

## THE APPLICATION OF ACCOUNTING SYSTEM AT SMES IN PEMATANGSIANTAR

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**ABSTRACT:** *One of the weakness of a small or medium business especially in Pematangsiantar is that they do not implement an adequate system of financial records or in another word, he does not apply accounting system in his business. Accounting provides information on the resources available to a firm, the means employed to finance those resources, and the results achieved through their use. Mostly, small and medium enterprises in Pematangsiantar does not apply the accounting system for their business management because of some problems, there are: the business is a small business, it will spend much money applying accounting system, less knowledge regarding to it.*

**KEYWORDS:** Accounting System; Business, UMKM, Business Industry, Bank

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### INTRODUCTION

One of the weakness of a small business especially in Pematangsiantar is that they do not implement an adequate system of financial records or in another word, he does not apply accounting system in his business. The businessman (SMEs) does not have the knowledge and ability to manage financial records regularly. So many of them are not yet fully aware of the importance of recording and accounting for business continuity.

The accounting system used for small and medium enterprises (SMEs) are definitely different from accounting systems for large enterprises. The accounting system used for small business is typically simpler than large enterprises. But so far there are still many small and medium enterprises (SMEs) who do not understand the importance of accounting implemented in the financial statements, but it is very beneficial for the development of business.

SMEs has an important role in business development in Indonesia. It is also the beginning of the growth of large enterprises. Almost all large businesses are started from small business. But unfortunately, many small companies do not have a good financial accounting system. They are too focused on how to make a unique product, while the accounting and finance systems is often regarded as a second option, not as a priority option. In addition, SMEs also assume that the provision of accounting records would be a waste of time and cost. They feel bothered with financial records and think that the most important thing is to get maximum profit.

It cannot be ignored that, in developing SMEs, it needs a good cooperation of various parties in order to create an independent SMEs, productive, and have high competitiveness. Government, professional people, educational institutions, and financial institutions should be able to encourage, develop and facilitate the practice of accounting in to SME. SMEs should also be able to change their mindset and have awareness of the importance of accounting practices. Thus, the business will be feasible, bankable, accountable and profitable. With the cooperation in terms of accounting practices in SMEs with various stakeholders, it will be able to increase resource productivity of SMEs.

## **METHODOLOGY**

Accounting is the system of recording and summarizing business and financial transactions and analyzing, verifying, and reporting the results. It is a systematic process of identifying, recording, measuring, classifying, verifying, summarizing, interpreting and communicating financial information. It reveals profit or loss for a given period, and the value and nature of a firm's assets, liabilities and owners' equity.

Accounting provides some information:

1. resources available to a firm,
2. the means employed to finance those resources, and
3. the results achieved through their use.

According to Drs. S Munawir, accounting is the art of recording, classifying, and summarizing of the events that is at least partly a financial nature in a way that is rigorous and instructions or expressed in money, as well as the interpretation arising from (Munawir, 2007: 5). Kamarudin Ahmad informs that accounting terms by Ralph Estes (1986) is the activity providing information normally quantitative in nature and often presented in monetary terms, for decision-making, planning, control of resources and operations, evaluate achievements and financial reporting to investors, creditors, agencies, authorities and the public (Ahmad, 2007: 6). While Nugroho defines the accounting system as the composition of various forms, records, equipment, including computers and communication equipment and apparatus, executive personnel and closely coordinated reports designed to transform data into information needed by financial management (Widjajanto 2001: 4).

### **Definition of Small and Medium Enterprises (SMEs)**

There are several definitions of small and medium enterprises. According to M.Tohar, small businesses are small-scale economic activities of the people, and meet the criteria of net worth or annual sales and ownership as stipulated in the law. People's economic activities are small-scale economic activities that are owned and majority of the people support the notion of small businesses including traditional business (Tohar, 2000: 1). According to Indonesia government, small business is a business entity that has a net worth of Rp 200 million, excluding land and buildings place of business, and has annual sales of Rp 1.000.000.000, -. Meanwhile, medium enterprises is a business entity owned by Indonesian citizens who have a net worth between Rp 200,000,000 - Rp 10,000,000,000,-excluding land and buildings.

## **DISCUSSION**

### **Location of the Research**

This research is conducted in Pematangsiantar, North Sumatra Province because this area has a lot of SMEs but just only a few applying accounting system for their business. A large part of the contribution to the advancement of this area, is also supported by the rapid development of UMKM in this place.

## Population and Sample

Populations used in this study are all businesses that belong to the micro, small, and medium enterprises (SMEs) engaged in leading commodity sector, which are in the agriculture, industry, and trade in Pematangsiantar. The samples are part of the population who elected randomly in a number of districts in Pematangsiantar. The samples are selected based on the following criteria: (1) it moves in the main commodity sectors, and (2) it is based on the permitting status of business (both formal and informal). Total sample respondents are 50 SMEs as shown in Table 1.

**Table 1. Distribution of Sample**

No	Economic Sector	Micro business	Small business	Middle business	Total
1.	Trading	10	8	2	20
2.	Agriculture	6	10	4	20
3.	Industry	2	6	2	10
Total		18	24	8	50

Source: Primary Data

## Method of Analysis

This research uses descriptive method. The data is presented in tabular form that describes the absolute numbers or as a percentage. Data are presented in tabular form including the use of accounting by SMEs. Based on these data, there will be an explanation associated with information gathered from other informants.

There are 50 respondents consisting of 50% of men and 50% women scattered in the micro, small and medium enterprises.

**Table 2. Respondent Characteristics Based on Sex**

Characteristics (Sex)	Total	%
Male	25	50%
Female	25	50%
Total	50	100,0%

Source: Primary Data

The sample also picks out based on the level of education. As we know that level of education also gives a great influence for applying accounting system in their business. So the table below will give a little information relating to the status of education of the owner.

**Table 3. Level of Education**

Level of Education	Total	%
S1 Degree	5	10%
Senior High School	30	60%
Junior High School	10	20%
Primary School	5	10%
Total	50	100%

Source: Primary Data

Another factor to see whether SMEs applies accounting system that is the length of the business is run. Because for the long business, they will make the management survive longer that a new business.

**Tabel 4. Profile of SMEs Based on Long Business**

SMEs Profile	Total	%
<b>Long Business:</b>		
<b>Above than 20 years</b>	<b>21</b>	<b>42%</b>
<b>10-20 Years</b>	<b>9</b>	<b>18%</b>
<b>5-10 Years</b>	<b>9</b>	<b>18%</b>
<b>3-5 Years</b>	<b>11</b>	<b>22%</b>
<b>Total</b>	<b>50</b>	<b>100%</b>

Source: Primary Data

### Elaboration of the Research

After making some interview with the owner of the SMEs, asking some questions, collecting data , giving explanation and making data accurately, it can be informed that there are only few SMEs who manage their business base on the accounting system. But most of them do not care very much with the accounting system because they have use manual system n running the business for years and in fact there is no problem with it. Meanwhile, the knowledge of manual system can be transferred to their children easily without any problem since that.

**Table 5. Few SMEs Applying Accounting System**

No.	Economic Sector	Micro Business	Small Business	Middle Business	Total	Using Accounting System	%
1.	Agriculture	7	4	1	12	-	
2.	Industry	8	3	3	14	-	
3.	Trading	12	8	4	24	1 ( middle business)	2%
	Total	27	15	8	50	1	2%

Source: Primary Data

We can see that the percentage of the SMEs applying accounting system for their business is very low, just only 2% from 50 SMEs existing (random sampling) in Pematangsiantar. There many factors affecting the owners or the managers of the business do not want to use accounting system though we have explain in detail the benefit of it.

Some factors are:

1. Level of education
2. Kinds of business
3. Size of enterprises
4. Manual is simpler that accounting system
5. Location of the enterprises which far from high tech.

There are still many small and medium enterprises (SMEs) who have to keep records on the financial statements of the business. As a result, they are difficult to get credit. The need for preparation of financial statements for SMEs is not only for the ease of obtaining credit from creditors, but to control the assets, liabilities and capital and revenue planning and efficiency costs that occur in the end as a tool for decision making of the company.

### **Role of Accounting in SMEs**

- a. Information company performance
- b. Information tax calculation
- c. The position information of the company's funds
- d. Information capital changes owners
- e. Information inflows and outflows of cash
- f. Information activity planningg. Information fee scale

### **CONCLUSION**

Based on the description above, it can be concluded that:

1. Mostly, SMEs in Pematangsiantar does not use accounting system to manage their business.
2. Most SMEs graduated from senior high school.
3. The manager in SMEs things that using accounting system in managing his business will spend much money.
4. Because the business is a small business, they thought that it is still easier to calculate the money manually without using accounting system.
5. SMEs feel "heavy" to meet all the requirements of the necessary permits for a lot of conditions that are considered burdensome, including the requirement to take care of complicated, expensive, and with a relatively long time. Principle One Stop Service has not actually applied.

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