

# The Role Of Financial Statements On Increasing Income In SMEs

Saimajuli Sahro Harahap<sup>1</sup>, Abdul Halim<sup>2</sup>, Yudi Prayoga<sup>3\*</sup>

<sup>1</sup>Management Study Program, Faculty of Economics and Business, Labuhanbatu University, Indonesia

<sup>2,3</sup>Permanent teaching staff at the Faculty of Economics and Business, Labuhanbatu University, Labuhanbatu Indonesia

\* Correspondence Author

Email: [prayogayudi03@gmail.com](mailto:prayogayudi03@gmail.com)

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## Abstract.

*PKM (Community Service) activities carried out by the author in Kampung Kampung Baru Promise West Bar District together with Small and Medium Enterprises (UKM). The purpose of this Community Service Activity is to provide knowledge and understanding of the recording of financial statements in a simple and structured manner. Financial reports that function as a tool to analyze financial performance that can provide information about financial position, so that it can be used as a basis for decision makers in increasing income for SMEs and providing opportunities for SMEs to develop their businesses. The implementation method is to make observations that identify SME actors who have not recorded financial statements in a simple and structured manner. For the results, assistance and socialization were carried out which invited several SME players and startup business actors as many as 21 participants. In the implementation of this companion and socialization, it shows that the importance of recording financial statements for SMEs in increasing income for each period of recording financial statements. After the mentoring and socialization, the authors distributed questionnaires to measure the knowledge and understanding of the participants and the results showed that 78% of the participants already knew what financial reports were and understood how to make simple financial reports for their business.*

**Keywords:** financial statements, SMEs, income

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## 1. INTRODUCTION

According to law number 20 of 2008 concerning micro, small and medium enterprises, small micro and medium enterprises (SMEs) are independent productive economic enterprises carried out by individuals or business entities, which are not companies or branches of companies or not. a branch of a company that is owned, controlled or becomes a part, either directly or indirectly, of a medium-sized or large-scale business. (Suhendar & Suhardi, 2018) stated that SMEs are a form of micro, small and medium enterprises that exist among the community where a business is established based on someone's initiative. Most of the opinions among public think that SMEs can only benefit certain parties.

Micro, Small, and Medium Enterprises (MSMEs) as contributors to the National Gross Domestic Product (GDP) have an important role in Indonesia's economic recovery. The government is committed to continuing to support MSMEs to be able to survive, develop, and grow amidst the challenges of a pandemic and transformation through the National Economic Recovery (PEN) program. According to the Central Statistics Agency in 2020, around 69.02 percent of MSMEs experienced capital difficulties during the COVID-19 pandemic. Meanwhile, according to a complaint report to KemkopUKM as of October 2020, as many as 39.22 percent of MSMEs experienced difficulties with capital during the Covid-19 pandemic.

Under the development of SMEs which is a good achievement for the Indonesian economy, on the other hand, there are many obstacles faced by SMEs (Larasati & Farida, 2021) which are challenges for business actors that must be faced and resolved. Small and Medium Enterprises that are around us, where business actors have not carried out financial records that are structured manually following the accounting system, which causes business actors to find it difficult to manage capital, income and expenses that affect profits each period of financial reporting and this is also a serious problem. faced by SMEs in the village of Kampung Baru Promise. According to (Hasyim, 2014) this happened because of a lack of knowledge and the absence of parties who taught SMEs to make notes on financial statements. Thus, a training program and assistance for preparing financial statements is carried out to assist proper and simple financial management

so that the income or income of SME actors can increase and SME actors can make plans to develop their businesses.

The most important factor in being able to see the development of a business lies in the financial element, because from this element it can also evaluate whether the policies adopted by a business are appropriate or not, given the complexity of the problems that can lead to bankruptcy due to unhealthy financial factors. (Ratna Wijayanti, Suratman, 2020) states that three main simple financial statements must be made by SMEs following SAK EMKM, namely the statement of financial position at the end of the period often also called a balance sheet, income statement, and financial statement notes. Each of which has a specific role and information regarding the management of financial statements for each period of financial reporting carried out by each SME actor. (Rahmayuni, 2017) states that financial statements are an activity carried out by business actors for financial management information that is very influential for the development of a business, where every financial record is reported in each period, both monthly and annually to find out the extent of the development of business activities in terms of income. and expenditures and financial activities related to the SME financial information. The recording of financial statements by business actors to present financial information in which financial statements must be recorded quickly and accurately so that there are no errors in financial recording, it must be adjusted to the applicable accounting system. (Marsel Pongoh, 2013) in providing high-quality information is important because it will positively affect the provision of capital and the interests of business actors in increasing market efficiency as a whole. The role of financial statements is very important to help a business in recording financial transactions, the financial recording system can be done manually and simply to make it easier to decide for the continuation of the business.

## II. METHODS OF IMPLEMENTATION

The purpose of this Community Service (PKM) activity is to provide knowledge and understanding to SMEs on how to manage simple finances so that they get information about their financial statements. According to (Hairunisya, 2017) in this activity, namely to analyze the situation of the object in question, directly to SME actors, which means whether business actors need skills to make financial statement records true or not. (Ihsan, 2021) stated in providing knowledge and skills to business actors while increasing motivation at work. participants about financial statements and the preparation of financial statements in a simple way, namely the recording of financial statements regarding the income of business actors which should be recorded in a financial statement book that is recorded in a certain period. The implementation method used in Community Service (PKM) activities in Kampung Baru Promise Village is carried out in 3 stages, namely as follows:

1. The planning stage, is to determine the location where community service activities will be carried out located in the Village of New Promise Village and determine the target of community service to be addressed, namely SMEs and beginner business actors in Kampung Baru Depan Village by collaborating with village officials to achieve goals that have been determined by the author and the community service team.
2. The implementation stage is to conduct direct interview observations to SMEs in the village of Kampung Baru Promise Baru which discuss business development, business management, especially the situation of recording financial statements. One of the problems faced by SMEs is that they do not know and have not applied structured or simple financial statement defects. In this activity, the author immediately explains what financial statements are and the importance of financial reports, and how to make financial reports only so that SMEs can see the income and expenses of the business.





**Fig 1.** Direct Observation of SMEs

3. The evaluation stage, namely socializing the role of financial reports in increasing income by SME actors who discuss SMEs, financial reports, and the preparation of financial statements in a simple and structured manner. Furthermore, distributing questionnaires in the form of statements to measure the level of knowledge and understanding of SME actors and participants after the socialization activities carried out at the Village Head Office of Kampung Baru Promise on January 17, 2022, with 21 participants attending.



**Fig 4.** Socialization participants



**Fig 5.** Socialization Speakers

### III. RESULTS AND DISCUSSION

Community Service Activities (PKM) first conducted field observations and interviews with indigenous SME actors who discussed the problems faced by business actors, one of the problems that will be discussed is the recording of financial statements that must be carried out by SMEs. Furthermore, socialization activities were carried out on January 17, 2022, at 09.00 to 11.30 located at the village office of Kampung Baru Promise to educate and provide an understanding of the importance of financial reports in increasing income for SMEs, which were attended by micro, small, medium and some business actors. Public. The main topics of the discussion presented by the speaker in the socialization were the introduction of SMEs, the introduction of financial reports and the preparation of simple financial statements which reanalyzed the business that had been carried out in detail so that there were no errors in recording financial statements.

#### 1. Recording daily reports The

recording of financial reports for micro, small and medium enterprises is recorded in a simple form, the most important thing is that business actors are required to carry out the regular and structured recording of transactions that occur in businesses so that later they produce reports in the form of recording income and expenses. (Kusjono et al., 2021) a simple form of financial report that can be made by business actors is as follows:

##### - Creating an expense

logbook This notebook is used to record all expenses, from purchasing goods to expenses and operating costs that support business production. The goal is to find out the total amount of capital that has been issued. An example of an expense log book format is as follows:

| No | tanggal | keterangan | Account | Debit<br>(Rp) | Kredit<br>(Rp) |
|----|---------|------------|---------|---------------|----------------|
|    |         |            |         |               |                |

|  |  |                            |  |  |  |
|--|--|----------------------------|--|--|--|
|  |  |                            |  |  |  |
|  |  |                            |  |  |  |
|  |  |                            |  |  |  |
|  |  | Total<br>pengeluaran/Bulan |  |  |  |

| BUKU CATATAN PENGELUARAN |                      |      |            |             |
|--------------------------|----------------------|------|------------|-------------|
| PERBULAN NOVEMBER        |                      |      |            |             |
| UKM X                    |                      |      |            |             |
| tanggal                  | keterangan           | akun | debit (Rp) | kredit (Rp) |
| 1-Nov-21                 | pembelian            | O-1  |            |             |
|                          | pembelian bahan baku |      |            | Rp 600      |
|                          | biaya tranportasi    |      |            | Rp 250      |
|                          | upah pekerja         |      |            | Rp 50       |
| 2-Nov-21                 | pembelian bahan baku |      |            | Rp 39       |
|                          | upah pekerja         |      |            | Rp 50       |
|                          |                      |      |            |             |
|                          | Total pengeluaran    |      |            | Rp 989      |

**Fig 6.** Example of filling out the expense recording format

- **Make an income logbook** This book records all things related to income or business income clearly and accurately, including the results of product sales to receivables that have not been and have been paid. The purpose of this record is to make it easier for business owners to monitor incoming finances and make it easier for business owners to prepare monthly reports. An example of an income record book format that can be made by SMEs is as follows:

| No | Date | Description | Account | Debit<br>(Rp) | Kredit<br>(Rp) |
|----|------|-------------|---------|---------------|----------------|
|    |      |             |         |               |                |
|    |      |             |         |               |                |
|    |      |             |         |               |                |
|    |      |             |         |               |                |
|    |      | Total       |         |               |                |

| BUKU CATATAN PEMASUKAN |                   |      |            |             |
|------------------------|-------------------|------|------------|-------------|
| PERBULAN NOVEMBER      |                   |      |            |             |
| UKM X                  |                   |      |            |             |
| tanggal                | keterangan        | akun | debit (Rp) | kredit (Rp) |
|                        | PENDAPATAN        | 0-2  |            |             |
| 1-Nov-21               | penjualan produk  |      |            | Rp 900      |
| 2-Nov-21               | penjualan produk  |      |            | Rp 500      |
|                        |                   |      |            |             |
|                        |                   |      |            |             |
|                        |                   |      |            |             |
|                        | Total pengeluaran |      |            | Rp 1,400    |

**Fig 7.** Example of filling in the entry recording format

- Creating a cash

book The main cash book is a combination of records of income and expenditure transactions from the business. The combination of income and expenses is written down to find out in more detail the profits and losses of the business. In addition, the recording of the cash book can be used as a business plan for the future because the business owner has received accurate information from the recording of financial statements that are carried out regularly. An example of a format for making a simple cash book that can be applied by SMEs is as follows:

| Description/description | Receipts (Rp) | Expenditures (Rp) | Balance (Rp) |
|-------------------------|---------------|-------------------|--------------|
|-------------------------|---------------|-------------------|--------------|

| BUKU KAS USAHA         |                |                  |          |
|------------------------|----------------|------------------|----------|
| PERBULAN NOVEMBER 2021 |                |                  |          |
| UKM X                  |                |                  |          |
| Uraian/Keterangan      | Pemasukan (Rp) | Pengeluaran (Rp) | Saldo    |
| saldo Usaha            | Rp 1,500       |                  | Rp 1,500 |
| pembelian bahan baku   |                | Rp 600           | Rp (600) |
| penjualan produk       | Rp 900         |                  | Rp 900   |
| biaya transportasi     |                | Rp 250           | Rp (250) |
| upah pekerja           |                | Rp 50            | Rp (50)  |
| pembelian bahan baku   |                | Rp 39            | Rp (39)  |
| penjualan produk       | Rp 500         |                  | Rp 500   |
| upah pekerja           |                | Rp 50            | Rp (50)  |
|                        |                |                  |          |
| Total                  | Rp 2,900       | Rp 989           | Rp 1,911 |

**Fig 7.** Example of filling in the cash book format

- Stock book of goods

is used to record the flow of goods in and out every day. If sales of business products are high, then the number of goods that go out and enter is also high. The purpose of this recording is also to display the inventory of goods owned, in recording the stock of goods, the business owner can see the number of goods issued for each production activity and the amount of inventory for further production. An example of a format that can be made by SMEs is as follows:

| BUKU STOK USAHA         |                |            |        |             |
|-------------------------|----------------|------------|--------|-------------|
| PER BULAN NOVEMBER 2021 |                |            |        |             |
| UKM X                   |                |            |        |             |
| Tanggal                 | Barang         | Keterangan | Mutasi | Jumlah Stok |
| 1-Nov-21                | kacang kedelai | 60 Kg      | 40 Kg  | 20 KG       |
|                         | kayu bakar     | 25 ikat    | 5 ikat | 20 ikat     |
| 1-Nov-21                | kacang kedelai | 50 Kg      | 25 Kg  | 25 Kg       |
|                         |                |            |        |             |
|                         |                |            |        |             |
|                         |                |            |        |             |
|                         |                |            |        |             |
|                         |                |            |        |             |

**Fig 8.** Example of filling out the stock book

## 2. Preparation of financial

statements Simple financial statement preparation that can be done by SMEs in Kampung Baru Depan Village is the simplest form of financial statement records that regulates income and expenses from transaction activities carried out by separating the personal finances of SMEs from the financial results of this business. the most important thing to do is the recording of financial statements. Furthermore, recording financial statements starting from,

After conducting socialization activities and training on the role of financial statements to test the understanding and skills of SME participants, several statements were made to 21 participants who took part in the socialization of the role of financial statements in increasing income in SMEs with answers ranging between agreeing by disagreeing, the results obtained are shown in table 6. as follows:

**Table 1.** Results of the Socialization Participants'

| STATEMENT   | Respondents |          |             |       |
|---|-------------|----------|-------------|-------|
|   | Disagree    |          | Agree       |       |
|   | Respondents | Value of | Respondents | Value |
| Knowing what financial statements are   | 10          | 47%      | 11          | 52%   |
| Making plans for recording financial statements before and after starting a business                          | 6           | 28%      | 15          | 71%   |
| Separating personal money from business money   | 0           | 0%       | 21          | 100%  |
| Doing every financial record of both expenses and income  | 5           | 23%      | 16          | 76%   |
| Recording of financial transactions can help business development   | 5           | 23%      | 16          | 76%   |
| Reports finance as a boost income control from business transactions that are recorded accurately and clearly | 4           | 19%      | 17          | 80%   |
| Financial statements are one of the tools used to face competition  | 7           | 33%      | 14          | 66%   |
| financial statements serve as information for business actors, especially business finance                    | 0           | 0%       | 21          | 100 % |
| financial statements consist of bookkeeping, income statement, balance sheet, and changes in capital          | 7           | 33%      | 14          | 66%   |
| making financial reports is a routine activity and easy to do   | 1           | 4%       | 20          | 95%   |
| Total   | 45          | 21%      | 165         | 78%   |

From the table above about socializing the role financial reports on increasing income for SMEs in Kampung Baru Promise Village where 21 participants participate in supporting community service activities, it can be explained that. In the first statement, 11 participants agreed or already knew the financial statements and 10 people stated that they did not agree or did not know. In the second statement, it was seen that 15 participants agreed to plan the recording of financial statements before and after starting their business and about 6 participants still disagreed. In the third statement, 21 participants agreed in separating personal money from a business, no one disagreed. Fourth statement, 16 participants agreed to carry out every financial record of both expenses and income and 5 participants did not do so. The fifth statement, recording financial transactions can help business development 16 participants agreed and 5 participants disagreed. In the sixth statement, there were 17 participants agreed that the financial statements as an increase in income from business transaction activities were recorded accurately and clearly and 4 participants disagreed. The seventh statement, namely the financial report is one of the tools used to face competition, 14 participants



agreed and 7 participants disagreed. The eighth statement, namely the financial statements serve as information for business actors, especially business financial information which states that 21 participants agree. The ninth statement shows that 14 participants agree and 7 participants disagree that the financial statements consist of bookkeeping, profit/loss reports, balance sheets, and changes in capital. And the tenth statement, in making financial reports is a routine activity and easy to do so 20 participants are responding agree and 1 participant disagrees.

From all respondents, it can be concluded that 78% of participants understand the importance of financial reports for businesses and perform simple financial records to increase their income and business financial information, and 21% of participants do not understand and have not recorded simple financial statements. To be able to record accurate and clear financial statements, business operators must pay attention to some of the tips from the phobia in Baskoro (2014) in (Fadila et al., 2021), namely to separate personal and business finances, determine the financial percentage that will be used to control transactions. finance, arrange books neatly to control financial transactions, reduce the risk of accounts payable, finally control the cash flow of the business. And SMEs do not need to worry about the complexity of compiling financial reports because the preparation of SME financial reports is very simple and easy to apply to obtain financial information and increase income for SMEs.

#### IV. CONCLUSION

The community service program (PKM) was carried out in Kampung Baru Depan Village together with SME players who support this activity and has been carried out well thanks to the assistance of various parties. From the results of respondents on the activities that have been carried out, it can be concluded that the knowledge and insight of participants and SME actors is increasing regarding the recording of financial statements which are very influential in business development, determining the quality and decisions that will be taken by business actors who can compete in the future.

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