

**Improving Financial Report Quality through Accounting Practices in Pasar Segar MSMEs**Muh Agung Wirawan Safar¹¹Faculty of Economics and Business, Universitas Muslim Indonesia Makassar***Corresponding Author:** Muh Agung Wirawan Safar**Article Info****Article History:**

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Abstract

This research examines how accounting comprehension, accounting information system usage and use of the financial accounting standards affects the quality of financial statements in the fresh produce market. A sample size of 125 respondents who were registered in this market was used. The quantitative research design has been employed and multiple regression analysis stood as the most important analytical method. The data was collected using primary data collected by way of online questionnaires distributed to the 125 respondents who were categorized as micro, small and medium enterprises (UMKM) in the fresh produce industry. The results have shown that the understanding of accounting, the use of accounting information systems, as well as the use of financial accounting standards, has a positive and significant impact on the quality of financial statements in the fresh produce market, to a considerable degree.

INTRODUCTION

In 1998, Indonesia went through an extreme financial crisis, and it triggered the insolvency of many large companies and layoffs of a significant proportion of the population. In this regard, entrepreneurship has been cited as a feasible tool of promoting the well being of individuals because it promotes autonomy and allows individuals to exploit emerging opportunities. It is considered that Micro, Small and Medium Enterprises (MSMEs) play an important role in the state economy; statistics published by the Ministry of Finance show that this sector prevents 60.3 -percent of Gross Domestic Product (GDP) and leads to 97 -percent decrease in unemployment. MSMEs are perceived to be very adaptable actors that are able to adjust to the dynamic business environment thus still contributing positively to the economy (Yuliani et al., 2010).

According to the South Sulawesi Cooperative and UMKM Service 916,232 units of UMKM are registered in South Sulawesi. Within the modern trend in the economic development of Indonesia, a central issue among UMKM players is financial management, where most of them cannot spend their money properly. This deficiency has been especially pronounced where business actors do not have the necessary skills to document transactions and make financial statements. The suggested solution to effective management of funds in small businesses is proper and precise accounting (Lestari et al., 2018).

Another instance of this difficulty, which is the poor management of funds, underscores the need to have good accounting standards. The solution to the shortcomings in fund management of business operations, according to Sony Warsono, cited in Zheng (2012) is strict adherence to accounting principles.

The process of finding, registering, and matching financial transactions of an entity may be defined as accounting (Shah, 2013). With sound accounting, the MSMEs will be in a better position to respond to credit application, measure performance, measure financial status, and compute taxes. According to Savitri (2018), SMEs in developing nations tend to make the biggest part of the economic activity in terms of jobs and the ability to take up labor. After the crisis in 1997, MSMEs proved to be one of the pillars of the national economy of Indonesia.

The current research expands on previous studies by investigating the nature of MSMEs in the Panakkukang Fresh Market of Makassar City in terms of accounting practices. The Panakkukang Fresh Market, a busy business center with numerous MSMEs (small cafes selling drinks and snacks, sellers of heavy affordable meals, etc.) is the perfect place to conduct this investigation. Earlier studies of accounting comprehension, including that of Yanti (2019), have already identified a strong effect of accounting comprehension on student performance in curricular and overall Cumulative GPA of students in the Accounting Department of the Faculty of Economics, Raja Ali Haji Maritime University, and, consequently, the wider appeal of accounting proficiency.

A meticulously organized combination of forms, records, hardware, software, and communicative tools along with trained staff are defined as Accounting Information System (AIS) that is destined to convert raw financial data into manageable information (Triyani, 2018). According to Silviana and Anthoni, the quality of financial reports depends on the adoption of a good AIS, where the inputs, processes, and outputs are concerted. The given statement coincides with the results presented by Sari and Adiputra (Triyani, 2018) in the article, which reveal that the impact of the regional financial accounting information system on the quality of the financial reports prepared by the government of Jembrana Regency is positive and significant.

Cooperatives are the key economic system, which is compatible with the Indonesian democratic economic system. The 1945 Constitution in Article 33, paragraph 1 provides that the economy is structured as a joint venture, which is founded on family principles. Law No. 25 on Cooperatives goes ahead to describe cooperatives as a people-based movement based on family cooperation. The current situation in which the Indonesian government is actively encouraging MSMEs with provincial and municipal Cooperative and MSME Services does not imply that the practice is not hindered by high rates of bankruptcies among MSMEs. One of them is the lack of unified use of financial bookkeeping, which results in misappropriation of the loan funds, which can be redirected from business capital to criminal and personal financial activities, or mixed two, thereby compromising financial management procedures that need close distinction between business, personal, and social expenses (Ehrhardt, 2011; Munohsamy and Brunei, 2015).

One of the reasons why a significant percentage of MSMEs do not know the importance of keeping accounting records or generating financial reports is that they focus on production and operational processes (Rumambi et al., 2021). Furthermore, the fact that among MSMEs the majority of the structures are sole proprietorship forms lead to the decrease of the perceived need to create the financial reports that match accounting standards. Sole proprietorship form also provides the distinction between personal finances of the owner and the business finances, which brings about infrequent execution of the business operations. As a result, it is often difficult to determine the evolution path of such enterprises. On the other hand, systematic

bookkeeping practices are usually only found in big companies or companies that have undergone a funding procedure. Indonesian Government has tried to solve this problem by issuing Regulation No. 17 of 2013 which compels MSMEs, under the Law No. 20 of 2008 governing the Micro, Small and Medium Enterprises, to keep the appropriate accounting records. Article 48 provides that governments will advise and monitor continuously and on a regular basis MSME operators who have been given business permits and Article 49 provides that business license holders must prepare bookkeeping entries of their businesses. There are currently MSMEs who are preparing financial reports, though mostly in response to credit needs or taxes (Resmi et al., 2021; Nopangga et al., 2021).

MSMEs are economically relevant and have been a focus of a lot of scholarly attention. According to Savitri and Saifudin (2018), the three strategic functions of MSMEs are that they have large numerical density in all sectors of economic activity; they are able to absorb large amounts of labor forces and create employment based on massive investment; and they are capable of mobilizing locally available materials to make goods and services that meet the demands of the community at low prices. Accounting and bookkeeping competencies are required in the effective application of the financial reporting. This is because the lack of accounting knowledge among actors in the MSME sector remains persistent and the accounting process is complicated and those believing that the financial report is not very important to MSMEs all create barriers (Agung and Persulessy, 2018).

In the business sphere, such processes as the issuance of financial reports are irreplaceable (Diwan and Sreeraman, 2024; Hsu and Yang, 2022). Companies that would desire to be well managed should keep records that capture all the aspects of financial operations of the company; the records are important sources of data, which are referred to when internal and external parties would be undertaking decision making processes. PSAK No. 1 states that the main aim of financial reports is to present information on the financial position of the company, its performance, and the cash flow and therefore assists the users in making informed economic decisions and indicate that the management is stewarding the resources it is entrusted with. Based on this, financial reporting should provide information on economic resources, outline accomplishments over a given period as well as provide information, which is intelligible to the company. The wide concern of the stakeholders makes the financial statements to be of high quality standards to make them useful to the users and stakeholders.

Literature Review and Previous Study

Signaling Theory

Signals theory exhibits the presence of information asymmetry between the corporate management and other stakeholders. The information asymmetry can take two extreme forms, either a situation, in which informational disparities are small but have insignificant effect on management choices, or a situation, where there are significant informational discrepancies that can affect managerial decisions and equity valuation (Gao et al., 2022; Pandiangan et al., 2022).

The continuation of information asymmetry is explained by unequal apportionment of informational resources; an example of such disequilibrium is a situation when a manager has better information about the future of the firm as compared with the groups of investors (Cormier et al., 2010; Marshanda et al., 2010). Thus, investors and creditors also face a significant challenge of dividing into high- and low-quality firms. Micro-, small, and medium-enterprise (MSME) financial reports should therefore provide the relevant, as well as reliable information, to facilitate the decision-making processes of the users.

As far as information asymmetry is concerned, the balance sheet is one of the key tools, and it helps the interested parties to analyze the strategic options that can contribute to the long-term corporate success. Similarly, the cash-flow statement provides a practical framework upon which the users evaluate the financial performance of the company and also conclude whether the results are positive or negative (Itan and Riana, 2021; Hendiarto et al., 2021). The cash-flow report, which sheds light on the liquidity processes, aids users to understand the financial statements holistically hence making the best decisions. Taken together, the facts presented by the financial reporting allow getting a deeper understanding of the management practice, and the state of the whole business in general, thus, increasing the transparency and responsibility of all involved stakeholders.

Financial Accounting Standards for MSMEs

Article 6.20 of the 2008 legislation defines a micro- small and medium enterprise (MSME) based on certain thresholds of net assets. In the case of micro enterprises, net assets will not exceed to IDR50,000,000 and will not include any building or land assets; the annual sales limit will be IDR300,000,000. In case of small enterprises the net assets should be between IDR 50,000,000 and IDR 500,000,000, again without including building or land assets and annual sales up to IDR 2,500,000, 000. In the case of medium enterprises, the net assets should be between IDR 500,000,000 and IDR 10,000,000,000 (excluding building or land assets) with annual sales being between IDR 2,500,000,000 and IDR 50,000,000,000.

In the context of the SAK EMKM, Wandini and Budiasih (2017) note that there are many specific stages in preparing financial statements of MSMEs: (1) ****Recognition**** - assets are only recognised in statement of financial position when flow of future economic benefits is definitely to be received by the entity and when cost of the assets is quantifiable and reliably. For assets, the economic benefits are not recognised upon the flow of the economic benefits to the entity, but in cases where the company incurs expenditure, an expense is recognised in the income statement. (2) ****Measurement-** this step entails the measurement of monetary values of assets, liabilities, income and expenses. The SAKEMK prescribes the historical-cost convention The historical-cost standard of an asset prescribes the amount of cash and cash equivalents paid to acquire an asset as of the time of acquisition; the historical-cost standard of a liability prescribes the amount of cash and cash equivalents received or future cash expected to pay off the liability in the ordinary course of business. (3) ****Presentation**** - According to the statements of Indonesian Institute of Accountants (IAI), fair presentation of the financial statements is obligatory in meeting SAKEMKM requirements and complete comprehension of the financial state of the entity. In order to reach the desired level of fairness, entities are encouraged to provide relevant, representative, comparable, and understandable reports.

Accounting Understanding

Understanding refers to the ability of a person to have or comprehend a concept after acquiring and memorizing it. When an individual can provide an explanation or expound on the material learned using his own words, then he is alleged to have an understanding in the subject. A higher-order cognitive skill like understanding is seen to be superior to simple memory or rote memorization (Indra and Rusmita, 2018).

Article 1 of Government Regulation No. 24 of 2005 relating to Government Accounting Standards states that the process of accounting involves recording, measuring, classifying, summarizing, interpreting the outcomes of financial transactions and events and presentation of reports. The standards of government accounting known as Government Accounting Standards (SAP) are those accounting

principles used in the preparation and presentation of government financial reports. These standards are mandated to give accountability report on the implementation of APBN/APBD in form of financial reports which at least provide Budget Realization Reports, Balance Sheets, Cash Flow Reports, and Notes to financial Statements. The concept of understanding is also explained in the General Dictionary of the Indonesian Language (Yanti, 2019).

Accounting Information System Accounting Information System Accounting Information system deals with various accounting tasks, such as the support of accounting functions and the allocation of costs, use, and revenues among different organizational facilities. Accounting Information system Accounting Information system Accounting information system is concerned with the activities of accounting that include the support of accounting functions and the allocation of costs, use, and revenues among the various organizational facilities.

Yanti (2019) defines the accounting information system to be an arrangement of forms, records, and reports that are synchronized into supplying the financial information that is needed by the management of the organization to support the governance of the organization. According to PP No. 56 of 2005 on the Regional Financial Information System, the Regional Financial Information System (also known as SIKD) is the mechanism that records, manages and processes the information on regional financial management, as well as other information in the form of outputs to the public and as a resource in the creation of the regional government responsibility in terms of planning, implementation and reporting. Lestari et al. (2018) continue by referring to an accounting information system as a system that manipulates data and transactions to generate information that can be valuable in the planning, control, and running of a business.

De Lone and McLean determined that there are six elements that define the success of an information system: 1. **System quality- the desired properties of an information system e.g. ease of use, flexibility, reliability, learnability, intuitiveness, sophistication and response time. 2. **Information quality- The intended system output features such as relevance, understandability, accuracy, conciseness, completeness, comprehensibility, currency, timeliness, and usefulness. 3. Service quality: The level of assistance that system users get by information system departments and other IT people including responsiveness, accuracy, reliability, technical competence and empathy. 4. System usage- the level and type of use of the potential of an information system by the staff and the customers including the level of use, how often it is used, the nature of use, its suitability, level of use and its purpose. 5. User satisfaction - the level of customer satisfaction with reports, sites and support services; one of the most widely used multi-attribute tools in the measurement of the satisfaction of information users is the topic of Wandini and Budiasih (2017). 6. Net benefitsThe degree to which the information system leads to success of individuals, groups, organizations, industries, and countries, as in the improved decision making, greater productivity, higher sales, reduced costs, greater profits, market efficiency, consumer welfare, employment of people and economic growth.

Table 1. Previous Studies

| Researcher(s) | Research Title | Research Results |
|--|--|--|
| Muhammad Reza Ramdani, Masruhi Kamidin, As'ad Ajmal (2018) | Implementation of SAK-ETAP in UMKM Warkop in Makassar City | Financial recording only limited to cash in-cash out, not following accounting cycle; SAK-ETAP not applied due to lack of understanding. |

| | | |
|---|--|--|
| Yuli Setyawati, Sigit Hermawan (2018) | Owners' Perceptions and Accounting Knowledge of MSMEs Actors on the Preparation of Financial Reports | MSME actors use basic accounting knowledge unsystematically; reports are simple, not in standard forms such as balance sheet, P/L, or cash flow. |
| Andi Agung, Belianus Patria Latuheru, Grace Persulessy (2018) | Factors Affecting the Implementation of Financial Accounting Standards for Non-Public Accountability Entities | Education of MSME owners has a positive but insignificant effect on SAK-ETAP implementation; need improvement in both formal and non-formal education. |
| Achmad Nursalim, Maslichah, Junaidi (2019) | The Influence of Accounting Based on SAK EMKM on the Quality of Financial Reports | Accounting based on SAK EMKM significantly and positively affects the quality of financial reports. |
| Safrida Yuliani, Nadirsyah, Usman Bakar (2010) | The Influence of Accounting Understanding, Utilization of Regional Financial Accounting Information Systems and the Role of Internal Audit on the Quality of Regional Government Financial Reports | Accounting understanding, system utilization, and internal audit simultaneously and individually affect the quality of Banda Aceh City Government financial reports. |
| Sukma Indra Sari Rusmita (2018) | Analysis of Accounting Understanding Level (Study of Accounting Department Students, FEB UNTAN) | Differences in accounting understanding levels among student programs (Reg A, Int. Class, PPAPK); no significant differences based on gender. |
| Ni Putu Manik Dharma Yanti (2018) | The Influence of Leadership Ethics and Level of Accounting Understanding on the Quality of Financial Reporting at PT. Raditya Dewata Perkasa | Both leadership ethics and accounting understanding positively and significantly affect financial reporting quality. |
| Zelda Triyani (2018) | The Influence of Accounting Information Systems and Internal Control Systems on Report Quality | Both AIS and internal control systems significantly and positively affect financial report quality in Bandar Lampung and Metro City. |
| Achmad Nursalim, Maslichah, Junaidi (2019) | The Influence of Accounting Based on EMKM SAK on the Quality of Financial Reports (MSMEs in Pasuruan Regency) | Simultaneous and partial tests show accounting based on SAK EMKM significantly improves financial report quality. |
| Andhi Hanggoro Putro (2019) | The Effect of the Implementation of Accounting Information Systems on the Quality of Financial Reports (KSPPS Bina Insan Mandiri Karanganyar) | AIS has a significant positive effect on financial report quality (t-test value 2.438 > 2.032, p < 0.05). |

| | | |
|--|--|--|
| Ni Wayan Zenny Puspa Wandini, I Gusti Ayu Nyoman Budiasih (2017) | The Influence of Education Level, Experience, and Utilization of Accounting Information Technology on the Implementation of SAK-ETAP | Higher education and accounting experience of managers positively influence SAK-ETAP implementation in Denpasar savings and loan cooperatives. |
|--|--|--|

METHODS

The population of interest included 225 micro-, small-, and medium-sized enterprises (MSMEs) which operates in Pasar Segar. A sample of 125 respondents was purposely picked out of this population to fit the goals of the study. Purposive sampling allows the investigator to target a specific group of individuals who would fit a specific inclusion criterion and thus, increase the sensitivity of the information. The choice of employing such an approach was explained by the assumption that the chosen respondents must have the necessary knowledge and involvement in the development of financial reports and its preparation and use provides a higher level of reliability and situational validity of the information.

This research was quantitative in nature as it sought to measure and analyse quantitative data in order to test the hypotheses postulated. The data collection was done through structured online questionnaire that was given to the sampled participants. The online modality was considered effective and efficient in reaching MSME actors in Pasar Segar and gave the respondents the flexibility of giving the right answers in their free time.

A number of statistical processes were used to support the strength and soundness of the results. First, descriptive statistics summed up the characteristics of the respondents as well as the key variables of the study. Succeeding classical tests of assumption, including tests of normality, multicollinearity and heteroscedasticity proved that the data met necessary statistical conditions. Lastly, the testing of the hypothesis was done through multiple regression analysis to measure the impact of accounting comprehension, use of accounting information systems and compliance with financial accounting standards on the quality of financial reports. The analysis steps were critical in guaranteeing that the results obtained were statistically sound hence allowed to make substantive conclusions.

RESULTS AND DISCUSSION

Descriptive Statistical Test

The following are the results of the statistical description of the research variables consisting of Financial Report Quality (Y), Accounting Understanding (X1), Utilization of Accounting Information Systems (X2) and Implementation of Financial Accounting Standards (X3) in the table below:

Tabel 2. Descriptive Statistics

| Mean | Std. Deviation | N |
|---|----------------|-----|
| Financial Report Quality (Y) | ,68323 | 125 |
| Accounting Understanding (X1) | ,60482 | 125 |
| Utilization of Accounting Information Systems (X2) | ,60147 | 125 |
| Implementation of Financial Accounting Standards (X3) | ,56636 | 125 |

From table 2. above, it can be seen that the results of the statistical description of the research variables consisting of Financial Report Quality (Y) with a total of 120

data (N) have an average of 3.49% with a standard deviation of 0.68323%, Accounting Understanding (X1) with a total of 120 data (N) has an average of 3.64% with a standard deviation of 0.60482%, Utilization of Accounting Information Systems (X2) with a total of 120 data (N) has an average of 3.58% with a standard deviation of 0.60147% and Implementation of Financial Accounting Standards (X3) with a total of 120 data (N) has an average of 3.58% with a standard deviation of 0.56636%.

Validity Test and Reliability Test

Table 3. Validity Test and Reliability Test

| Variable/ Indicator | Correlation | Sig. (2 tailed) | Description | Cronbach's Alpha >0,60 | Description |
|---|-------------|--------------------|-------------|---------------------------|-------------|
| Financial Report Quality (Y) | | | | | |
| Y1.1 | 0,843 | 0.000 | Valid | 0,818 | Reliability |
| Y1.2 | 0,800 | 0.000 | | | |
| Y1.3 | 0,696 | 0.000 | | | |
| Y1.4 | 0,751 | 0.000 | | | |
| Y1.5 | 0,728 | 0.000 | | | |
| Accounting Understanding (X1) | | | | | |
| X1.1 | 0,717 | 0.000 | Valid | 0,783 | Reliability |
| X1.2 | 0,747 | 0.000 | | | |
| X1.3 | 0,701 | 0.000 | | | |
| X1.4 | 0,709 | 0.000 | | | |
| X1.5 | 0,784 | 0.000 | | | |
| Utilization of Accounting Information Systems (X2) | | | | | |
| X2.1 | 0,629 | 0.000 | Valid | 0,754 | Reliability |
| X2.2 | 0,786 | 0.000 | | | |
| X2.3 | 0,742 | 0.000 | | | |
| X2.4 | 0,714 | 0.000 | | | |
| X2.5 | 0,694 | 0.000 | | | |
| Implementation of Financial Accounting Standards (X3) | | | | | |
| X3.1 | 0,650 | 0.000 | Valid | 0,754 | Reliability |
| X3.2 | 0,772 | 0.000 | | | |
| X3.3 | 0,751 | 0.000 | | | |
| X3.4 | 0,710 | 0.000 | | | |
| X3.5 | 0,683 | 0.000 | | | |

From the results of the table above, it is known that the significance level is below 0.05, which means that the data above is valid and the Croanbach value is above >0.60, meaning that the data presented is reliable.

Normality Test

The data normality test is to determine whether in the distribution of variables, both dependent variables and independent variables have a normal distribution or not. A good regression model is normally distributed.

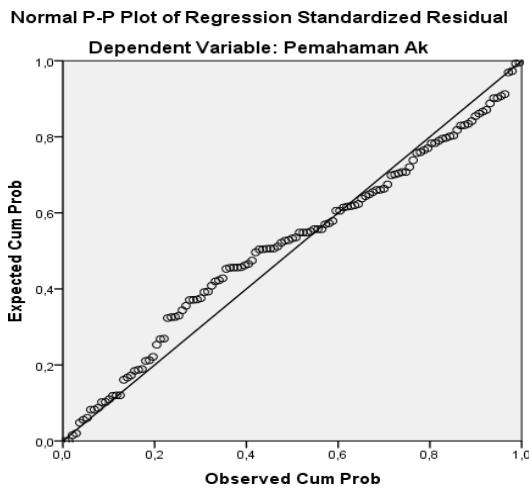


Figure 1. Normality Test

From the figure above, it can be seen that the data is spread around the diagonal line and follows the direction of the diagonal line, so it can be concluded that the data distribution is normal.

Heteroscedasticity Test

The heteroscedasticity test is used to determine whether or not there is a deviation from the classical assumption of heteroscedasticity, namely the inequality of the residual variance for all observations in the regression model. The prerequisite that must be met in the regression model is the absence of symptoms of heteroscedasticity. The testing method used is the Glesjer Test.

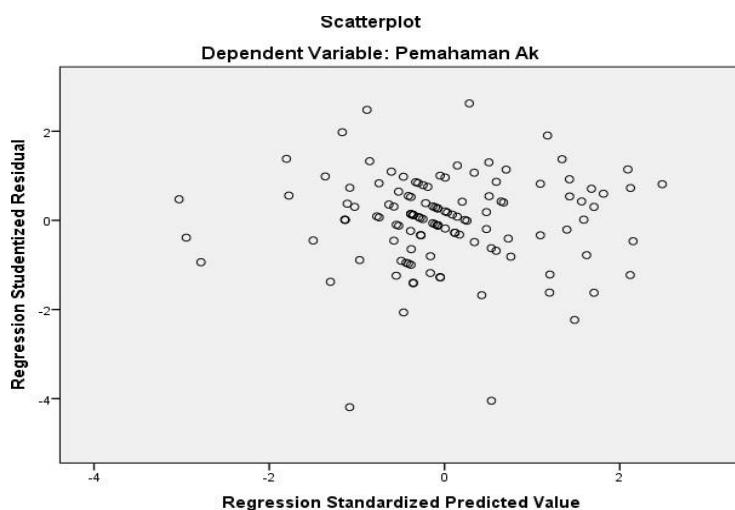


Figure 2. Heteroscedasticity Test

Based on Figure 3, the scatterplot graph shows that the data is spread on the Y axis and does not form a clear pattern in the distribution of the data. This shows that there is no heteroscedasticity in the regression model, so the regression model is suitable for use in predicting the quality of financial reports with an understanding of accounting, utilization of accounting information systems and application of financial accounting standards.

Autocorrelation Test

The purpose of this test is to determine whether there is a correlation between independent variables. If there is a significant correlation between independent variables, then a multicollinearity problem occurs.

Table 4. Coefficientsa

| Model | Collinearity Statistics | | |
|-------|-------------------------|------|-------|
| | Tolerance | VIF | |
| 1 | (Constant) | | |
| | Pemahaman Ak | ,581 | 1,722 |
| | Pemanf Sis Inf Ak | ,554 | 1,805 |
| | Pener Stand Ak Keu | ,548 | 1,824 |

From the test results, it was found that the Variance Inflation Factor (VIF) value of 3 variables, namely Accounting Understanding (X1) Utilization of Accounting Information Systems (X2) Implementation of Financial Accounting Standards (X3), is less than 5 and the Tolerance value is not less than 1. then it can be said that the regression model is free from multicollinearity problems.

Hypothesis Testing

Multiple Regression Analysis to determine the effect of the variables Accounting Understanding (X1) Utilization of Accounting Information Systems (X2) Implementation of Financial Accounting Standards (X3), on the Quality of Financial Reports of Pasar Segar MSMEs can be seen in the following table:

Table 5. Hypothesis Testing

| Model | Unstandardized Coefficients | | | Standardized Coefficients | t | Sig. |
|-------|-----------------------------|------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | ,603 | ,344 | | 1,752 | ,082 |
| | Pemahaman Ak | ,612 | ,103 | ,542 | 5,938 | ,000 |
| | Pemanf Sis Inf Ak | ,122 | ,106 | ,107 | 1,145 | ,254 |
| | Pener Stand Ak Keu | ,063 | ,113 | ,052 | ,555 | ,580 |

The table above shows that the regression equation is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

$$Y = 0.603 + 0.612X_1 + 0.122X_2 + 0.063X_3$$

The constant value of 0.603 means that if the variables of accounting understanding, utilization of accounting information systems and application of financial accounting standards do not change, then the quality of the financial reports of Pasar Segar UMKM is 0.603. The coefficient value of the accounting understanding variable is 0.612, meaning that if accounting understanding increases by one percent, then the quality of the financial reports of Pasar Segar UMKM is 1.612. The coefficient value of the accounting information system utilization variable is 0.122, meaning that if the utilization of the accounting information system increases by one percent, then the quality of the financial reports of Pasar Segar UMKM is 1.122. The coefficient value of the variable for the application of financial accounting standards is 0.063, which means that if the application of financial accounting standards increases by one percent, the quality of the financial reports of fresh market MSMEs will be 1.063.

R2 Test

This Correlation Coefficient Analysis is used to determine the proportion of contribution of the variables Accounting Understanding, Utilization of Accounting Information Systems and Implementation of Financial Accounting Standards to the Quality of Financial Reports.

Tabel 6. Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------|----------|-------------------|----------------------------|
| 1 | ,644a | ,415 | ,400 | ,52917 |

Predictors: (Constant), Implementation of Financial Accounting Standards, Understanding of Accounting, Utilization of Accounting Information Systems

Dependent Variable: Quality of Financial Reports

The correlation coefficient (R) = 0.644 indicates that the correlation of the variables Understanding of Accounting, Utilization of Financial Information Systems, Implementation of Financial Accounting Standards and Quality of Financial Reports is closely related and has a positive value and approaches 1.

Determination Coefficient Test. (R2)

The coefficient of determination (R2) = 0.415 which indicates that the variation in the quality of financial reports of fresh market MSMEs can be explained by the variables of understanding of accounting, utilization of accounting information systems and implementation of financial accounting standards by 41.5%, while the remaining 58.5% is influenced by other factors not included in this study.

Simultaneous Test (F)

This test is intended to simultaneously test the variables of accounting understanding, utilization of accounting information systems and application of financial accounting standards on the quality of financial reports of Pasar Segar09 MSMEs below, obtained F-count = 28.571 and has a significance level of 0.001. Because the probability of 0.000 is much smaller than 0.05, it can be said that the regression model that has been used can improve the Quality of Financial Reports of Pasar Segar MSMEs simultaneously and has a positive and significant effect.

Table 7. ANOVA^a

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|--------|-------|
| 1 | Regression | 24,001 | 3 | 8,000 | 28,571 | ,000b |
| | Residual | 33,882 | 121 | ,280 | | |
| | Total | 57,884 | 124 | | | |

Dependent Variable: Financial Report Quality

Predictors: (Constant), Financial Accounting Standards, Accounting Understanding, Information Accounting Benefits

Statistical Test t

To determine the partial effect of each independent variable, namely accounting understanding, utilization of accounting information systems and application of financial accounting standards on the quality of financial reports of Pasar Segar MSMEs, the explanation is as follows:

First Hypothesis

The first hypothesis states that Accounting Understanding has a positive and significant effect on the Quality of Financial Reports of Pasar Segar MSMEs. Based on the results of the study, the calculated t value was obtained = 5.938, and the significance level was 0.000, smaller when compared to the a level = 5%. These results indicate that statistically accounting understanding has a positive and significant effect on the Quality of Financial Reports of Pasar Segar MSMEs. The first hypothesis is proven (Accepted).

Second Hypothesis

The second hypothesis states that the Utilization of Accounting Information Systems has a positive and significant effect on the Quality of Financial Reports of Pasar Segar MSMEs. Based on the results of the study, the calculated t value = 1.145, and the significance level of 0.254, is smaller when compared to the α level = 5%. These results indicate that statistically the Utilization of Accounting Information Systems has a positive and significant effect on the Quality of Financial Reports of Pasar Segar MSMEs. The second hypothesis is proven (Accepted).

Third Hypothesis

The third hypothesis states that the Implementation of Financial Accounting Standards has a positive and significant effect on the Quality of Financial Reports of Pasar Segar MSMEs. Based on the results of the study, the calculated t value = 0.555, and the significance level of 0.380, is smaller when compared to the α level = 5%. These results indicate that statistically the Implementation of Financial Accounting Standards has a positive and significant effect on the Quality of Financial Reports of Pasar Segar MSMEs. The third hypothesis is proven (Accepted).

Fourth Hypothesis

The fourth hypothesis which states that accounting understanding, utilization of accounting information systems and application of financial accounting standards simultaneously have a positive influence on the quality of financial reports of Pasar Segar MSMEs obtained F-count = 1.752, and has a significance level of 0.082. Because the probability of 0.000 is much smaller than 0.05, it can be said that accounting understanding, utilization of accounting information systems and application of financial accounting standards have a positive and significant effect on the Quality of Financial Reports of Pasar Segar MSMEs.

Discussion

This study aims to determine the Influence of Accounting Understanding, Utilization of Accounting Information Systems and Implementation of Financial Accounting Standards on the Quality of Financial Reports of Pasar Segar MSMEs.

Accounting Understanding Affects the Quality of Financial Reports

The results of the study indicate that the variable of accounting understanding has a significant effect on the quality of financial reports, the higher a person's level of understanding of accounting, the better the quality of the financial reports produced, as indicated by the results of the calculated t value = 5.938, and a significance level of 0.000, smaller when compared to the level of α = 5%. These results indicate that statistically accounting understanding has a positive and significant effect on the Quality of Pasar Segar MSME Financial Reports.

Understanding is a person's ability to understand or comprehend something after it is known and remembered. A person is said to understand a subject if he can provide an explanation or provide a more detailed description of what has been learned using his own words. Understanding is also a level of thinking ability that is one level higher than memory or memorization (Indra & Rusmita, 2018).

Having an understanding of being clever and understanding correctly while understanding is the process, method, act of understanding or comprehending. This means that people who have an understanding of accounting are people who are clever and understand accounting correctly. Someone is said to understand accounting if they understand and are clever at how the accounting process is carried out until it becomes a financial report by referring to the principles and standards

for preparing financial reports stipulated in Government Regulation Number 24 of 2005 concerning Government Accounting Standards Chairina & Wehartaty (2019).

Utilization of Accounting Information Systems affects the Quality of Financial Reports

The results of the study show that the variable of utilization of accounting information systems affects the quality of financial reports, the more people use the system in this technological era, the better the quality of the financial reports produced as evidenced by the t-value = 1.145, and a significance level of 0.254, smaller when compared to the a level = 5%. These results indicate that statistically the Utilization of Accounting Information Systems has a positive and significant effect on the Quality of Financial Reports. Accounting information system according to Yanti, (2019) states that the accounting system is an organization of forms, records and reports that are coordinated in such a way as to provide financial information needed by management to facilitate company management. In a company, the implementation of an accounting information system is related to larger and smaller systems. According to Triyani & Tubarad (2018) what is meant by an accounting information system is a computer-based system designed to transform accounting data into information. DeLone and McLean identified six variables or components of the success of an information system, namely: (1) System quality - the desired characteristics of an information system. For example: ease of use, system flexibility, system reliability, and ease of learning, as well as intuitive system features, sophistication, flexibility, and response time; (2) Information quality - the desired characteristics of the output system; namely, management reports and Web pages. For example: relevance, understandability, accuracy, conciseness, completeness, understandability, currency, timeliness, and usefulness; (3) Service quality - the quality of support that system users receive from the IS department and IT support personnel. For example: responsiveness, accuracy, reliability, technical competence, and empathy of personnel staff.

System usage - the degree and manner in which staff and customers utilize the capabilities of an information system. For example: amount of use, frequency of use, nature of use, appropriateness of use, level of use, and purpose of use.

User satisfaction - The degree to which users are satisfied with reports, websites, and support services. For example, the most widely used multi-attribute instrument for measuring information user satisfaction can be found in (Wandini & Budiasih, 2017).

The Implementation of Financial Accounting Standards has an effect on the Quality of Financial Reports.

The results of the study indicate that the variable of the implementation of financial accounting standards has a significant effect on the quality of financial reports, if the standards are applied in preparing the financial reports, the better the quality of the financial reports is seen from the calculated t value = 0.555, and the significance level of 0.380, smaller when compared to the a level = 5%. These results indicate that statistically the Implementation of Financial Accounting Standards has a positive and significant effect on the Quality of Financial Reports. External users of accounting information are investors, creditors, customers and the government (Chairina & Wehartaty, 2019). These users are not directly involved in managing and operating the business. Assets = Liabilities + Equity The final product of financial accounting is financial statements. The company will prepare 4 types of financial statements to show the company's performance, namely: (1) Income statement which presents the amount of income and expenses and presents the results in the form of profit or loss during a certain period; (2) Retained earnings report which presents changes in the retained earnings account during a certain period; (3) Financial

position report or commonly called balance sheet which presents the company's financial position, namely the amount of company assets, company liabilities and company capital as of a certain date; (4) Cash flow report which presents information about cash inflows or receipts in the form of cash and cash outflows or expenditures in the form of cash during a certain period.

According to Chairina & Wehartaty (2019) the basis of accounting refers to the question of when income, expenses, and transfers (related to assets and liabilities) are recognized and reported in the financial statements. Most accountants are quite familiar with the cash basis and accrual basis of accounting. Most commercial companies generally use the accrual basis to prepare financial statements.

Cash Basis of accounting for income and expenses is recorded when cash is received or paid. For example, a company buys goods that are received and used by the company. However, the bill for the goods is not paid until 2 months after the goods are received. Under the cash basis, the cost of purchasing the goods is not recognized in the financial statements until the bill is paid, even though when received the goods have been consumed by the company. Accrual Basis According to Agung & Persulessy, (2018) accrual-based accounting means an accounting basis in which economic transactions and other events are recognized and recorded in accounting records and reported. Accrual basis is generally recognized as better than the cash basis method in both commercial and government organizations.

Accounting Understanding, Utilization of Accounting Information Systems and Application of Financial Accounting Standards affect the Quality of Financial Reports

The results of the study revealed that someone who has a good level of accounting understanding, utilizes financial accounting information systems and applies existing accounting standards has a positive and significant effect on the quality of the reports produced as seen from $F\text{-count} = 1.752$, and has a significance level of 0.082. Because the probability of 0.000 is much smaller than 0.05, it can be said that accounting understanding, utilization of accounting information systems and application of financial accounting standards have a positive and significant effect on the Quality of Financial Reports.

CONCLUSION

Based on the data that has been collected and hypothesis testing with multiple linear regression analysis has been carried out, the conclusions of this study are as follows: (1) Accounting understanding has a positive and significant effect on the quality of financial reports, the higher the accounting understanding, the better the quality of the financial reports presented; (2) Utilization of accounting information systems has a positive and significant effect on the quality of financial reports, the higher the level of utilization of accounting information systems, the better the quality of the financial reports presented; (3) The application of financial accounting standards has a positive and significant effect on the quality of financial reports, the more one standard is applied in preparing financial reports, the better the quality of the financial reports presented; (4) Accounting Understanding, Utilization of Accounting Information Systems, Application of Financial Accounting Standards have a positive and significant effect on the Quality of Financial Reports.

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