

**ANALYSIS IMPLEMENTATION OF ACCOUNTING INFORMATION SYSTEM TO FINANCIAL REPORTS OF SMALL AND MEDIUM ENTERPRISES**

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Volume 1  
Number 3  
November 2020  
Page 24-28

**Article History:**

Received: 2020-10-30

Revised: 2020-10-15

Accepted: 2020-11-25

**Abstract:**

MSMEs are required to be able to provide information related to financial position and changes in financial position that are useful in making decisions. Based on the results of interviews, several small and medium enterprises in the city of Denpasar still experience difficulties in preparing financial reports for the purposes of measuring the performance of small and medium enterprises. A good accounting information system is needed to facilitate MSMEs in preparing financial reports, one of which is for the purposes of measuring the performance of MSMEs. In this study will examine the effect of the application of accounting information systems and company categories on the ability to compile financial reports of small and medium enterprises in BALI, Denpasar city. The sample in the study amounted to 100 MSMEs. The data analysis technique used Partial Least Square (PLS) analysis. As a result, the application of the accounting information system has a positive effect on the ability to measure the performance of small and medium enterprises in Denpasar, Bali and the category of small and medium enterprises has no effect on the ability to measure the performance of small and medium enterprises in Denpasar. the city of BALI.

**Keywords:**

Implementation of accounting information system, company category.



Cite this as: SUTAPA, I.N., MIATI, N.L.P.M (2020). Analysis Implementation Of Accounting Information System To Financial Reports Of Small And Medium Enterprises. International Journal of Environmental, Sustainability, and Social Science, 1(3), 23-27. <https://doi.org/10.38142/ijesss.v1i3.39>.

**INTRODUCTION**

Small and medium enterprises have a very large and crucial contribution to the macro economy, this can be seen in the report of the Ministry of Cooperatives and Small and Medium Enterprises (SMEs) of the Republic of Indonesia (RI) which reports that in total units, the company has a share of about 99.99% (62.9 million units) of the total businesses in Indonesia (2017), while large businesses only as much as 0.01% or about 5400 units. Micro Enterprises absorbed approximately 107.2 million workers (89.2%), Small Businesses 5.7 million (4.74%), and Medium Enterprises 3.73 million (3.11%); while Usaha Besar absorbs about 3.58 million people. combined small and medium enterprises absorb about 97% of the national workforce, while Big Business only absorbs about 3% of the total national workforce (Haryanti, 2018).

Small and medium enterprises in Bali is one of the growing companies as confirmed by the Ministry of Communication and Informatics (Saputra, et.al., 2019) RI assesses the existence of small and medium enterprises in Bali is very advanced. kemenkominfo assesses the progress because balinese people are so creative and innovative that anything can be a work of art (Suadnyana, 2018). According to the Central Statistics Agency of Bali province recorded the largest number of small and medium-sized companies in Bali is in the city of Denpasar as many as 97,277 companies.

In this Asean Economic Community (MEA), in order for small and medium enterprises to survive and continue to increase their contribution to the country's economy must be able to compete in the global market (Waqas, et.al., 2020). To achieve this, it is necessary to record and report to assess the company's performance (Prihandani, et.al., 2020). Performance measurement can be done using profitability ratio or rentability used to measure the effectiveness of management in managing the company (Maulida & Ashadi, 2008). The data is in the financial statements, to produce financial statements required Accounting Information System. Important functions formed accounting information system in an organization, among others (Mariyatni, et.al., 2020). Collecting and storing data about activities and transactions, Processing data into information that can be used in the decision-making process and Conducting precise control over organizational assets (Sara, et.al., 2020). Considering that small, and medium enterprises are still constrained by the preparation of financial statements as seen in the results of Salmiah et al (2018) research conducted in pekanbaru city proves that small and dairy businesses in the new week city do not have a high understanding of accounting standards. According to Hariyadi (2013) in addition to capital and market access that can make it difficult for small and medium-sized companies to grow, many companies cannot afford to be large because they do not have systematic bookkeeping, as a result of which there is no separation between personal money and corporate money (Ekayani, et.al., 2020).

the results of brief interviews with several small and medium-sized companies that it is true that there are some small and medium-sized companies can not measure the performance of the company well because it does not record accounting properly (Saputra, Darma, et.al., 2019). Based on this, this research will discuss whether the application of accounting information system and company category affects the ability to compile financial statements of small and medium enterprises in the city of Denpasar Bali.

**Small and Medium Enterprises**

In accordance with Law No. 20 of 2008 on Small and Medium Enterprises. In the regulation, companies are divided into three, namely micro, small and medium enterprises. Micro Enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria of Micro companies as stipulated in this Law. Small company is a stand-alone productive economic company, conducted by individuals or business entities that are not subsidiaries or non-branches of companies owned, controlled, or become part of either directly or indirectly from medium or large companies that meet the criteria of Small companies as referred to in this Law (Saputra, 2018). Medium enterprises are stand-alone productive economic enterprises, conducted by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or part of either directly or indirectly with Small companies or large companies with the amount of net worth or annual sales proceeds as stipulated in this Law (Saputra, Anggiriawan, et.al., 2019). Medium enterprises are stand-alone productive economic enterprises, conducted by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or part of either directly or indirectly with Small companies or large corporations with the amount of net worth or annual sales proceeds as stipulated in this Law (Ezeagba, 2017). The criteria of micro, small and medium enterprises are presented in table 1.

Table 1 Criteria for micro, small and medium enterprises

Business Scale	Criteria
Micro	<ul style="list-style-type: none"> <li>✓ Have a net worth of at most Rp50,000,000.00 (fifty million rupiah) excluding land and buildings of business premises; Or</li> <li>✓ Has an annual sales result of maximum Rp300,000,000.00 (three hundred million rupiah).</li> </ul>
Small Business	<ul style="list-style-type: none"> <li>✓ Has a net worth of more than Rp50,000,000.00 (fifty million rupiah) up to a total of Rp500,000,000.00 (five hundred million rupiah) excluding land and business premises; Or</li> <li>✓ Has annual sales results of more than Rp300,000,000.00 (three hundred million rupiah) up to a maximum of Rp2,500,000,000.00 (two billion five hundred million rupiah).</li> </ul>
Medium Enterprises	<ul style="list-style-type: none"> <li>✓ Have a net worth of more than Rp500,000,000.00 (five hundred million rupiah) up to a total of Rp10,000,000,000.00 (ten billion rupiah) excluding land and business premises; Or</li> <li>✓ Has annual sales results of more than Rp2,500,000,000.00 (two billion five hundred million rupiah) up to a maximum of Rp50,000,000,000.00 (fifty billion rupiah).</li> </ul>

Source : Law Number 20 Year 2008 concerning Micro, Small and Medium Enterprises

**Measurement of The Company's Financial Performance**

Financial performance can be measured by analyzing and evaluating financial statements. Financial position information from past financial performance is often used as the basis for predicting the company's future financial position and performance and things that directly attract users such as dividend payments, wages, price movements, securities and the company's ability to meet its commitments when it matures (Iriyadi, et.al., 2018). The method commonly used to measure a company's financial performance is the financial ratio method. "Financial ratio analysis is a method of calculating and calculating financial ratios to assess the performance and status of a company (Abanis, et.al., 2013).

**Financial Performance Measurement Objectives**

The objectives of measuring financial performance are; 1) To know the level of liquidity, namely the ability of the company to meet financial obligations at the time of billing. 2) To know the level of solvency that is to show the ability of the company to meet its financial obligations, if the company is liquidated both short-term and long-term liabilities. 3) To know the level of profitability that is to show the ability of the company to earn profit during a certain period. 4) To know the level of stability, namely the company's ability to conduct its business steadily as measured by considering the company's ability to pay installments regularly to shareholders without experiencing obstacles (Munawir, 2011:31).

**Understanding Accounting Information System**

According to Krismiaji (2010), accounting information system is a unit of system components that process data and transactions in order to produce useful information to plan, control, and operate the business. To be able to generate the information required by decision makers, accounting information systems must carry out the following tasks: (1) Collect transaction data and other data and enter it into the system, (2) Process transaction

data, (3) Store data for future purposes, (4) Generate the necessary information by producing reports or allowing users to see for themselves the data stored on the computer. (5) Controlling the entire process in such a way that the resulting information is accurate and trustworthy.

**Implementation of accounting information system.** In this study the Application of Accounting Information System measured using indicators from Karadag research (2015) which states accounting information system indicators are information systems that provide information (1) on time, (2) relevant, (3) complete, (4) accurate for task completion and (5) produce information for accountability and support in decision making.

**Company categorical.** The company category in this research will categorize the company into micro enterprises, small companies and medium enterprises. Category seen from the regulation of Law No. 20 of 2008 on Micro, Small and Medium Enterprises.

**Ability to Prepare Financial Statements** owned by company actors in this research is more emphasized on intellectual ability. Intellectual ability is the general capacity of an individual's consciousness to think, adjust, solve problems faced wisely, quickly, and appropriately both self-experienced and in the environment. The indicators of intellectual ability seen in this study according to Boonvut (2017) are: 1) memory, able to collect evidence of transactions; 2) the proficiency of counting / recording, able to record and calculate all transactions; 3) perceptual speed, able to group transactions into financial notebooks, able to summarize such groupings into summary lists, able to compile financial statements; 4) verbal understanding, being able to read the contents of financial statements; 5) inductive and deductive reasoning, capable of analyzing the contents of financial statements; 6) visualization of space, able to make decisions from the results of the analysis.

## METHOD

Data collection method in this research is by questionnaire collection technique. The data in this study is primary data obtained by distributing questionnaires. The population in this study was MSMEs in Denpasar district as much as 97,277. The amount of sample size that must be taken in a study in order for the results of the study to be valid, related to the purpose of sampling (Sekaran, 2006). The samples in this study were as many as 100 companies. Sampling techniques used in this study using random sampling, namely the way of sampling by sampling members of the population is done randomly regardless of the strata in a population. This is done because members of the population are considered homogeneous (Sugiyono, 2017). Data Analysis Method using Descriptive Statistical Analysis and Partial Least Square (PLS). Descriptive Statistical Analysis is used to descriptively describe the level of application of accounting information system in a sample of companies in the city of Denpasar BALI.

## RESULTS AND DISCUSSION

Measurement Model Assessment (Outer Model)

Validity of Convergence

Based on the results of data processing using smart pls software can be seen in table 4.1 Cronbach's Alpha value above the minimum value of 0.7 then it can be concluded that the data in this study is already reliabel.

### Validity Of Discriminant

The square root of average variance extracted (AVE) value in table 2 shows values above 0.5. It can be concluded that all indicators in this study are declared valid.

Table 2 Measurement Model Assessment (Outer Model)

Variable	Cronbach's Alpha	(AVE)	Description
Implementation of Accounting Information System (X1)	0,916	0,667	Valid & Reliable
Company categorical (X2)	1,000	0,691	Valid & Reliable
Ability to Prepare Financial Statements (Y)	0,936	0,691	Valid & Reliable

Source: Data processed with Smart PLS, 2020

### The effect of the application of accounting information system on the ability to prepare financial statements.

From the results of data analysis in table 4 shows that the application of accounting information system has a positive effect on the ability to compile financial statements which means that the more effective the application of accounting information system, the small and medium enterprises in Denpasar will be more able to compile financial statements. This result is in line with some researchers such as Hariani (2013) who stated that the use of less effective information systems will negatively impact the performance and quality of public sector organsnization services in the community. Abdulrazak (2013) which states the accounting information system helps the owner in controlling operational costs related to sales, setting the selling price of a product, relative to the costs incurred to produce the product.

### The effect of corporate categorical on the ability to compile financial statements

From the test results in table 4 obtained a significance value above 0.05 which means that the company's category has no effect on the ability to prepare financial statements. according to researchers this is because the categorical companies in this study have almost the same characteristics because it has been grouped by

existing regulations,(Sallem, et.al., 2017) and the ability to compile financial statements from the results of research is influenced by the accounting information system used so that the category of micro, small or medium enterprises have their own information systems (Klychova, et.al., 2015) that are able to help in compiling financial statements (Mabruk, 2013).

Table 3 Hypothesis Test

Variable	B	Sig
Implementation of Accounting Information System (X1) -> ability to Prepare Financial Statements (Y)	0,719	0,000
Company Category (X2) -> Ability to Prepare Financial Statements (Y)	0,050	0,193
R Square adjusted	0,509	

Source: Data Processing, Smart PLS, 2020

## CONCLUSIONS

The conclusion of this study is that the application of accounting information system has a positive effect on the ability to prepare financial statements and the category of companies has no effect on the ability to prepare financial statements.

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