique product design and has become an icon in the area. When the researcher interviewed the owner, Mr. H. Abdul Mujib, he explained that "Purnama Leather Bag MSME" actually means "Jewelry," but it is just a name without any specific meaning. By

implementing SAK EMKM, it will be easy to estimate prices that align with the market and consumer capabilities. Its no wonder that many visitors, from teenagers to adults, come to buy the offered products. The price of leather bags ranges from Rp. 500,000 to Rp. 1,500,000 and the price of leather wallets ranges from Rp. 150,000 to Rp. 300,000. affordable for people from various backgrounds.

This research was conducted for approximately one month at Purnama Leather Bag MSME, Kludan Highway Block R-3 No. 45-52, Tanggulangin, Sidoarjo. Data was obtained through in-depth interviews with the owner of Purnama Leather Bag MSME to explore information related to the problems faced. In addition, participant observation was conducted to observe the behavior of subjects and objects relevant to the research, as well as field research that relied on direct observation without conducting interviews. To obtain an overview, solutions, and conclusions from the discussed issues, the collected data is subsequently explained and examined inductively.

In practice, the implementation of SAK EMKM in Purnama Leather Bag MSME is likely still very limited. This is in line with the finding that the financial records of the majority of MSMEs in Indonesia do not fully comply with accounting standards. Around 80.4% of MSMEs have not yet adopted SAK EMKM for recording, measuring, and presenting financial results (Manehat & Sanda, 2022). The low implementation of this is also reported in various other regions. Many MSMEs in Sidoarjo still do not keep accounting records because the owners do not understand accounting, so they do not prepare financial statements. This results in the mixing of personal and business funds, indicating a lack of discipline in standard record-keeping.

This indicates that Purnama Leather Bag MSME are facing a similar situation. The indicator is that financial recording may still be simple (only documenting incoming and outgoing transactions manually) and has not yet produced comprehensive financial reports that meet the SAK EMKM requirements for income statements, balance sheets, and financial statement notes. Often, business operators have not yet separated business and personal funds and only rely on gross profit calculations (Dwijayanti et al., 2024). This means that the level of implementation of SAK EMKM at Tas Kulit Purnama is still low or only at a basic knowledge level without full application.

However, since the implementation of SAK EMKM in 2018, it is possible that the

owner of Purnama Leather Bags has only recently heard about this standard through government socialization or local business communities. The government, through the Ministry of Cooperatives and MSMEs, has encouraged the use of the Micro Accounting Report (LAMIKRO) application to facilitate the preparation of financial reports in accordance with SAK EMKM easily. If Purnama Leather Bag MSME have utilized LAMIKRO, they can start creating simple standard-based reports. However, without special guidance, many micro-entrepreneurs still find it difficult to independently implement LAMIKRO/SAK EMKM. So overall, the SAK EMKM in the Purnama Leather Bag MSME has likely not been fully implemented so far, and still requires improvement efforts to ensure their financial reports meet the standards.

Figure 2 shows the financial condition of the business before the implementation of simplified financial accounting standards for MSMEs, where the records are still manual. This balance sheet, which shows the total value of assets, liabilities, and owner's equity, also indicates the owner's capital and any commitments or debts that need to be paid. This balance sheet serves as a basis for evaluating changes and the impact of the implementation of these accounting standards on business financial management by showing the financial structure of Purnama Leather Bag MSME before the financial statements are adjusted and presented in accordance with SAK EMKM.



**Figure 2.** Documentation of Daily Report for MSME Purnama Leather Bags

Based on the attached documentation, the daily report of Purnama Leather Bag MSME before the implementation of SAK EMKM was still simple and not standardized. Recording is done manually in notebooks with a format that does not yet adhere to applicable accounting

principles, such as the absence of systematic separation between capital, revenue, and expenses. Transaction evidence in the form of payment receipts and daily records shows that the bookkeeping process still relies on recording cash inflows and outflows without the preparation of more formal financial statements such as balance sheets or income statements.

Before implementing SAK EMKM, Purnama Leather Bag MSME still used simple financial recording, without standard accounting practices. As a result, the recording only focused on cash inflows and outflows without providing a more complete picture of assets, liabilities, and business equity. In the financial position report before implementing SAK EMKM, the figures recorded in the journal reflect various transactions, including total income, capital used, and payment methods such as bank transfers (BNI, Mandiri), digital payments (QR Mandiri), and other methods like "Debit Mandiri" and "Debit BNI" that have not been clearly defined. For example, on Sunday (06/25), the total recorded income was 4,048,500, with an additional capital of 500,000, resulting in a balance of 4,548,500. There were transactions through the BNI account amounting to 1,122,500, payments using QRIS amounting to 1,140,000, and other transactions that resulted in an ending balance of approximately 1,781,500. On Monday (06/26), the records showed a higher income, amounting to 7,620,500, with an additional capital of 500,000, bringing the total balance to 8,120,000. Several transactions were recorded through digital payment methods and bank transfers, 4,946,000 via "Debit Mandiri," 1,246,500 via QRIS, and 1,009,000 using Mandiri transfer. However, this recording does not provide a clear separation between revenue, costs, and net profit, making it less transparent and difficult to analyze from an accounting perspective. This indicates the need for the implementation of SAK EMKM so that financial statements are more systematic, accurate, and support transparency and accountability in the financial management of MSMEs.

Next, in Table 1 of the Statement of Financial Position (Balance Sheet) After Implementing SAK EMKM at Purnama Leather Bag MSME, significant changes were observed in the presentation of assets, liabilities, and equity in accordance with the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM). After the implementation of SAK EMKM, the financial statements became simpler, more transparent, and in accordance with generally accepted accounting principles, making it easier for business owners to understand their business's financial condition. This adjustment provides a clearer

picture of the liquidity, solvency, and capital capacity of the Purnama Leather Bag MSME, which helps in the preparation of more accurate and structured reports. Through the implementation of SAK EMKM, financial statements become a more effective tool in financial decision-making and business development in the future.

Based on the financial statement table, the total assets owned by Purnama Leather Bag MSME amount to Rp. 274,851,000. The assets consist of cash and cash equivalents amounting to Rp. 186,000,000, accounts receivable worth Rp. 50,000,000, inventory valued at Rp. 8,851,000, and fixed assets worth Rp. 30,000,000.

**Table 1 Financial Position Report (Balance Sheet) After Implementing SAK EMKM at Purnama Leather Bag MSME**

<b>ENTITY REPORT OF FINANCIAL POSITION DECEMBER 2024</b>	
<b>Asset</b>	
Cash and cash equivalents	
Cash	<i>Rp. 186. 000. 000</i>
Giro	-
Deposit	-
<b><i>Amount of cash and cash equivalents</i></b>	<b><i>Rp. 186. 000. 000</i></b>
Accounts receivable	<i>Rp. 50. 000. 000</i>
Supply	<i>Rp. 8.851.000</i>
Fixed assets	<i>Rp. 30. 000. 000</i>
Accumulated depreciation	-
<b><i>TOTAL ASSETS</i></b>	<b><i>Rp. 274.851. 000</i></b>
<b>LIABILITIES</b>	
Accounts payable	<i>Rp. 40. 000. 000</i>
Bank debt	<i>Rp. 20. 000. 000</i>
<b><i>Amount of liabilities</i></b>	<b><i>Rp. 60. 000. 000</i></b>
<b>Equity</b>	
Capital	<i>Rp. 200. 000. 000</i>
Retained earnings (deficit)	<i>Rp. 14. 851. 000</i>
<b><i>TOTAL EQUITY</i></b>	<b><i>Rp. 214.851. 000</i></b>
<b><i>TOTAL LIABILITIES AND EQUITY</i></b>	<b><i>Rp. 274.851. 000</i></b>

Source: Data processed by the Researcher

There is no accumulated depreciation recorded in the fixed assets, indicating that the fixed assets are likely still new or have not yet been depreciated. From the liability side, this MSME has trade payables amounting to Rp. 40,000,000 and bank loans amounting to Rp. 20,000,000, so the total liabilities to be borne reach Rp. 60,000,000. The value of these liabilities is relatively low compared to the total assets owned, indicating good debt management and controlled financial risk. The equity of Purnama Leather Bag MSME consists of capital amounting to Rp. 200,000,000 and retained earnings amounting to Rp. 14,851,000. The total equity amounts to Rp. 214,851,000, indicating that most of the funding for this entity comes from owner capital and business profits. A positive retained earning balance also indicates that this MSME has been able to generate profits from its operations. The ratio of equity to total assets indicates a stable capital structure, with an equity proportion of 78.2% of total assets. Meanwhile, the liability-to-asset ratio is only 21.8%, indicating that this SME relies more on internal funding compared to external debt.

The difference between the financial position report before and after implementing SAK EMKM lies in the level of detail, structure, and compliance with applicable accounting standards. Before implementing SAK EMKM, the statement of financial position was presented in a simpler and more concise manner. Assets, liabilities, and equity are usually only grouped into general categories without further details. For example, assets might only be mentioned as "Cash," "Receivables," "Inventory," and "Fixed Assets" without accounting for the accumulated depreciation on fixed assets. Furthermore, it is impossible to distinguish between current and non-current assets as well as short-term and long-term liabilities. This report is easier to understand for small business owners or those without in-depth accounting knowledge, but less informative for external parties such as investors or creditors.

After implementing SAK EMKM, the financial position report becomes more structured and in accordance with recognized accounting principles. According to SAK MSME, liabilities must be divided into short-term and long-term categories, and assets must be divided into current and non-current categories. In addition, fixed assets must be recorded along with their accumulated depreciation, making the fair value of fixed assets more transparent. Disclosure of profit or loss balances also becomes clearer and more detailed, allowing external parties to assess the entity's financial performance more objectively.

Next, Figure 3. Documentation of the Profit and Loss Statement of Purnama Leather Bag MSME. Before Implementing SAK EMKM at Purnama Leather Bag MSME illustrates the financial performance of the business based on income and expenses over a certain period before implementing SAK EMKM. This report includes the total revenue obtained from the sale of leather bags, minus all operational costs and other expenses, resulting in a net profit or loss figure. In the condition before implementing SAK EMKM, the presentation of the profit and loss statement may still be simple and less structured, thus not fully reflecting the actual financial condition. This shows the importance of implementing accounting standards so that the financial information presented is accurate for better business decision making.

Tgl	Uraian	Debit	Kredit	Saldo
21-12-24	Uraian		007362 - 007369	Rp. 3.256.000,-
21-12-24	Uraian	007365 - 007370		Rp. 11.911.000,-
21-12-24	Uraian	007371 - 007379		Rp. 5.542.000,-
21-12-24	Uraian	007385 - 007388		Rp. 3.482.000,-
21-12-24	Uraian	007378 - 007380		Rp. 8.043.000,-
21-12-24	Uraian	007389 - 007394		Rp. 20.922.000,-

**Figure 3.** Documentation of the Profit and Loss Statement for the Purnama Leather Bag MSME

Based on Figure 3. Documentation of the Profit and Loss Statement of Purnama Leather Bag MSME before implementing SAK EMKM shows that this business generated revenue of Rp. 203,672,500 from total operating expenses and net profit. This reflects that although the business is able to record a profit, the net profit margin is relatively small compared to total revenue, indicating high operational costs. Before the implementation of SAK EMKM, financial recording was likely still done simply and not in accordance with applicable accounting standards. With the implementation of SAK EMKM, financial statements are expected to become more transparent, accurate, and usable for better decision-making and cost management to increase profitability.

Next, in Table 2, the income statement after implementing SAK EMKM at Purnama Leather Bag MSME shows the business's financial performance over a certain period by following SAK EMKM. The implementation of SAK EMKM ensures that the presentation of

the income statement is more structured, transparent, and in accordance with standards, covering revenue, expenses, profit before tax, and net profit after tax. This helps Purnama Leather Bag MSME in evaluating their business profitability more accurately and provides clearer information to stakeholders, including business owners, creditors, and potential investors.

The income statement has been prepared by Purnama Leather Bag MSME as of December 31, 2024, in accordance with SAK EMKM. Throughout 2024, this MSME recorded business revenue of Rp. 247,780,000, indicating a good sales level and positive market demand for its leather bag products.

**Table 2 Profit and Loss Statement After Implementing SAK EMKM at Purnama Leather Bag MSME**

<b>ENTITY PROFIT AND LOSS REPORT DECEMBER 2024</b>	
<b>INCOME</b>	
Operating revenues	Rp 247. 780. 000
<b>TOTAL INCOME</b>	<b>Rp 247. 780. 000</b>
<b>BURDEN</b>	
Operating expenses	Rp. 213. 000. 000
Other expenses	-
<b>TOTAL LOAD</b>	<b>Rp. 213.000. 000</b>
<b>PROFIT (LOSS) BEFORE TAX</b>	
	<b>Rp. 34. 780. 000</b>
Income tax burden	Rp. 5. 000. 000
<b>PROFIT (LOSS) AFTER TAX</b>	<b>Rp. 29. 780. 000</b>

Source: Data processed by the Researcher

From the operational expense side, this MSME incurred costs amounting to Rp. 213,000,000 for business operations, including raw material costs, labor, and other operational expenses. The absence of additional costs in this report indicates strong operational efficiency, with no losses or unexpected expenses from activities outside the MSME. From the difference between revenue and operating expenses, Purnama Leather Bag MSME successfully achieved a pre-tax profit of Rp. 34,780,000. After accounting for the income tax expense of Rp. 5,000,000, the recorded net profit reached Rp. 29,780,000. The net profit margin is recorded at around 12%, indicating that every sale of Rp. 1,000 generates a net profit of approximately Rp. 120. The implementation of SAK EMKM helps provide transparency and accuracy in financial



recording, making it easier for MSMEs to assess their ability to generate profit and manage costs effectively. This positive performance reflects good business growth prospects in the future, including opportunities for business expansion and further investment.

The difference between the income statement before and after implementing SAK EMKM lies in the level of detail and the structure of financial reporting. The income statement before applying SAK EMKM is usually presented in a simple format, only covering revenue, expenses, and net profit without further details on operating expenses, other expenses, and income tax expenses. Meanwhile, after implementing SAK EMKM, the income statement becomes more structured and informative by separating the components of revenue and expenses in more detail, including the disclosure of profit before tax and profit after tax. The implementation of SAK EMKM helps improve the transparency and credibility of financial statements, facilitates business performance analysis, and adds value in gaining the trust of external parties such as investors and creditors.

The implementation of SAK EMKM can enhance transparency by requiring the presentation of systematic financial statements. With this standard, every financial transaction is recorded in detail, allowing business owners and stakeholders to understand the financial condition of the business more clearly. In addition, the presentation of more structured financial information reduces the possibility of data manipulation and increases the trust of business partners and investors in Purnama Leather Bag MSME.

Next, Table 3 Notes to the Financial Statements under SAK EMKM at Purnama Leather Bag MSME contains additional information that supports the main financial statements, such as the balance sheet and income statement. This note provides detailed explanations regarding the accounting policies applied, the breakdown of asset components, liabilities, equity, as well as information on revenue and operating expenses. This CALK contributes to better transparency and understanding for those who use financial statements, such as creditors, business operators, and other stakeholders, in the context of implementing the Micro, Small, and Medium Enterprises Financial Accounting Standards (SAK EMKM). Thus, this note serves as a valuable reference for making more accurate and targeted business decisions, in addition to complementing financial data.

**Table 3 Notes on the Financial Statements on the Implementation of SAK EMKM in Purnama Leather Bag MSME**

ENTITY
NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024
<p>1. GENERAL</p> <p>Contains the company profile and deed. The entity meets the criteria as a micro, small, and medium entity according to Law Number 20 of 2008. Purnama Leather Bag MSME in Kludan, Tanggulangin, Sidoarjo, is one example of a small business in the leather craft sector owned by Mr. H. Abdul Mujib. This MSME was established in Ds. Kludan No. 30 around 2000 focusing on the production and sale of leather bags MSME.</p> <p>2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</p> <p>a. Compliance Statement</p> <p>The Store Owner stated that the financial statements were not prepared using the Financial Accounting Standards for Micro, Small and Medium Entities.</p> <p>b. Basic Compilation</p> <p>The recording of financial reports at the Purnama Leather Bag Shop provided only consists of cash, initial capital, inventory, reports are not made in accordance with the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) due to the limitations of the owner and the lack of professional staff in preparing financial reports based on the specified standards.</p> <p>c. Accounts receivable</p> <p>Accounts receivable are presented at Rp. 50,000,000</p> <p>d. Supply</p> <p>Inventory is calculated based on acquisition cost minus purchase costs.</p> <p>e. Fixed assets</p> <p>Fixed assets are recorded at acquisition cost.</p> <p>f. Recognition of Income and Expenses</p> <p>Revenue is recorded at the fair value of the payments received.</p> <p>g. Income tax</p> <p>Income tax follows the tax provisions currently in force in Indonesia.</p>

3. CASH	Rp. 186. 000. 000
4. GIRO	-
5. DEPOSIT	-
6. PREPAID LOANS	-
7. ACCOUNTS RECEIVABLE	Rp. 50. 000. 000
8. BANK DEBT	Rp. 20. 000. 000
9. RETAIN EARNING	Rp. 14. 851. 000
10. SALES REVENUE	Rp. 247. 780. 000
11. OTHER EXPENSES	Rp. 213. 000. 000
12. INCOME TAX BURDEN	Rp. 29.780.000

From a financial perspective, this MSME has cash amounting to Rp. 186,000,000, accounts receivable of Rp. 50,000,000, and bank debt of Rp. 20,000,000. The retained earnings amount to Rp. 14,851,000, with total sales revenue of Rp. 247,780,000 and operating expenses of Rp. 213,000,000. The application of SAK EMKM in Purnama Leather Bag MSME reflects transparency and orderliness in recording financial transactions. SAK EMKM can enhance accountability by ensuring that every transaction conducted by MSMEs is well-documented and in accordance with applicable accounting standards. With this implementation, business owners become more responsible in preparing financial statements that honestly reflect the business's condition and can be accounted for to external parties, such as banks or investors. In addition, the implementation of SAK EMKM helps distinguish between personal finances and business finances, which were often mixed before, thus providing a more accurate picture of business performance.

Good financial management demonstrates the potential for the business to continue growing and enhancing its competitiveness in the leather craft market. Overall, the implementation of SAK EMKM in the Purnama Leather Bag MSME has improved the quality of financial reports. The statement of financial position has become more transparent with the recording of fixed assets and the separation of capital and retained earnings. The income statement becomes more informative with the clear separation of revenue, operating expenses, and net profit. In addition, the report is now more organized and clearly displays cash flows

from financing, investing, and operations. This adjustment makes it easier for stakeholders, including business owners, to understand the financial situation of Purnama leather bag MSME and base their assessment of the MSMEs on good financial data.

### **ACKNOWLEDGMENTS**

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### **CONCLUSIONS AND ADVICE**

This study aimed to examine the implementation of SAK EMKM and its impact on the quality, transparency, and accountability of financial reporting at Purnama Leather Bag MSME in Kludan, Tanggulangin, Sidoarjo. The research sought to identify whether the adoption of SAK EMKM as a financial reporting standard could enhance the financial literacy of MSME owners and improve their financial documentation processes.

The findings indicate that SAK EMKM implementation positively affects financial reporting quality by providing a structured framework for preparing financial statements. Prior to adopting SAK EMKM, financial recording at Purnama Leather Bag MSME was unstructured, lacking systematic documentation of assets, liabilities, and profit/loss statements. After implementation, financial reports became more transparent and accurate, improving decision-making processes. Additionally, financial transparency and accountability significantly contribute to better financial reporting quality, ensuring that financial data is reliable and accessible for stakeholders such as investors and financial institutions. However, limited financial literacy and lack of professional accounting knowledge remain major obstacles in fully adopting SAK EMKM.

Future research could explore the long-term effects of SAK EMKM adoption on MSME financial performance and evaluate the role of digital accounting tools in simplifying financial reporting. Moreover, this study acknowledges its limitations, including its focus on a single MSME in the leathercraft sector, which may limit the generalizability of the findings to other industries. The research was also conducted within a short timeframe, preventing a comprehensive analysis of financial performance trends over an extended period.

The implication of this study highlights the importance of financial literacy training and government support in enhancing MSME compliance with SAK EMKM. Providing training programs, digital accounting tools, and mentorship for MSME owners can facilitate better financial management, ultimately improving business sustainability and access to formal financial institutions.

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