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## SIMPLE ACCOUNTING FOR SURABAYA'S SMEs: FROM ACCOUNTING EQUATIONS TO FINANCIAL STATEMENTS

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### **Abstract**

Small and Medium Enterprises (SMEs) have been recognized as very strategic and important not only for economic growth but also for equitable distribution of income. So far, SMEs are still facing the problem of low-quality human resources, including in terms of business accounting. This Community Service (Pengmas) aims to increase the understanding of the business community in preparing SMEs financial reports using simple accounting techniques. This community service was attended by women in Family Welfare Empowerment or Pembinaan Kesejahteraan Keluarga (PKK) who have SMEs in Wonokromo Sub-district, Surabaya, totaling 79 people. The service method used is in the form of education where the partner group (PKK) is given simple accounting knowledge. The results of community service show that the understanding of PKK women in Wonokromo Sub-district, Surabaya regarding simple accounting for SMEs has increased.

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## 1. Introduction

Small, and Medium Enterprises or commonly referred to as SMEs have a large and strategic role in the Indonesian economy. The President explained that the SMEs sector plays a role in forming 60.34% of Gross Domestic Product and absorbing 97% of the workforce in Indonesia (liputan6.com, July 6, 2018). SMEs sector output in 2018 reached Rp8,400 trillion, and the value is equivalent to 60% of Indonesia's Gross Domestic Product (GDP) (okezone.com, June 19, 2019). This value is greater than in 2017, which reached around Rp7,800 trillion and Rp3,000 trillion in 2010 (katadata.co.id, May 20, 2020). In addition, 99% of entrepreneurs in Indonesia are engaged in the SMEs sector and showed their restraint to the economic crisis (Sarwono, 2015).

SMEs also have a number of problems in addition to their large role above. The Minister of Cooperatives and SMEs, Teten Masduki, stated that one of the problems for SMEs is human resources, technology, access to finance, access to markets, and supply chains (republika.co.id, 6 August 2019). The various problems of SMEs can be grouped into two, namely financial and non-financial problems (Hasyim, 2013) (Niode, 2009). Furthermore, (Niode, 2009) explains financial problems such as: there is a mismatch between the available funds with those accessed, there is no systematic funding approach, inefficient credit transaction costs and procedures, high interest rates for investment & working capital credit, and non-bankable since there is no financial management.

Financial problems have their own urgency for solving among other problems. This is because financial management functions in finding capital for business development and allocating business capital to get the expected profit or business goals (Hartati in Wardi et al., 2020). Financial management in the form of financial records ultimately produces a variety of information, including this information in the form of business performance information, fund position, changes in capital, cash inflows and outflows, activity planning, and the amount of costs (Mudah et al., 2014). All information is important for business development. But in reality, financial problems such as financial records still often occur in SMEs. The results of the study (Andhika & Damayanti, 2017) show that there are 40 out of 90 SMEs or 60 SMEs who have no intention of making accounting records. (Ezeagba, 2017) also explained the results of the survey that Negative SMEs had inadequate accounting books and records.

The important position of SMEs in Surabaya is in line with the national conditions. Based on the report from the Statistics Indonesia for the City of Surabaya, it is known that the results of the 2016 Economic Census registration (SE2016), the City of Surabaya has 382,768 non-agricultural businesses / companies that are grouped into 17 business field categories (BPS Kota Surabaya, 2017). Of these, 95% or as many as 365,071 businesses / companies are Micro-Small Enterprises (UMK) and 5 percent or 17,697 businesses / companies are Large Medium Enterprises (UMB). Next, by considering the type of accounting according to the business operations, the distribution of Surabaya City SMEs according to sectors is as follows:

- 1) The Trade sector has 150,855 business units
- 2) The manufacturing sector, including 9 units in mining and quarrying, 27,292 units in the processing industry, 818 units in water management, 1,229 units in electricity procurement, 2,449 units in construction, and 3,843 units in real estate.
- 3) Service sector, covering 15,039 units in transportation and warehousing, 111,967 units in the provision of accommodation, 10,177 in information and telecommunications, 1,026 units in finance and insurance, 6,967 units in corporate services, 5,815 units in education, 2,299 units in health and social activities, and 26,277 units in other services.

Thus, most business sectors are in the trade sector.

The Surabaya City Government itself pays great attention to the businesswomen of SMEs through the Economic Hero Program. This program has existed since 2010 with a number of groups from 89 groups of housewives and now 11 thousand groups (kumparan.com, 9 December 2019). The development of this program is not only in quantity but also in the quality of its success in increasing community income as evidenced by the adoption of this program by the Ministry of Women's Empowerment & Child Protection (surabayabisnis.com, 9 December 2019; kompas.com, 9 December 2019). This fact also shows the large role of women / housewives in Surabaya City SMEs and supports the family economy.

Surabaya's economic heroes, including Family Welfare Empowerment or Pembinaan Kesejahteraan Keluarga (PKK) in Wonokromo District, are still experiencing a number of problems. One of the obstacles in the development of SMEs in the City of Surabaya is that most of the SMEs human resources are low-educated with minimal technical and management expertise. The city government of Surabaya is also aware of this, so that intensive training programs are carried out for them. This low human resource level has an impact on even the simplest financial aspects, such as: financial recording and reporting. In fact, the existence of financial reports can make it easier to find out company performance and make economic decisions to the parties which are concerned (IAI, 2016: 2). The most concerned parties in this matter are the owners and business managers.

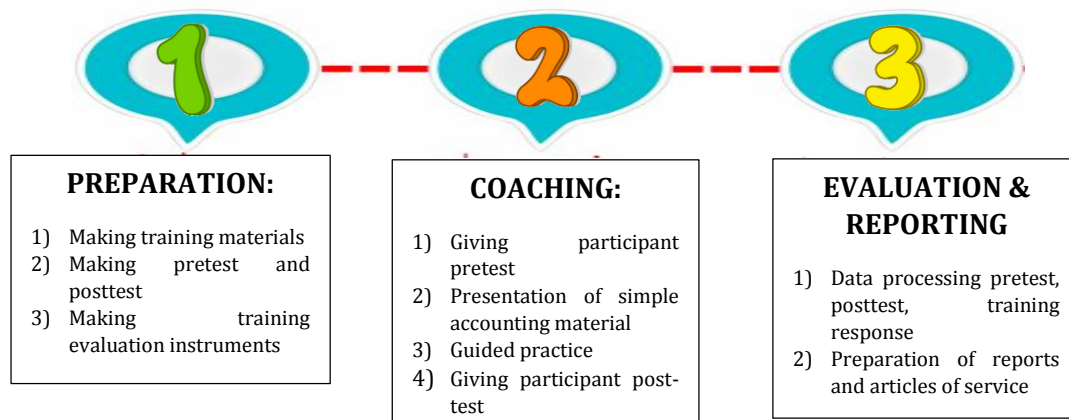
Accounting knowledge that can be accepted easily by them with a low level of education must be considered. This is none other than to address the quality of human resources that has had an impact on the financial aspects as described above. Simple accounting concepts are often used, but their application varies in scope. For example, the service activities carried out (Widhiastuti et al., 2019) and (Hapsari et al., 2017), both use the concept of an accounting card book to generate SMEs financial reports. Unlike some of the previous applications of simple accounting concepts, this Community Service tries to apply the Accounting Equation (AE) to generate financial reports because the types of businesses owned by Community Service in Wonokromo District exist in many sectors such as trade, industry, and services.

This paper presents how simple accounting concept is given to SMEs. This paper also presents how concept acceptance responses are trained to them. With this, it will add to the repertoire of simple accounting concepts that can be applied to solve SMEs financial problems in the field.

## 2. Methods

Community Service was carried out at 79 entrepreneurs who are members of Family Welfare Empowerment or Pembinaan Kesejahteraan Keluarga (PKK) in Wonokromo Sub-district. Their business is engaged in industrial businesses such as the production of knitted bags and instant veil, services such as laundry clothes, and trades such as selling shoes and opening food stalls. Their turnover is only around IDR 200,000 up to IDR 600,000.00. This group of business women has become part of the female economic heroes who have received increasing attention from the empowerment of the Surabaya City government since 2010.

Existing community service activities are organized with educational methods in the form of simple accounting training to achieve the target of increasing the knowledge and skills of the target group. There are three main stages, including preparation, training and evaluation. The three main stages each have sub-stages in them which are briefly presented in Picture 1 below.



**Picture 1. Stages of Simple Accounting**

Picture 1 explains how the overall stages of community service in Simple Accounting activities at SMEs Surabaya City. This paper focuses on stage 2, namely how training activities are carried out in the field and the responses of training participants.

The training begins by giving a pretest in the form of multiple choice questions totaling xx items. The training continued with the provision of simple basic accounting concept material which includes: 1) the pillar of accounting standards in Indonesia and those used for SMEs, 2) benefits of accounting standards (for SMEs), 3) types of financial reports, 4) basic accounting equation concepts ( $\text{assets} = \text{Debt} + \text{Capital}$ ), and 4) account introduction / estimates for SMEs. The next participant practiced simple accounting accompanied by the Unusa PkM implementation team. This guided practice goes sequentially, namely:

- a) Working on Accounting Equations (AE)
- b) Working on an income statement
- c) Working on reports of changes in capital
- d) Working on a balance sheet

Finally, participants were given a posttest on simple accounting by reworking their prestige questions.

The starting point for guided practice is working on the AE. AE is an accounting equation formulated with  $\text{PROPERTY} = \text{DEBT} + \text{CAPITAL}$ . Assets usually consist of several accounts / estimates whose type depends on the type of SMEs business whether trading, manufacturing, or services. The AE form used in this Community Services activity is in Picture 2 below.

NAME of SMEs: .....  
**ACCOUNTING EQUATION**  
 PERIOD .....

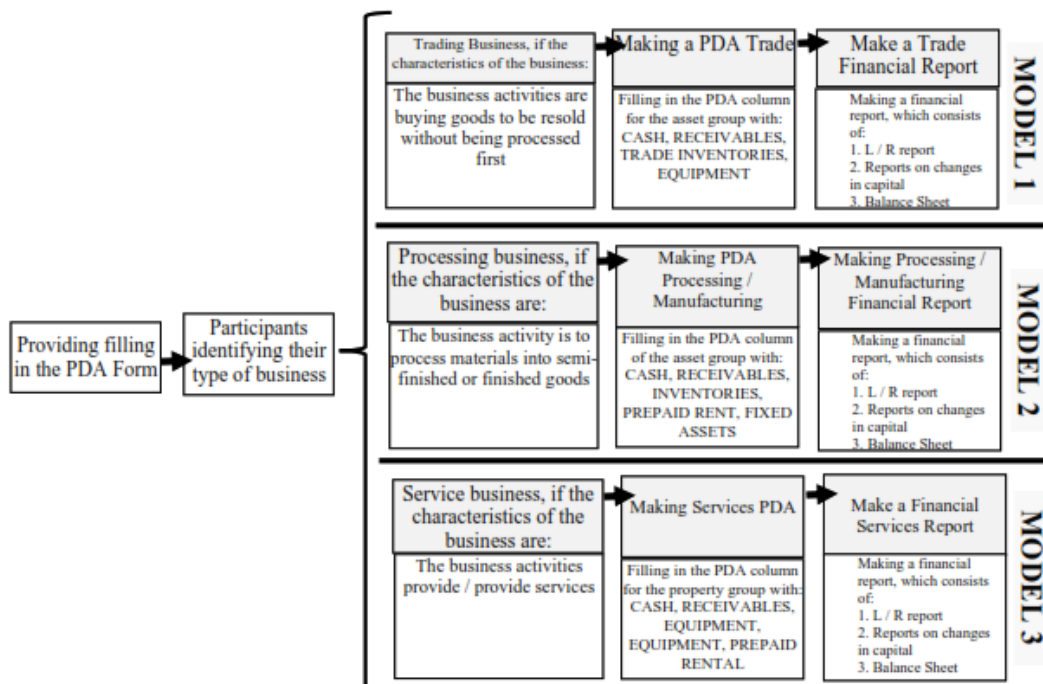
Date	Asset					Total	=	Liabilities	Equity
	Cash	Accounts Receivables	....	....	....				
							=		
							=		
							=		
							=		
							=		
							=		
							=		
							=		
							=		
<b>SUM</b>							=		

Picture 2. Form AE in Simple Accounting

### 3. Result and Discussion

#### *Simple Accounting for SMEs in Surabaya City*

There are two simple accounting models that arise from the activities of Community Services SMEs in the City of Surabaya, namely simple accounting for trading and service businesses. This result is clearly known when guided practice occurs. The following is an overview of his guided practice process.



Picture 3. Simple Accounting Models for Surabaya's SMEs

The three simple accounting models that appear in this community services activity emphasize two main things. First, the SMEs in Wonokromo District has the same picture as the condition of SMEs in East Java and Surabaya City, which are generally dominated by the trade and industry sectors. Second, the conceptual accounting for the 3 types of firms is all in the field. There are three types of business operations including manufacturing, trading and service companies (Irfani & Dahria, 2009) (Martani & Indarto, n.d.). Third, Accounting Equation (AE) can be another option in simple accounting for preparing financial reports in

addition to the accounting book card model from Widhiastuti et al. (2019) and Hapsari et al. (2017).

***Participants' Response in Simple Accounting Knowledge of Surabaya's SMEs***

Participants gave positive responses after participating in this simple accounting training for SMEs. The responses are presented in Table 2 below.

**Table 1 Responses of Training Participants to Simple Accounting Knowledge (N = 79 participants)**

<b>Participant Response</b>	<b>Before</b>	<b>After</b>
Does Not Know at All	3%	0%
Know a Little	16%	0%
Know moderately	28%	3%
Know a lot	50%	57%
Knows exactly	3%	40%
	100%	100%

Source: data in community services of Simple Accounting Knowledge, 2018

Table 1 explains that there has been a change in the response of participants to simple accounting knowledge for SMEs. If before the community services activity, there were still 47% of participants who did not know simple accounting, then after the community services activity, almost all participants already knew simple accounting. Only 3% of 79 participants stated that they did not know simple accounting.

The positive achievements of community services activities are expected to have a positive impact on SMEs businesses in the field. Various studies explain that accounting knowledge has a positive and significant impact on the use of accounting information by entrepreneurs (Sianturi & Fathiyah, 2016; Andhika & Damayanti, 2017; Asrida & Astuti, 2018; Lestari & Rustiana, 2019; and Made et al., 2020). The use of further accounting information is expected to improve the performance of SMEs as found by (Luther, 2016) and (Harahap & Ainsyah, 2017). The simple accounting knowledge of the owners of the Wonokromo SMEs with the AE concept is expected to create interest in the use of accounting in their businesses which in turn can improve their business performance.

**4. Conclusion**

Community services activities in the form of simple accounting training at SMEs in Wonokromo District, Surabaya City have produced three simple accounting models, namely the trading, manufacturing, and service company models. The three of them have different accounts / estimates of asset groups in the AE provided. The asset group in trading AE consists of cash, accounts receivable, inventory and equipment; the asset group in AE manufacture consists of cash, accounts receivable, inventory, prepaid rent, and fixed assets; and asset group in service AE consists of cash, receivables, equipment, equipment, and prepaid rent. This simple accounting training also received positive responses for increasing knowledge of SMEs. After the training, 97% of the training participants stated that they knew and knew very well about simple accounting concepts, even though before the training, there were 47% of participants who did not really know, did not know, and lack of knowing what a simple accounting is.

The results of community services activity are expected to be the basis for carrying out research activities and community service in the future with the object of implementing simple accounting. It is important to know the constraints of application in the field so that it can increase the practical benefits of the simple accounting concept itself. At the macro level, the continuation of this study is beneficial for the development of science and financial aspects of SMEs in Indonesia.

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