



IMPLEMENTATION OF FINANCIAL ACCOUNTING STANDARDS FOR MICRO, SMALL, AND MEDIUM ENTERPRISES: A CASE STUDY IN BATIK JUMPUTAN IBU SEJAHTERA

Received : July 27, 2020

Revised : December 7, 2020

Accepted : December 9, 2020

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Abstract:

In Yogyakarta, the Micro, Small, and Medium Enterprises (MSME) have not been able to develop because they cannot access the capital provided by the banks. It happened due to the inability of the MSMEs to prepare the standardized financial reports. This study aimed to determine how to prepare the financial report according to the financial accounting Standards for Mico, Small, and Medium-Sized Entities at Micro, Small, and Medium Enterprises Batik Jumputan Ibu Sejahtera. The study employed the qualitative research method with a descriptive approach. The data analysis included 1) data collection, conducted through an interview, observation, documentation technique, 2) data reduction, 3) data presentation, and 4) conclusion or verification. The data were validated using the triangulation validity technique. The result showed that the financial reports prepared by the MSME Batik Jumputan Ibu Sejahter's had not followed the Financial Accounting Standards for Micro, Small, and Medium-Sized Entities. The entity's transaction recording system is less sophisticated, in that it only contains information about cash in and cash out. The managers' lack of ability and understanding became the key factor influencing the quality of the financial report. After the researcher rearranged the financial statement according to the rules, it was found that the total asset owned by the entity was Rp109,531,936, total liabilities Rp3,160,000, and the total equity Rp106,371,936. The net profit acquired by the entity reached Rp81,083,534. The reports showed that Batik Jumputan Ibu Sejahtera was categorized as a micro-enterprise by the MSME criteria mentioned in the Law of the Republic of Indonesia Number 20 of 2008.

Keywords: Financial Reports, MSMEs, Financial Accounting Standards for Micro, Small, and Medium-Sized Entities

Introduction

The researcher of the Center for Indonesian Policy Studies (CIPS), Pingkan Audrine Kosijungan, in the interview with *Warta Ekonomi* revealed that the Micro, Small, and Medium Enterprises (MSMEs) has a big role to Indonesia's economic growth. It is proven by the data from The Ministry of Cooperatives and SMEs in 2017 shows 98,87 percent of the MSMEs sector recruits the Indonesian workforce, and 60,34 percent Gross Domestic Product is from the contribution of MSMEs (WE Online Reduction, August 6, 2019).

The government continues to increase the number of MSMEs in Indonesia by providing the financial facility or by training and mentoring program. Special Region of Yogyakarta (Daerah Istimewa Yogyakarta (DIY)) becomes one of the cities with an increase in the number of MSMEs. According to *Tribunjogja.com*, the Head of the DIY Cooperatives and SME Service, Mrs. Srie Nurkyatsiwi said the number of MSMEs in DIY had reached 2 percent every year. In 2018, there are 259,581 MSMEs in DIY, Which consist of 141,991 micro-enterprises, 64,896 small enterprises, and 39,196 medium enterprises. Kulonprogo Regency dominates that increase, then followed by Gunungkidul Regency, Sleman Regency, and Bantul Regency, the last is Yogyakarta City (Ismiyanto, October 11, 2019).

Although the number of MSMEs in Yogyakarta increase continuously, but the businessmen are still having difficulty in raising their business level. Thousands of MSMEs in Yogyakarta are hampered from 'advancing,' especially from micro to small enterprises. MSMEs have not been able to access the capital provided by banks MSMEs to prepare financial statements that have been standardized. This incident shows the importance of financial reports for MSMEs in Indonesia (Tugu Jogja, 23 April 2018).

To help the MSMEs filled their financial reports in 2016, The Financial Accounting Standards Board of the Indonesian Institute of Accountants (DSAK IAI) has prepared Financial Accounting Standards for Micro, Small, and Medium-Sized Entities which will be useful in 2018. The issuance of Financial Accounting Standards For Micro, Small, and Medium-Sized Entities is expected to increase enforcement of transparency and accountability of entity financial reporting, while at the same time encouraging the growth of the MSME sector in Indonesia (DSAK IAI, 2016).

The writer is interested in conducting this research in MSMEs Batik Jumputan Ibu Sejahtera to find out how Financial

Accounting Standards present financial statements for Micro, Small, and Medium-sized Entities in these entities. Hopefully, the financial statements prepared can be used as a reference and evaluation material in preparing financial statements so that the benefits of accounting can be felt for business progress.

LITERATURE REVIEW

Financial Statements

According to Jumingan (2006: 4) financial statement is a financial data summary result of a company that reflects many transactions. Financial statements are prepared and interpreted for the benefit of management and other parties interested in or have a business with the company's financial data.

Generally, the purpose of this financial statement, according to Rudianto (2012: 20), is to provide information about the financial position, financial performance, and cash flow statements of an entity that is useful for a large number of users in making economic decisions. It is also intended for anyone who is not in the position to request specific financial statements to fill particular information needs.

It can be concluded that the financial statements are the information source regarding a description of an entity's financial condition. It is used to provide information about the financial position and the measurement of a company's performance that is useful for many financial statements users in making a decision.

Definition of Financial Accounting Standards for Micro, Small, and Medium-Sized Entities

Financial Accounting Standards for Micro, Small, and Medium-Sized Entities is a financial accounting standard intended to be used by entities without significant public accountability. It means the entities that fill the criteria of micro, small and medium enterprises (DSAK IAI, 2018: 1). The definition of an entity without public accountability is an entity;

1. Do not have significant public accountability; and
2. Financial statements are issued for general purpose (general purpose financial statements) for external users.

Financial Accounting Standards for Micro, Small, and Medium-Sized Entities is the adoption of Indonesian Accounting Standard Non-Publicly-Accountable Entities which is made

more straightforward so that the MSMEs actors can prepare the financial reports easily. It is simpler because Financial Accounting Standards for Micro, Small, and Medium-Sized Entities mainly regulates transactions that are commonly carried out by MSMEs. The objective of IAI in issuing Financial Accounting Standards for Micro, Small, and Medium-Sized Entities is to fill the need for reference standards in the preparation of financial reports for MSME actors by the size and complexity of the entity so that the results are more comfortable to be understood and the information contained is more specific to users' needs.

Financial Reports Based on Financial Accounting Standards for Micro, Small, and Medium-Sized Entities

The presentation of financial reports based on Financial Accounting Standards for Micro, Small, and Medium-Sized Entities means that the financial statement that is presented must comply with the compliance and proper presentation requirements stipulated in Financial Accounting Standards for Micro, Small, and Medium-Sized Entities. Formal presentation requires fair presentation of the effects of transactions, events, and other conditions that fall within the definitions and criteria for recognizing assets, liabilities, income, and expenses as described in Financial Accounting Standards for Micro, Small, and Medium-Sized Entities.

Financial Accounting Standards for Micro, Small, and Medium-Sized Entities requires entities to present a minimum of three types of financial reports, namely;

1. Statement of financial position at the end of the period.

The entity's statement of financial position covers the following items;

- a. Cash and cash equivalents
 - b. Accounts Receivable
 - c. Inventories
 - d. Fixed assets
 - e. Accounts payable
 - f. Bank loan
 - g. Equity
2. Income statement for the period

The entity's income statement covers the following items;

- a. Income/Revenue
- b. Operating expense
- c. Income tax expense

3. Notes to the consolidated financial statements

Notes to financial statements contain information that is not included in previous reports and specify certain relevant items, including:

- a. A view of compliance that Financial Accounting Standards have prepared the entity's financial statements for Micro, Small, and Medium-Sized Entities.
- b. Disclosure of information regarding the accounting policies used to prepare the entity's financial statements (summary of accounting policies).
- c. Disclose additional information and details on specific items that explain essential and material transactions to make it easier for users to understand financial statements.

Definition Micro, Small, and Medium Enterprises (MSMEs)

According to Law Number 20 of 2018 concerning Micro, Small, and Medium Enterprises, a micro-enterprise is a form of business owned by individuals or individual companies that run productively, and it has characteristics of the micro-enterprise as stated in the Law. A small enterprise is a form of enterprise that is established by an individual or business entity, and it is not a subsidiary of another company, or there is control from another company that runs productively and has the characteristics of Small Enterprises in the Law.

A medium Enterprise is a form of business that stands alone, which is managed productively by individuals or business entities and has no direct or indirect relationship with the operations of small companies or other large businesses. It is not a subsidiary of a company or branch of any business. However, it has the characteristic of the place which is mentioned in the law.

The criteria for Micro, Small, and Medium Enterprises are:

1. 1. Criteria for a micro-entity, having net assets of not more than Rp.50,000,000.00 (fifty million rupiahs) assets do not include the value of land and buildings where the business is located; or efforts to obtain sales proceeds of not more than Rp.300,000,000.00 (three hundred million rupiahs) each year.
2. The criteria for a small entity, having net assets of not less than Rp.50,000,000.00 (fifty million rupiahs) and not more than Rp.500,000,000.00 (five hundred million rupiahs) does not cover the value of the land and buildings where the business is located; or efforts to obtain sales proceeds of not less than Rp.300,000,000.00 (three hundred million rupiahs) and not more than Rp.2,500,000,000.00 (two billion and five hundred million rupiahs) each year

3. The criteria for the medium entity, having net assets of not less than Rp.500,000,000.00 (five hundred million rupiahs) and not more than Rp.10,000,000,000.00 (ten billion rupiahs). Net assets do not cover the land and buildings where the business is located or efforts to obtain annual sales proceeds of not less than Rp.2,500,000,000.00 (two billion and five hundred million rupiahs) up to a maximum of Rp.50,000,000,000.00 (fifty billion rupiahs) each year.

RESERCH METHOD

Research Location

This research was conducted in MSMEs Batik Jumputan Ibu Sejahtera which is located at Jl. Soga No. 26a, Tahunan, Umbulharjo, Yogyakarta City, DIY.

Research Method

This research used descriptive qualitative research. According to Moleong (2018: 6) qualitative method is used to understand a particular phenomenon which describes the experience of the subject of study, for example regarding behavior, perception, motivation, action, etc., holistically, which is defined by describing the words and language in a specific natural context and by utilizing various natural methods.

1. Jenis Types of Data

The data that were used in this study were primary and secondary. As for the example of preliminary data was the information about the profile of MSMEs Batik Jumputan Ibu Sejahtera, which were gained from the interview with one of the owner. Moreover, the example of secondary data was the financial statements of Batik Jumputan Ibu Sejahtera in 2019.

2. Source of Data

Primary data in this research resulted from the interview with Mrs. Agus as the owner and the head of Batik Jumputan Ibu Sejahtera. Meanwhile, the secondary data were gained using the documentary method; it was financial reports, notes, and important documents belonging to MSMEs. Besides, the researcher used the observation technique to get another data gained by observing the activity, situation, and condition of MSMEs that occurred in there.

3. The Technique of Collecting Data

The data were collected by interview method, documentation,

observation, and literature review.

4. Method of Validating Data

The researcher used triangulation to validate the data. The type of triangulation that was used in this study was the triangulation of collecting data techniques. It was done by comparing the data from documentation with the data from the interview, comparing the data from the interview with the data from the observations, and comparing the data from the documentation with the data from the observation.

5. Method of Analyzing Data

The method of analyzing data that was used in this study was the method from Miles and Huberman. It was done by data reduction, data display, and conclusion drawing/verification.

RESULT

Company Profile

Home Industry Batik Jumputan Ibu Sejahtera is located on Jl. Soga No. 26a, Celeban, Annual, Kec. Umbulharjo, Yogyakarta City 55167, Hp. 085707872782, website: www.batikjumputjogja.com, Twitter @ibusejahtera. Firstly, Batik Jumputan Ibu Sejahtera was a Regional Economic Empowerment Group (EEG) with 20 members; all were mothers from Kampung Tahunan. Batik Jumputan Ibu Sejahtera was oriented when the members of PEW asked to be given training in making a product with economic value. After discussing, finally, the mothers agreed to learn to make jumputan batik. Instructors were brought directly to provide training and assistance to make batik so that members could make their jumputan batik.

Batik Jumputan Ibu Sejahtera was officially established on December 22, 2011, to coincide with National Mother's Day. She was starting from 15 members and loan capital of four million rupiahs. Because of the hard work and commitment, Batik Jumputan Ibu Sejahtera has been running for almost nine years and has 19 members. The main objective of managing this business is to increase the income and welfare of mothers in the Kampung Tahunan as well as proof that a woman is also able to participate in efforts to improve the economic situation of the family.

Financial Statements for Batik Jumputan, Ibu Sejahtera

Researchers in this study collected primary and secondary data from interviews, observations, and documentation. The results of the analysis of the results of the research data indicate that the understanding of the Batik Jumputan Ibu Sejahtera entity managers regarding the procedures for preparing financial statements according to Financial Accounting Standards For Micro, Small, and Medium-Sized Entities is still lacking. The ability makes recording and preparation of previous financial reports of MSMEs managers. The following is an overview of the financial accounting results of Batik Jumputan Ibu Sejahtera entity for the 2019 period:

Financial Report Jumputan Ibu Sejahtera Period 2019			
No.	Information	Debet	Credit
1	Sales	Rp 45.228.103	
2	The rest for the results	Rp 41.200	
3	Training income and others	Rp .611.000	
4	Payment of member debts	Rp 4.800.000	
5	Sale of fabrics to members	Rp 1.244.500	
6	Sales of veils and other products	Rp 325.000	
7	Sales of dyes to members	Rp 303.000	
8	Batik fabric making services	Rp 1.100.000	
9	Cash inflows from other activities	Rp 987.000	
10	Advance payment for ordering batik	Rp 4.260.000	
11	Profit sharing to members		Rp 81.791.975
12	Purchase of prisima fabric		Rp 14.005.700
13	Purchase of prima fabric		Rp 18.446.500
14	Purchase of paris and others fabric		Rp 1.403.500
15	fee for sales and marketing		Rp 18.059.501
16	Infaq		Rp 3.500.202
17	Payment of debt installments		Rp 3.880.000
18	Payment of fabric cutting services		Rp 470.000
19	Payment for drawing / design services		Rp 2.541.000
20	Fotocopy		Rp 722.950
21	Payment for sewing and wolsum services		Rp 1.645.000
23	Purchase of dyes		Rp 5.102.500
24	Purchase of veil		Rp 2.982.000
25	Payment for written batik services		Rp 1.300.000

26	Brocade & tunic purchases		Rp 325.000
27	Repayment of payments that are less for profit sharing		Rp 2.767.000
28	Payment for fabric hacking & dyeing		Rp 150.000
29	Purchase of wrappers and stamps		Rp 134.500
30	Purchase of manakin / hanger		Rp 145.000
31	Purchase a uniform hijab		Rp 225.000
32	Other expenses outside of operational activities		Rp 1.349.000
	Total	Rp 160.899.803	Rp160.946.328
			-Rp 46.525

Financial Report Based On Financial Accounting Standards For Micro, Small, And Medium-Sized Entities

Statement of Financial position

The financial position report contains information on real accounts, including cash and cash equivalents, accounts receivable, inventories, fixed assets, trade payables, bank loans, and equity. Below is the result of the entity's financial position report prepared by the researcher following the Financial Accounting Standards For Micro, Small, and Medium-Sized Entities rules:

JUMPUTAN IBU SEJAHTERA STATEMENT OF FINANCIAL POSITION 31 DECEMBER 2019		
ASSETS	Note	
Cash And Cash Equivalents		
Cash	3	Rp. 81.239.353
Giro		
Deposits		
Total cash dan cash equivalents		Rp. 81.239.353
Trade Receivables		
Inventories		Rp. 28.150.000
Prepaid Expense		
Fixed Assets		Rp. 145. 000
Accumulated Depreciation		Rp. 2.417
TOTAL ASSETS		Rp. 109.531.936
LIABILITIES		

Account Payable		
Bank Loan	4	Rp. 3.160.000
Total Liabilities		Rp. 3.160.000
EQUITIES		
Capital/Equity		Rp. 25.288.402
Retain Earning (Loss)	5	Rp. 81.083.534
Total Equities		Rp. 106.371.936
TOTAL LIABILITIES & EQUITIES		Rp. 109.531.936

Income Statement

The income statement presents information on nominal accounts, including the amount of Operating Revenue, operating expenses, tax income, Non-Operating Expense, Income before corporate income tax, income for the period (net profit). Below are the results of the MSMEs Batik Jumputan Ibu Sejahtera income statement preparation following the Financial Accounting Standards For Micro, Small, and Medium-Sized Entities rules:

JUMPUTAN IBU SEJAHTERA INCOME STATEMENT		
31-Dec-19		
INCOME/ REVENUE	Note	
Operating Revenue	6	Rp. 159.871.603
Non Operating Revenue	7	Rp. 1.028.200
Total Revenue		Rp. 160.899.803
EXPENSE		
Operating Expense		Rp. 73.439.618
Non Operating Expense	8	Rp. 5.572.152
Total Expense		Rp. 79.011.770
INCOME BEFORE CORPORATED INCOME TAX		Rp. 81.888.033
Income Tax Expense	9	(Rp. 804.499)
INCOME FOR THE PERIOD		Rp. 81.083.534

Notes to financial statements

Notes to financial statements contain information regarding the idea that Financial Accounting Standards have prepared the financial statements presented by the entity for Micro, Small and Medium-Sized Entities. The report must include information regarding a summary of the accounting policies used and additional information and details regarding individual accounts to clarify transactions or materials to help facilitate the understanding of users of financial statements. Below is the results of the notes for the preparation of the Batik Jumptan Ibu Sejahtera MSME financial statements:

JUMPUTAN IBU SEJAHTERA NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2019	
1. GENERAL	Batik Jumptan Ibu Sejahtera was established on 22 December 2011 in Yogyakarta. The entity engaged in manufacturing and services. It fills the criteria as micro, small, and medium-sized entities by Law Number 20 of 2008. The entity is domiciled at Jalan Soga No.33 Celeban Umbulharjo, Yogyakarta City.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	
a. Statement of Compliance	Financial reports are prepared using Financial Accounting Standards for Micro, Small, and Medium Entities. The financial statements for the period 2019 are the entity's first financial reporting period designed based on Financial Accounting Standards For Micro, Small, and Medium-Sized Entities.
b. Basic preparation	The financial statements have been prepared based on historical cost and use the accrual basis assumption. The presentation currency used for the preparation of the financial statements is the Indonesian Rupiah.
c. Inventories	Inventories presented in these financial statements represent the value of finished goods inventories recognized based on their selling price.
d. Fixed assets	Fixed assets are stated at cost, depreciated using the straight-line method without calculating their residual value. The economic life of the entity's fixed assets in the form of manakin and hanger is five years.

e. Income and Expense Recognition

Revenues and expenses are recognized when transactions occur that cause cash inflows or outflows.

f. Income tax

Income tax follows the taxation provisions applicable in Indonesia.

3. CASH

Cash	Rp 81.239.353
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4. BANK LOAN

In January 2019, the entity obtained a credit loan from Bank Syariah Madina, amounting to Rp. 7,000,000 in installments of Rp. 320,000 for 24 installments (2 years) without interest and collateral. During the reporting period, 12 installments were made, so that the total outstanding debt was Rp. 3,160,000.

5. RETAIN EARNING

Retain earnings are derived from the reduction between the entity's total revenues and expenses.

6. OPERATING REVENUE

The entity's total sales during the 2019 period amounted to Rp. 159,871,603

7. NON OPERATING REVENUE

Other entity income derived from training programs, mentoring, and others that out of the production activities is Rp. 1,028,200

8. NON OPERATING EXPENSE

Infaq	Rp. 3,500,202
File printing cost	Rp. 722,950
Non production Expense	Rp. 1,349,000

9. INCOME TAX EXPENSE

Income tax	Rp. 804.499
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Comparison of Financial Statements Before and After the Implementation of Financial Accounting Standards for Micro, Small, and Medium Entities

The researcher made comparisons between the presentation of financial information before and after it was prepared by the financial accounting standards for micro, small, and medium-sized entities to determine whether there are differences in

the presentation of information in the two financial statements. Here is the description of the comparison between both financial statements.

Comparison between Financial Statements Before and After Implementation of the Financial Accounting Standards for Micro, Small, and Medium-Sized Entities

No.	Information	Before implementation	After Implementation
1.	STATEMENT OF FINANCIAL POSITION		
	1. Asset		109.531.936
	2. Liabilities		3.160.000
	3. Equity		106.371.936
2.	INCOME STATEMENT		
	1. Income/revenue	160.899.803	160.899.803
	2. Expense	160.946.328	79.011.770
	3. Income tax	-(46.525)	804.499
	4. Net profit (loss)		81.083.534

Based on the table the results of the comparison of financial statements above, it can be concluded;

- 1) Batik Jumptan Ibu Sejahtera does not have a statement of financial position, so the total assets, liabilities, and equity are not known. After the statement of financial position is prepared based on the financial accounting standards, it is known that the entity has total assets Rp. 109,531,936, total liabilities is Rp. 3,160,000, and total equity is Rp. 106,371,936.
- 2) In the income statement, in the previous bookkeeping, the entity recognizes the amount of revenue earned of Rp. 160,899,803 and a total expense of Rp. 160,946,328. After the financial statements have been reconstructed, there are differences in the amounts presented. The total cost recognized by the entity was 160,946,328, while in the income statement the amount recognized was only Rp. 79,011,770. The difference is because the entity recognizes the sharing of income as an expense that reduces revenue, not as a price that reduces capital. What is meant by prive is taking money for the owner's personal needs, not for the company's needs (Suryo, 2006: 55).
- 3) Income tax for MSMEs at a rate of 0.5 percent of total turnover is not calculated in the financial statements prepared by the entity. After the financial statements are prepared following the Financial Accounting Standards For Micro,

Small, and Medium-Sized Entities rules, it is known that the tax burden in 2019 is Rp.804,499.

4) There are differences in the amount of profit recognized in the entity's financial statements and the financial statements prepared by the researcher. It is recorded that in 2019 the entity recognized a loss of Rp. 46,525, this loss value is obtained from the difference between total income and total expenses. Meanwhile, based on the results of the preparation of the income statement, Batik Jumputan Ibu Sejahtera did not experience a loss; on the other hand, the entity earned a net profit of Rp. 81,083,534. This calculation is obtained from the total income is Rp.160,899,803 less; the total cost is Rp.79,011,770.

CONCLUSION

Based on the analysis and the discussion of this research, it can be concluded that the financial records carried out by the Batik Jumputan Ibu Sejahtera MSMEs are still elementary, financial records are arranged in terms of the ability and understanding of the manager. The results of financial records only contain cash in and cash out, cash in is recorded in the debit position, and cash out is recorded in the credit position.

The financial statements of the Batik Jumputan Ibu Sejahtera entity that were compiled by researchers followed the Financial Accounting Standards For Micro, Small, and Medium-Sized Entities rules and presented three types of financial reports; they are statements of financial position, income statements, and notes to financial statements. The information that is contained includes the entity's total assets of Rp. 109,531,936, and total liabilities of Rp. 3,160,000, and total equity of Rp. 106,371,936. The entity's total revenue reaches Rp. 160,899,803 and a net profit is Rp. 81,083,534. Based on the amount of income earned, Batik Jumputan Ibu Sejahtera is included in the category of Micro entities according to the MSMEs criteria stated in the Law of the Republic of Indonesia Number 20 in 2008. Notes to the consolidated financial statements provide an overview of the company, a statement of compliance with the application of Financial Accounting Standards For Micro, Small, and Medium-sized Entities in preparing financial statements, information on accounting policies used, and detailed information regarding certain accounts.

Contribute To practice

This study contributes to MSMEs actors as a reference in preparing and presenting financial reports according to the

financial accounting standards for micro, small, and medium-sized entities so that entities can use financial reports to improve their business development.

Limitation of Study and Scope for Future Work

This study still has limitations; the author only analyzes one entity included in the micro entity group, namely Batik Jumputan Ibu Sejahtera, and only uses one financial reporting period, namely the 2019 period. The results of this study are not sufficient to provide a general description of how the implementation of financial accounting standards for micro, small, and medium-sized entities in Micro, Small, and Medium Enterprises in Yogyakarta City.

The next researcher can use three entities, each classified as micro, small and medium enterprises so that the research results can provide a complete picture. Also, further researchers must use financial reports for more than one period to produce comparative information to find out how the development of its business performance.

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