

## PROFICIENT Community Service

### The Importance of Presenting Financial Statements to Assess the Performance of Micro, Small and Medium Enterprises (MSMEs)

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#### ABSTRACT

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*Participating in social activities is a form of community service (PKM) that can be done by a lecturer. Through this participation, it is hoped that lecturers can provide direct benefits to the community. In this PKM activity, the IKPIA Perbanas lecturer team provided counseling related to financial recording to micro, small, and medium enterprises (MSMEs) under the guidance of Jenderal Soedirman University. The problems faced by MSMEs include a lack of knowledge in recording finances for daily transactions. This condition results in untidy financial records and the inability to make simple financial statements. This community service activity is expected to help MSMEs realize the importance of simple financial records for daily transactions in their business so that MSMEs have a simple form of financial statements that can be used to apply for additional capital or other things.*

#### A. INTRODUCTION

One form of business activity that continues to be encouraged by the Indonesian government is Micro, Small, and Medium Enterprises (MSMEs) activities. MSMEs play an important role in increasing the economic growth of a country, especially in Indonesia, because MSMEs play a role in expanding job opportunities and absorbing labor. Currently, MSMEs still have several problems. Among them is that MSMEs are in dire need of personnel who have professional expertise to run their businesses (Rumahcom, 2022). Another problem is the low ability and knowledge of MSMEs in the use of technology and digital platforms even though digital platforms currently have a significant role in the development of MSME businesses (Dewi, 2023). It is difficult for

MSMEs to develop access to obtain business capital and investment is also limited (Digital, 2017). The next problem is that MSMEs are not able to develop and control their business because the majority of MSME actors do not master

accounting, even though the numbers listed in the financial statements can provide a lot of information for company owners for their business development. (Digital, 2017).

Given that MSMEs are one of the options that can be used by the government to overcome the community's economic problems and also become an alternative to absorb labor (Murdhainingsih, et al. 2022), it is appropriate for IKPIA Perbanas, as one of the Educational Institutions, to support the government's efforts in encouraging the growth of "healthy" MSMEs so that they can contribute to strengthening the national economy. For this community service activity, IKPIA Perbanas focuses on helping MSMEs in developing a simple, but feasible financial record, so it is hoped that later MSMEs can become better in terms of finance and be better able to reach a wider market, especially the digital market which is increasingly expanding in the community. As an initial stage, community service activities are limited to counseling MSME entrepreneurs in understanding the importance of recording their financial transactions. This community service activity aims to provide counseling related to simple financial statements for MSMEs in Purwokerto. Before conducting counseling related to simple accounting for MSMEs, the community service team obtained information that MSMEs have not implemented financial management properly. MSMEs do not feel the urgency to make financial reports because they are considered complicated. Therefore, this counseling activity is expected to make MSMEs aware of the importance of compiling financial statements in their business activities and help MSMEs to make it easier to prepare financial statements, even in a simple way.

## **B. IMPLEMENTATION METHOD**

The implementation of community service activities is carried out in the form of community education in the form of counseling to MSME Partners in the Purwokerto area to improve the ability of MSMEs in entrepreneurship, especially in terms of financial records. In this community service activity, the IKPIA Perbanas lecturer team provided material related to the introduction of Accounting starting with the definition and purpose of accounting. In addition, a theoretical explanation related to the types of financial statements, important elements in financial statements, and the importance of preparing financial statements was also conveyed in full to MSME partners. In addition, the IKPIA Perbanas lecturer team also provided examples of common transactions in business entities and how to record them. After the counseling session, a discussion session was held to discuss the problems faced by MSMEs in the preparation of financial statements. In this discussion session, every problem faced by MSMEs is discussed in detail so that MSMEs can understand what to do if they face the same problem in the future.

## **C. RESULTS OF IMPLEMENTATION AND ANALYSIS**

Bagian Community service activities related to simple accounting for MSMEs were held at the Faculty of Economics and Business, Jenderal Soedirman University on May 22, 2024. In the counseling activity, an explanation was given about the meaning related to

accounting and the importance of making financial statements in a business entity or business by the lecturer team. The material prepared by the team covered several topics including the concept of assets, debt, and capital in business, understanding related to income and expenses, the concept of profit and loss in business management, types of financial statements, and the purpose of making financial statements. After explaining the basic concepts in accounting and financial statements, it also explained examples of simple transactions that often occur in simple business entities such as MSMEs and how to record these transactions. After the material presentation session, a discussion session was held with MSMEs. The main problems that can be concluded from the counseling and discussion sessions include that MSMEs do not understand the importance of financial statements in business management and decision-making in their businesses. The next problem is that there are still many MSMEs who do not have an understanding of the importance of separating personal and business assets because there are still MSMEs who use personal assets in managing their businesses but do not recognize the costs incurred for the use of these assets. In addition, there are still many MSMEs who do not understand the concept of costs that must be recorded as expenses and costs that can be capitalized or recorded as assets. Providing examples of simple transactions in business entities is enough to help MSMEs understand the basic concepts related to assets, debt, and capital.



Picture 1 Presentation of material by the team



Picture 2 Counseling Participants (UMKM di Purwokerto)



Picture 3 All speakers and counseling participants (UMKM di Purwokerto)

#### **D. CONCLUSION**

With this counseling, it is hoped that MSMEs can make simple financial reports for their business entities to help MSMEs make better decisions related to their business management. These financial statements can also be their capital to apply for loans to increase capital in their business development. In the future, periodic monitoring will be carried out to MSMEs regarding the progress of making simple financial statements and assistance will be carried out again to make financial statements by financial accounting standards in Indonesia.



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Picture 4 List of Participants Attending

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