
Accounting Digitalization Innovation for MSME Success: Financial Statement Preparation Training

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Abstract. The reason for this community activity is that some MSMEs have yet to report their firm using proper financial statements. On May 20, 2024, at the Cireundeu Traditional Village, a community service event that includes training on creating financial statements for MSMEs takes place. The goal of this training is to improve participants comprehension of the Basic Equation of Accounting and Financial Statements as well as the Digitization of Financial Statements, an innovation that MSMEs will need to embrace in order to grow their businesses and thrive in the increasingly competitive business environment of the digital age. The method used in this community service includes discussion and counseling strategies in addition to case studies (exercises in preparing direct financial statements). Excel templates for digital financial statements as well as comprehensive and methodical information on the fundamental accounting and financial statement equations were provided to the participants. Following the speaker's presentation and Q&A period, the participants had the opportunity to practice creating financial statements in real time with the help of facilitators. After completing this training, participants should be able to create digital financial reports for MSMEs based on their own business needs. After carrying out this community service, it can be concluded that participants have gained an adequate understanding of the basic equations of accounting and the preparation of financial statements, and will use the knowledge from this training for the preparation of MSME financial reports that they carry out.

Keywords: basic equations of accounting; digitization; financial statements.

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1. INTRODUCTION

Micro, Small, and Medium-Sized Enterprises (MSMEs) play a crucial and essential role in the national economy. This scenario is highly likely given that MSMEs are highly prevalent in the Indonesian economy, which is a result of the country's numerous industries, which are present in every economic sector, have a high potential for employment, and make a significant contribution to the GDP. Another argument is that labor-intensive, resource-dependent industries, such as agriculture (plantation food crops), animal husbandry, fishing, trading, and restaurants, are advantageous to micro and small businesses (Sarfiah et al., 2019).

MSMEs play a number of important roles in the economy, including: (1) leading participants in economic activities; (2) creating jobs; (3) contributing to local economic development and community empowerment; (4) opening up new markets and serving as sources of innovation; and (5) impacting the balance of payments (Departemen Koperasi, 2008 in Kadeni & Srijani, 2020). Aside from these five functions, MSMEs' development must be planned, structured, and sustainable in order to increase productivity and competitiveness and to foster the growth of more resilient new entrepreneurs who would enhance community welfare (Kadeni & Srijani, 2020). Digitalization can assist MSMEs in seizing possibilities arising from shifts in consumer behavior during the COVID-19 epidemic, according to the Ministry of Cooperatives and Small and Medium Enterprises (Wijoyo & Widiyanti, 2020). MSMEs must, of course, innovate if they are to compete in this digital age. Digitalizing accounting is one such innovation. Naturally, MSME actors need to grasp the idea of the Basic Accounting Equation and know how to create Financial Statements that are suitable for MSMEs before they can digitize accounting. The equation for basic accounting displays the balance between equity, liabilities, and assets. Transactions that are directly related to assets, debt, and capital are not the only ones recorded by the accounting equation. The relationship between income, expenditure, expense, and transaction can also be seen using accounting equations. As a result, we must first comprehend the accounting equation, the foundational idea of accounting, before creating financial statements. Fundamental accounting equations are fundamental ideas used to create financial statements (Ulfah, 2020). Financial statements provide an overview of the financial transactions that took place within the specified financial year, as well as a summary of the recording process (Baridwan, 2018 in Ardian & Yanuarmawan, 2023).

Three primary reports were generated by the accounting process: the balance sheet, also known as the statement of financial position; the income statement; and the statement of cash flows, often known as the cash flow statement (Ardian & Yanuarmawan, 2023). Still, a lot of MSMEs struggle with both financial statement preparation and accounting comprehension. The financial statements that are being provided are of insufficient quality and are still extremely basic, they merely list expenses and receipts. In fact, there are instances where personal and business accounts aren't kept separate, which results in the money intended for business purposes being spent on necessities instead of business. The challenge MSME players face in growing their businesses stems from their ignorance of the significance of compiling financial statements in compliance with bank requirements and the standards set by the Indonesian Institute of Accountants (Rejeki, 2020). The primary challenges facing banks are the considerable risk they take on when lending to MSMEs and the challenge of locating official data, including financial statements. Because of this, MSME actors must generate financial statements that are structured and compliant with regulatory standards so that owners and other stakeholders, such creditors, may easily understand them (Mutiah, 2019).

According to research by Mulyani et al. (2019), accounting is crucial for achieving business success, especially for Micro, Small, and Medium-Sized Enterprises (MSMEs), and accounting data can serve as a trustworthy foundation for managerial decisions regarding MSMEs. In particular, access to government subsidies and additional capital for Micro, Small, and Medium Enterprises (MSMEs) is dependent on the provision of accounting information, as stipulated by Law of the Republic of Indonesia No. 20 of 2008 concerning Micro, Small, and Medium Enterprises. Research by (Cahyadi et al., 2023) supports this, stating that one initiative to promote the growth of MSME businesses through the use of digital technology is the digitalization of MSMEs (micro, small, and medium-sized enterprises). The digitization of accounting, or the conversion of old paper-based financial reporting and recording procedures to digital ones, is one of the key stages in the

digitalization process. The necessity for precise and quick financial information to determine the direction of their business, information that can be acquired through digital-based accounting, makes accounting digitalization crucial for MSMEs. Why should the platform be digital? This is due of the lengthy and labor-intensive nature of the manual accounting process, from recording to financial statement compilation. When transactions are recorded in digital accounting, they are automatically compiled into a database. This database generates financial information, including ledgers and financial statements like profit and loss and statements of financial position (balance sheet).

Based on research by Rawun & Tumilaar (2019) published in Farhan et al. (2020), MSME players should understand the value of accounting for their businesses given the advantages it provides. Accounting applications can help MSMEs grow, particularly financially. Additionally, accounting can be used to plan for the increase in earnings. As profits rise, MSMEs will develop more effectively and have a greater chance of contributing to Indonesia's economic recovery. Many MSMEs still don't use accounting to help with their business operations, nevertheless. The utilization of structured Excel for automating the creation of financial reports is the novel aspect of this research.

Based on the aforementioned context, Maranatha Christian University's Accounting Study Program provided training for MSME actors on the Basic Equations of Accounting and Making Financial Statements. This allowed the actors to gain a thorough understanding of the subjects and learn how to make and digitize financial statements, which will help their business succeed in the digital age. The major goal of this program is also to enable participants to create suitable financial statements for their own enterprises, including digital financial statements created with the Ms Excel application.

2. METHOD

This research was conducted in Cireundeu Traditional Village, with a target audience of MSME actors. The number of participants was 9 people. The material program is in the form of PPT material presented by the speaker. The evaluation instrument is in the form of a survey filled out by participants after the training is carried out. This community service includes discussion and counseling strategies in addition to case studies (exercises in preparing direct financial statements) (Hidayat et al., 2024).

The speaker's presentation focused on MSMEs in the culinary industry and covered the Basic Equation of Accounting and Financial Statements. Following the speaker's presentation, a discussion period started. In accordance with their own business needs, participants can voice their ideas and ask questions. The speaker will then respond to these and have a thorough discussion. Following the lecture, participants will work directly with facilitators to make financial statements in an exercise. Additionally, participants practiced utilizing Microsoft Excel to create financial reports digitally. MSME actors from Cireundeu Traditional Village, which specializes in the food industry, are the participants in this program.



Figure 1. Stages of community service activities

3. RESULTS AND DISCUSSION

On May 20, 2024, at the Cireundeu Traditional Village, a training session on financial statement preparation for MSMEs takes place. MSMEs from Cireundeu Traditional Village took part in the exercise. Unique dishes made from cassava are one among the culinary-focused economic activities carried out by MSMEs Cireundeu Traditional Village.

The training's speaker, Fadila Christy, covered topics such financial statements for catering companies and the Basic Equation of Accounting. Materials relevant to catering are provided in order to align with the participants' business emphasis, which is MSMEs in the food industry.

It is referred to as the cause-and-effect law in accounting. In what way will an effect result from a cause? The law of cause and effect, for instance, states that if you purchase anything with cash, the amount of property in the form of cash decreased as a result of your purchase. The purpose of the company's founding was to profit from the enterprise it oversees. The corporation may be able to enhance its assets through profits from its business, or it may experience losses. The company's assets came from both its creditors' and its own cash. An initial capital contribution, either in cash or in kind, is made by the company's founders. The company has money because of the owners' contributions. In an effort to preserve equilibrium between wealth and the source of wealth acquisition, the source of the company's wealth is documented on the other side (S. Sugiri, 2008 in Sumarlin, 2021).

The instructor started off by going over the fundamental accounting equation. Following that, facilitators guided the participants in working through exercises to complete the catering business worksheet. The contents covered comprise (Christy, 2024):

1. Assets include resources owned by the Company. Among them are cash, property, equipment, receivables, and others.
2. Obligations of all debts owed by the company to other parties. It can be bank debt, debt to suppliers, or other debt.
3. Capital is the initial investment of the owner or shareholder within the company. It covers all owner investments which is used to finance the company's operations.
4. Revenue is recognized when goods/services are worked on or provided to the consumer (accrual).
5. Costs are recognized when business assets, owners, or non-owners used and exhausted its economic benefits for Business (accrual)

The following accounts are included in the Financial Statement Worksheet that training participants were required to complete:

1. Assets
Consists of: cash in the bank, accounts receivable, kitchen consumables, prepaid advertising, kitchen supplies.
2. Liability
Consists of: payroll payable, unearned revenue, tax payable.
3. Capital
Consists of: capital, prive.
4. Revenue
Consists of: service revenue.
5. Cost:
Consists of: kitchen consumables costs, advertising costs, depreciation costs of kitchen supplies, salary costs, income tax.

Developing the village's potential through the community service program is a prudent move (Diwyarthi & Pratama, 2024). Keeping financial records is crucial, particularly for business actors. According to Suhendar (2020), accounting is the process of documenting, categorizing, and summarizing all financial transactions for a business so that the data may be subsequently evaluated. Accounting helps business owners understand their financial performance, fund position, cash flow over a given time period, and how to separate personal and business finances (Herwiyanti et al., 2020 in Putri & Thoriq, 2022).



Figure 2. Session of material presentation



Figure 3. Practice session for making financial statements

Enhancing participants' understanding of creating Financial Statements for MSMEs involved in the culinary business is the goal of this program. Many MSMEs still haven't produced comprehensive financial accounts for their companies. Since the industrial revolution 4.0 period, which was characterized by a shift toward digitization in all spheres, the globe has witnessed unbelievable advancements in the realm of internet technology (Lingga et al., 2024). In the middle of the digital and globalization era, this program also teaches participants how to generate Financial Statements digitally in Excel, which will help MSMEs become more adept at using technology that will be critical to their business continuity in the future.

It is crucial to do this training because it improves participants' comprehension of accounting, particularly as it relates to financial reporting and the caliber of the financial statements generated. This is consistent with a study by Meliani & Werastuti (2022) that claims: The quality of financial statements is positively impacted by an understanding of accounting. The quality of financial statements increases with more accounting knowledge. Comprehending accounting plays a crucial function in generating high-quality financial accounts.

Following the presentation of the topic, the speaker went on to give examples of case pertaining to the catering industry and described how to create basic accounting equations using the cases. Following that, the process of creating comprehensive financial statements from actual accounting transactions is discussed. The speaker gave an overview of basic Excel formulas for financial statement preparation before training attendees on how to input the accounts and transactions required to generate financial statements automatically into the applications. Complete Financial Statements will be generated along the procedure in Excel. This undoubtedly facilitates

MSME actors' ability to produce accurate and comprehensive financial reporting. This invention also pertains to the digitization of financial reports for MSME's.

Technology has a significant impact on financial statement improvement. Micro, Small, and Medium-Sized Enterprises (MSMEs) have to accelerate their digital transformation. because it has the potential to expand the market and improve the operational effectiveness of business actors (Septyaningsih & Zuraya, 2020 in Izzaty & Solovida, 2023).

This supports the findings of a study by Meliani & Werastuti (2022), which indicate that: The utilization of information technology is crucial in generating high-quality financial reports, thereby contributing to the improvement of financial statement quality. A person's ability to perform their job will be facilitated and errors will be reduced with the best use of information technology. Organizations require information technology to help them handle data efficiently, precisely, and promptly in order to produce pertinent information and accomplish their objectives.

4. CONCLUSION

Following the completion of the program, the following conclusions are drawn: Since the program focuses on creating financial statements for MSMEs involved in catering, the materials and case studies are pertinent to the needs of the participants, who are MSME actors in Cireundeu Traditional Village. The trainees' understanding of the fundamental accounting equations and financial statements grew, and they realized how crucial accounting digitization is to the future success of MSMEs. The aforementioned explanation indicates that the training's goal of enhancing participants' understanding of financial statements and enabling them to use the Ms Excel application to create digital MSME financial statements has been accomplished. The training participants can also utilize the Ms. Excel application to create financial reports for the culinary businesses, which comprise most of the MSME operations in Cireundeu Traditional Village.

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