



## Elements of Stakeholders in the Design of MSME Simple Financial Records

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### Abstract

*The purpose of this study is to identify stakeholder interests in the preparation of simple financial records. This research is a case study in the batik group of Sidomulyo Village, Madiun Regency. In-depth interviews, document observations, and FGD were taken to obtain valid data for making simple financial records. Interviews were conducted with manager and treasurer, while FGD was conducted with all members of the batik group as interested parties. The result is that managers need to know the cost of goods manufactured, treasurers need cash inflow records, and members need profit-sharing information. There is a need for separation between personal and group resources. The solution is to create a custom recording method and flow. The first product is a Productive Mom's Book (Buku Ibu Produktif) to record the elements that makeup prices, the origin of resources, and proof of profit sharing. The second product is Cash Books to record incoming and outgoing cash belonging to the group. This product has been tried together and received a good response from all elements of the batik group. Students can make SMEs a real accounting information system laboratory.*

**Keywords: Local wisdom accounting, Accounting information system, Manufacturing business**

### 1. INTRODUCTION

Decision-making determines a business's success (A. Q. H. AL-Obaidi and A. M. Salman., 2019). The management of business entities can apply the principle of cost-benefit analysis (CBA) to make decisions. According to the analysis, if the benefits exceed the costs, then management will accept it. Likewise, with the preparation of financial report notes on SMEs. The cause MSME owners do not compile financial reports is because they think

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AJMESC, Volume 03 Issue 03, 2023



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accounting is complicated and only want to compile records according to their needs (S. Syamsul., 2022).

So far, we know SAK ETAP and EMKM as standard references for preparing MSME financial reports. SAK is also used as a reference for accounting practices in the classroom. So far, there has been no identification of the needs of MSME actors to make a recording system. What happens is that they are "forced" to conform to standards. MSMEs have a strategic role, namely (1) contributing 61.97% of Indonesia's Gross Domestic Product in 2020 or equivalent to Rp. 8,500 trillion, (2) absorbing 97% of the workforce in Indonesia in 2020, (3) absorbing the most significant credit in Indonesia. 2018 worth IDR 1 trillion (<https://www.bkpm.go.id/id/publikasi/detail/berita/upaya-pemerintah-untuk-memajukan-umkm-indonesia#:~:text=PentingnyaPeranUMKMterhadapPerekonomianIndonesia.>) We should increase research to recognize needs because accounting is formed in the environment in which it is applied (L. Susilowati., 2017). S. S. Devi and R. H. Samujh., 2015 made a similar criticism because MSMEs also have an essential contribution to the global economy. MSMEs worldwide have a small and unimportant role in setting standards (S. S. Devi and R. H. Samujh., 2015)

It is not surprising that so far, accounting information is arbitrary, imperfect, and incomplete, so it is the task of academics to explore accounting practices for interested parties (P. Andon, J. Baxter, and W. F. Chua., 2015)., Accounting is vital in providing information for stakeholders. The information in it is not only for the majority stakeholder (P. Andon, J. Baxter, and W. F. Chua.,2015) even the minority must also pay attention to their interests (H. Maama, K. O. Appiah, and M. Doorasamy.,2021) Good accounting records must provide relevant information for all interested parties.

To start exploring accounting practices that can accommodate all interested parties, the researcher begins with a case study on one of the partner SMEs. This MSME is managed by a woman who doubles as a designer and provider of several resources. Its members consist of village women. Batik has a long series of processes, which involve a lot of human resources, materials, and tools, takes a long time, and it is impossible to predict when the finished goods will be sold. The group's minimal cash conditions make it unable to pay for the services of its members who have completed the product just in time, so the batik-maker does not have a substantial income from this activity. At the same time, batik is a commodity that cannot be quickly sold because of the characteristics of its consumers and the price factor. The condition of MSMEs with manufacturing characteristics is interesting to highlight how the later financial records -which the researchers compiled - can provide information





that interested parties can use. Similar studies only interview and observe MSMEs to find out "why not compile financial records that are following SAK" without exploring the actual needs of stakeholders (S. Syamsul., 2022) Identifying costs in each stage of the manufacturing business only available for large companies (T. Davila and M. Wouters.,2020).

Along with this need, students' understanding of the preparation of financial records is still below average. It can be seen during the accounting computer practicum related to accounting forms and records that students only copy from the manual to the software by relying on memory, not understanding. This research is an opportunity for students to learn from live labs and confirmed cases. This method is called Contextual Teaching and Learning (CTL). CTL allows students to understand and be interested in lecture material because it is related to cases in everyday life (I. Ambarwati and Rochmawati., 2020). I. Irfan., 2009 applied contextual learning to banking accounting at the accounting department, Muhammadiyah University of North Sumatra. The result is that CTL is more effectively applied than conventional methods. The suggestion is that learning materials and media need to be prepared by the study program or faculty. It is a challenge because the best living labs for students are in the industrial world. Problems that arise in the industrial world also cannot be planned on time according to the semester learning plan. Therefore, this opportunity to visit partners is used for research, application of research results in the form of devotion, and as a learning tool for students who are members of the accounting education student association.

So, the purpose of this study is to (1) identify stakeholder needs in financial records, (2) create a simple financial record product based on stakeholder needs. Researchers hope that the results of this study are helpful for (1) new insights into the use of accounting for MSMEs, both for further research and the practice of natural accounting information systems in accounting education, (2) solving business communication problems that have existed in internal organizations.

## 2. RESEARCH METHOD

To achieve the research objectives, the researcher used qualitative methods. This research was conducted in one place, so it was possible to conduct in-depth interviews with all interested parties. The research was carried out in 2021 in Sidomulyo Village, Madiun Regency, East Java. The research informants comprised one batik group manager, one treasurer, and 13 group members. Observations are made on financial records made by the treasurer, which are in journals only. FGD was conducted when regular group meeting held





as a means of triangulation of data between the manager and treasurer conveyed to group members. Researchers identified and offered the concept of financial records designed previously to all group members. After June 2021, researchers evaluated and provided feedback from MSME. If an overhaul is needed, the researcher is ready to revise the form of financial records.

### 3. RESULT AND DISCUSSION

The initial survey identified batik production types: (1) regular and (2) orders. Both types of production go through the same stages: designing batik designs from the manager, taking raw materials, "pencanthingan", coloring, color-locking, "plorotan", and drying. The difference is that regular production is done voluntarily, according to members' abilities. Members take designs and materials from the group and the house manager. When the "pencanthingan" is done, they return to the manager's house to do the coloring, color-locking, "plorotan," and drying. The length of this process depends on the will of the members. The color of the pattern depends on the taste of the batik maker. The selling price so far depends on how attractive the batik is produced according to the manager's estimation. Meanwhile, the production by order has the characteristic that the productions are always divided equally among members, one design is used for all, and the deadline is clear. The selling price of the ordered batik is based on an agreement between the manager and the customer.

Two types of batik can be produced: written batik and stamped batik. However, so far, what has only been running is written batik, so the discussion will focus on the production of written batik. In comparison, the results of observations found that the financial records that the batik group had made were in the form of journals only (Figure 1). This journal only provides information on cash in and out every month.

During in-depth interviews, the problems identified were (1) managers need financial reports to monitor raw materials, cash inflows, and outflows, (2) raw materials and tools used are mixed between private and group property, even though this affects the cost of production, (3) group members do not know the profit-sharing scheme between owners of capital goods, groups, and batik makers. The results of the study turned out to provide the interrelatedness of one concept with another. Accounting in this study is also related to the productivity of group members, accountability between manager-members, separation of personal and group assets, matching concept between costs and income, and determination of COGS.



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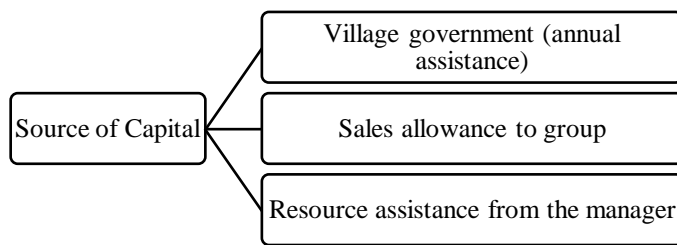
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Figure 1 Batik group financial records

The first problem discussed was that MSME managers complained about member who were less productive in making batik. This MSME group does not have a transparent profit-sharing scheme between the group and its members. The group needs cash inflows from sales to purchase some production needs. From the manager's perspective, she has sacrificed many things, such as designing, so members do not have to work hard to think about the design before making batik. This information directs the need for the identification of resources and sources of funding. The matching concept in accounting requires that cost recognition is basically in line with revenue recognition (E. K. Laitinen., 2020). The researcher borrowed this concept to solve the first problem. The hope is that by identifying these sources of funds and resources, managers and members are aware of each other's contribution to the production process. All those used have the right to be valued and included in the components of the cost of production. It is also expected to be able to resolve the issue of accountability. Accountability relates to the accuracy and honesty of people who have been trusted to manage accounts (K. L. Tripathi ., 2016). Accountability includes delegation, responsibility, legitimacy, disclosure, autonomy, authority, and power (K. L. Tripathi ., 2016).



The source of funds for the Batik Lestari Group comes from the village government in the form of assistance (no need for return on investment), allowance for sales to the group treasury, and resource assistance from the manager. However, if this assistance is not judged to be inappropriate, it seems because the manager's role is significant in this group even though there is no monthly salary. A summary of the identification of sources of capital is shown in Figure 2.



**Figure 2** Identification of Resources in Batik Production

Knowing the tools and materials and the sources of funds makes it possible to match the resources and funds (Table 1). For a piece of batik cloth, the contribution of each party will be visible so that records can be arranged according to this flow (Figure 3).

**Table 1. Matching of sources of funds and resources**

Source of funds	Resource
What is issued by the village? Help/loan?	Stove, display rack, batik table as help, not a loan
What is issued by the group treasury?	Fabric, dye, wax, canting, water glass
What does the manager personally issue?	Firewood, sponges, design services
What is issued personally by batik maker (member)?	Services for attaching, coloring, locking, removing wax (mlorot), and drying.

The first product that the researcher produced was a Productive Mom's Book (Buku Ibu Produktif). This book is named the Productive Mom's Book because this record accommodates the batik production flow of productive members. If she is not actively making batik, then her name will not be in this book. According to the information needed, this book was only created for the Batik Lestari Group (Figure 3). A book contains 30 sheets.



A sheet is for a batik-maker. A sheet contains ten lines; if this sheet is complete, then a batik-maker has one spare sheet in this book. If this sheet runs out, the manager and treasurer can print or photocopy the sheet independently, then bind it. In the upper left corner is given the name of the batik-maker for identification. It is done to meet the standards of the internal control system in the business, namely, adequate records presented completely and sequentially. The column elements are described in Table 2.





Table 2. The Element of Productive Mom's Book

Number of Columns	Column Name	Description	Facilitated Interest
1	Batik's Code	Batik code is made based on the date of production taken as product identification. The batik code will be placed on a label attached to the finished product. The letters are added after the number of several batik cloths are taken in one day. For example, batik began to be produced on June 15, 2021, and was recorded for the first time that day, so the code is 15062021a.	The manager: is to make product identification easier when calculating the cost of goods sold, setting prices, and recording sales. The Batik-maker: is to facilitate the identification of products that have not been and have been sold. The Group: for inventory list, batik catalog making.
2	Pick Up Date	The date on which the batik maker takes plain cloth, wax, dye, and water glass to start the production process.	The Manager: for member productivity records The Batik-maker: for a reminder of what has been "borrowed" from the group The Group: for outgoing raw material records
3	Date of completion	The date on which the batik maker completes the entire series of batik production and submits the results to the manager.	The Manager: it is for member productivity records The Batik-maker: is to record what is "entrusted" to the group. The Group: it is for incoming finished goods records.
4	Raw material	This column contains data on raw materials and other resources used by batik, consisting of plain cloth, wax, dyes, water glass, and firewood/LPG. In the color print edition, the columns for plain cloth, wax, dyes, and water glass are colored yellow, indicating the source of the funds came from the group. The column for firewood/LPG is colored white which indicates the source of the funds comes from the manager.	The Manager: it records the resources used in Rupiah to calculate the cost of production. The Batik-maker: it is to find out the price-forming elements. The Group: for determining the selling price.
5	service	This column contains data on raw materials and other resources used by batik, consisting of (1) design services and (2) batik services until completion. In the color print edition, the column for the design is white, indicating the source of the funds is the manager. Columns for batik services are gray, indicating the source of funds comes from batik. All rates must be agreed upon in advance by managers and members.	The Manager: it records the resources used in Rupiah to calculate the cost of production. The Batik: it is to find the elements that make up the price. The Group: it is for determining the selling price.
6	Penyisihan untuk pengembangan (Provision for development)	This column contains the allowance for sales for the group. In order to be accountable, the nominal allowance has been considered an element forming the selling price. This column is colored yellow in the print edition, confirming the group's belonging.	The Manager and group: it is for determining the selling price. The Batik-maker: is to find out the price-forming elements.
7	Price	This column contains the determination of the selling price, which is the sum of columns (4) to (6).	The manager, batik maker, and group: it is for determining the selling price.
8	Sale date	This column is filled with the date when the batik was sold. When this happens, the treasurer must record in the group journal his contribution (summing the yellow column), paying for batik services (grey column), and providing reimbursement of resources and design services to the manager (summing the white column).	The manager and group: it is for determining the selling price. The Batik-maker: it is to find out the price-forming elements.
9	Signature and date	This column is filled with the date the batik service was paid. The receipt is affixed with the batik maker's signature.	The manager and group: it is for evidence that the batik maker has taken the money. The Batik-maker: it is to claim their rights.







The second record that is needed is the cash book. The cash book is used to record incoming and outgoing cash. We use cash-based records. Cash comes in, meaning that it is increased by debit with the formula = assistance from the village, sales for raw materials + allowance for floating (see the display of Productive Mom's Book). While cash-out means reduced credit, namely spending from village assistance and purchasing raw materials from group cash (not personal cash). The cash book view can continue the existing entry column (Figure 1).

In the FGD stage, the researcher provided a blank whiteboard to calculate the cost of goods sold from zero. The service team had a dialogue with the members of the batik group to ascertain the details of the tools, materials, and actors at each stage of batik. There were 10 of the 15 registered members who came. It turned out that the FGD results were not much different from the team's plan. Thus, the Productive Mom's Book can be directly submitted to the group treasurer without revision. The team explained how to fill it in by simulation. Each member was given one format sheet in Figure 3 and a pen, so they could be filled out together. Opportunities to ask questions and provide input are opened during the filling practice.

Nama Pembatik:

No	Kode Batik	Tgl Ambil	Tgl Selesai	Bahan Baku					Jasa		Perhitungan untuk pengembangan	Harga	Tgl terjual	Tanda terima dan tanggal
				Kain Pelas	Malam	Pewarna	Motorglass	Kayu Bakau/ LPS	Desain	Membatik L.O. Jadi				
1	15862001a													
2														
3														
4														
5														
6														
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10														

Figure 3 The Design of Productive Mom's Book

Both forms of notes are expected to be able to resolve the group's internal problems, particularly the issue of accountability. Accountability in this group is the art of financial communication that will trigger individual productivity. The productivity of individual batik makers is expected to improve the welfare of the women of Sidomulyo Village and then impact the batik group's progress. This research product is expected to provide insight to MSME actors that accounting is not as complex as imagined.





This batik group still uses independent capital. Even if assistance is obtained, it does not demand an accountability report. Therefore, the design of this record is more in favor of internal groups than external parties. However, it is possible that the batik group can use these simple notes to apply for loans to non-bank financial institutions.

As an additional implication, the research team consists of lecturers and students. Lecturers have the opportunity to demonstrate the practice of accounting information systems as well as management accounting and cost accounting to students. Students get an expansion of knowledge that is not available in the classroom.

This research is an opportunity for students to learn from live labs and confirmed cases. This method is called Contextual Teaching and Learning (CTL). The implementation of CTL consists of components of constructivism, questioning, inquiry, learning community, modeling, reflection, and authentic assessment (B. Ridhowati and S. Sumarsih., 2015), found obstacles to applying CTL, namely teachers who still tend to apply trial and error methods, demonstrations, and lectures so that students can determine their knowledge less. In this study, the accounting education student team carried out the constructivism stage and found it through a survey in the batik group, independently or accompanied by lecturers. Initially, students must be triggered by giving examples of critical questions from the lecturer to the batik group manager. They collected interview and observation data as ultimately as possible to conclude together. The selection of this batik group was originally a student proposal.

Second is the questioning aspect in CTL. Students who undergo online learning during the pandemic tend to experience unidirectional learning and tend to be passive in discussion sessions. Passive students are one of the obstacles to the application of CTL (B. Ridhowati and S. Sumarsih., 2015). During this session, apart from giving examples of critical questions, the lecturers also used the issue of "carrying the good name of the association". It triggers active students because they feel the good name of their group is at stake. In addition, this activity takes place outside the campus, so there is particular pride if they successfully solve problems in the community/industrial world. The lecturer directs to recall the characteristics of manufacturing companies, calculations on cost accounting, as well as internal control systems in the accounting system.

The third is the aspect of cooperation in CTL. According to, (B. Ridhowati and S. Sumarsih., 2015), cooperation in CTL is often hampered due to limited presentation time. On this occasion, students can return to the batik group whenever they need data, then discuss it in groups outside of lecture hours.





Fourth is the modeling aspect in CTL. The obstacles often experienced in this session are difficulty bringing experts into the classroom and the lack of funds for modelling (B. Ridhowati and S. Sumarsih., 2015). In this activity, students and lecturers who visit practitioners at their places of business are free.

Fifth reflection in CTL. Reflection in CTL is often less than optimal due to time constraints. On this occasion, students had the opportunity to show what they had learned to the community through FGD. Students show the product to all members of the batik group, as well as how to use it. The time is also not as narrow as learning time in class.

Sixth, authentic assessment of CTL. Authentic assessment in CTL usually has obstacles for lecturers who cannot observe authentically and still carry out classical observations in one class (B. Ridhowati and S. Sumarsih., 2015). This opportunity is only used by lecturers to strengthen students' understanding of accounting and is not intended for class assessment. The reward given is for those who are active in the community service (application of research) will be the second and third writers of the community service article. Meanwhile, students who are active in the research process will be the second and third authors of research articles.

#### 4. CONCLUSION

The identification of the needs of batik group stakeholders are (1) managers need financial records to monitor raw materials, cash inflows, and outflows, (2) raw materials and tools used are mixed between private and group property, even though this affects the cost of production, (3) group members do not clearly know the profit sharing scheme between owners of capital goods, groups, and batik makers. The solution is to have a dialogue and design a simple financial recording scheme. The products are Productive Mom's Books and Cash Books with unique formulas.

The limitation of this research is its focus on solving the group's internal problems. So that the products compiled may not be compared with other MSMEs by external parties. This product is unique and is not to be generalized.

Suggestions for owners or managers of MSMEs are to start with the simplest things to record and ask for help from practitioners to improve them. Meanwhile, practitioners are expected to be more sensitive to the problems around them and not ignore the "minority parties" who have contributed significantly to the state. For practitioners, lecturers can use this kind of case study as a laboratory for accounting, accounting, management, information





systems, and informatics engineering students. Future research can validate this product to external parties to get a broader paradigm of good simple financial statements.

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