



**Understanding of Accounting and Internal Control of the  
Prospects of Implementing sak emkm-Based Financial  
Statements for msme in the Teras Malioboro 2 Area,  
yogyakarta City**

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**Abstract**

The role of Micro, Small and Medium Enterprises (MSMEs) is very meaningful in developing the Indonesian economy, because the MSME sector has proven to be able to absorb labor and increase people's income. The large potential of MSMEs is believed to be able to support national economic growth. However, the rapidly growing MSME sector must be supported with adequate funding in order to expand its business and increase sales. This study aims to determine the effect of understanding accounting and internal control partially and simultaneously on the prospects for implementing SAK EMKM-based financial statements. This type of quantitative research, members of SMEs in the Terraces of Malioboro 2 are the population of this study. A sample of 91 respondents. The number of samples technique using probability sampling method. The data collection method is a survey by distributing

questionnaires to the respondents directly. The results of the study state that: 1) understanding of accounting partially has a positive effect on the prospects for implementing SAK EMKM-based financial reports with a contribution of 46.7%. The results on the questionnaire have the highest percentage of 77%. 2) internal control partially has a negative effect on the prospects for implementing SAK EMKM-based financial statements because internal controls that have been made have not been implemented effectively such as notes or proof of transactions that are not checked periodically on the results of questionnaires that have an average yield of 55% to 58 %. 3) understanding of accounting and internal control simultaneously influences the prospect of implementing SAK EMKM-based financial reports with a contribution of 52.5%. The prospect of implementing SAK EMKM-based financial reports can be explained by the variation of the two independent variables of 47.5%. By having the results on the questionnaire the highest average percentage is 76%.

### **Keywords**

UMKM, SAK EMKM, Accounting Understanding, Internal Control

### **Introduction**

The government continues to encourage micro, small and medium enterprises (MSMEs) in Indonesia to enter the digital ecosystem. In 2022, the Ministry of Cooperatives and SMEs noted that the number of MSMEs that have entered the ecosystem will reach 20.76 million units. This number has increased by 26.6% compared to last year which amounted to 16.4 million MSMEs. This means that 32.44% of the 64 million MSME units have entered the digital ecosystem (Monavia Ayu Rizaty, 2022). Micro, Small and Medium Enterprises (MSMEs) have made a major contribution to the economy, especially in the Special Region of Yogyakarta. The number of MSMEs in the Special Region of Yogyakarta continues to experience growth from year to year. The number of MSMEs of 262,130 in 2020 will continue to increase in 2021 to 287,682 through and increase in 2022 to as many as 329,719 MSMEs.

Table 1. Visitor Data for Malioboro Tourist

<b><u>Malioboro</u> Tourist Visitors</b>		
<b>2020</b>	<b>2021</b>	<b>2022</b>
6. 549.381	1.848.548	4.294.725

Source: Yogyakarta City Bappeda

Based on data from the Regional Government of the Special Region of Yogyakarta, the number of MSMEs in the Terrace Malioboro 2 area is 1,041 MSMEs with nearly 25,000 visitors visiting Teras Malioboro 2 every day. In the Terrace Area, Malioboro 2 has a uniqueness that cannot be found in other areas, namely

having unique characteristics apart from being an area that maintains the preservation of thick traditional culture such as from art, food to clothing. In addition, the SMEs of Teras Malioboro 2 are also not eroded by technology which has a fairly recent trend. Currently, what is applied by MSME actors is that they are already proficient in technology.

The MSME problem that is currently happening in the Special Region of Yogyakarta is a problem in access to financing or venture capital. It is recorded that around 76% of MSMEs have not had access to financing, so it is difficult to increase production scale. This difficulty in accessing capital occurs due to the complexity of the procedures and the large number of documents that must be fulfilled at financial service institutions (Novita Intan/Hirui Muhammad, 2022). With the decline in MSME businesses on Teras Malioboro 2 in the city of Yogyakarta, which can occur due to the most beautiful quality of financial reporting. Low quality financial reporting can cause difficulties in running a business, one of which is difficulty in applying for business loans as capital. Therefore, the government has established several programs to strengthen MSME capital. People's Business Credit is involved by the government as an effective capital funding solution for SMEs. Previously, SMEs were constrained by problems with access to banks to obtain financial assistance. Accounting applications make it easier for SMEs to fulfill the People's Business Credit Requirements because Financial Reports are needed because of their importance in decision making (Puitri & Nugroho, 2020).

One of the factors that greatly influences the preparation of financial reports is the low level of accounting understanding possessed by MSME owners in the Teras Malioboro 2 Area. According to Beltian Hanny Priyatna (2015), understanding means clever and understands correctly, which means that the owner must have an understanding of accounting means the owner who are smart and understand correctly about accounting, because financial reports are products produced from accounting science to produce quality financial reports. From this situation, the understanding of business behavior accounting will affect the recording and preparation of financial reports carried out by MSMEs in the Teras Malioboro 2 area. Even though the financial reports produced are not of high quality and are not in accordance with accounting standards, the owner must always pay attention to accuracy and order in transactions, but currently many MSME administrators do not make notes about their business activities.

An entity needs good and structured internal control in order to develop properly. Some of them still use unwritten rules and are based on previous habits or activities so that it is not possible to see detailed developments. Based on research by Enow & Kamala (2016), it was found that many MSMEs had not implemented internal control properly. Even though the application of good internal control greatly influences the financial management of MSMEs. Meanwhile, according to Purwati et al (2015) generally business actors or SMEs have not implemented an internal control system because they still use the traditional system for this type of business, namely individuals.

Accounting applications can be a good method for managing SME funds. In addition, the view of most SME's business behavior regarding Accounting Implementation is complicated, and not important to their business. This lack of organization of accounting reports is mainly due to the fact that the government has not stipulated any regulations in the mandatory financial reports prepared by SMEs. Considering that accounting information has an important role in achieving business success, including for MSMEs. Accounting information can be a reliable basis for obtaining credit from banks, for tax reporting purposes and for internal corporate purposes such as making economic decisions in business management, including market development decisions, pricing and others. Thus it is hoped that the existence of SAK EMKM will increase the professionalism of MSMEs (Novitasari et al., 2019). Therefore, the Financial Accounting Standards Board of the Indonesian Institute of Accountants has established Financial Accounting Standards for Small and Medium Enterprises (SAK EMKM).

Despite many variations, we can find in the definition of accounting the dominant idea that accounting plays an important role in broad decision-making processes (Monteiro et al., 2021). Previous research stated that the preparation of EMKM Financial Reporting Standards for applying for credit loans to banks at the Alif Production company showed that there were many obstacles that affected the failure to record financial statements, due to a lack of understanding of the form of financial recording carried out in accordance with the knowledge and understanding of the owner. effort (Majid et al., 2021). Meanwhile, according to (Monteiro et al., 2021) there are main findings which indicate that the quality of financial reporting is directly affected by the quality of the internal control system and the quality of the accounting information system. In line with that, most indicated that 90% of the 112 respondents did not understand and implement SAK EMKM in their financial reports. Therefore, continuous socialization and training needs to be carried out to ensure that information regarding the preparation of financial reports based on SAK EMKM can be known by MSME actors as a whole (Qimyatussaadah et al., 2020). This research is also in line with (Aprianti et al., 2022) which states that from a series of activity processes, namely MSME actors are able to understand product marketing by utilizing Facebook social media. Promotions are carried out using simple posters that can be made using the Canva application so that promotions are carried out more attractive. Furthermore, with assistance in preparing MSME basic financial reports, MSME actors are better able to regulate or manage their business finances that human capital influences market orientation, human capital influences MSME performance, and market orientation influences MSME performance (Syarifah et al., 2020).

Based on the description above, MSMEs have difficulty getting additional credit funds from banks because of the lack of understanding of accounting and internal control in MSMEs. Therefore, this research was conducted to provide evidence regarding the extent to which understanding and control will have an influence on the prospects for implementing SAK EMKM-based financial statements.

In this study it is also hoped that it can provide theoretical benefits to enrich the study of knowledge about understanding accounting and internal control on the prospects for implementing SAK EMKM-based financial reports for MSMEs in the Teras Malioboro 2 area of the city of Yogyakarta to make it easier to make decisions in crediting to third parties, namely banks or cooperatives for market expansion and increased sales of MSMEs. As well as, regulators can also take the right policies in providing capital or loans to develop these MSMEs (Syarifah et al., 2020).

## **Literature review**

### **Signal Theory**

Signal theory or commonly referred to as signaling theory is the provision of signals or information to every investor to find out about the state of the company. Signal theory is a signal given by the company to provide information regarding success or failure of management and will be conveyed to owners or investors (Adnyani & Gayatri, 2018). Signaling theory was first put forward by Spence (1973) which explained that the sender (owner of the information) gives a signal or signal in the form of information that reflects the condition of a company that is beneficial to the recipient (investor).

### **Stakeholder Theory**

The theory that underlies this research is stakeholder theory. Stakeholders are very important for MSME actors, where stakeholders are parties who have an interest in the entity. One of the interested stakeholders, namely creditors who provide capital or loans to balance the business. To obtain capital or loans, MSME actors must also be able to increase creditors' trust in the company's performance. One of them is by presenting quality financial reports so that creditors can know clearly about matters related to credit considerations (Fadilah, 2019).

### **Definition of MSMEs (Micro, Small and Medium Enterprises)**

Based on Government Regulation of the Republic of Indonesia No. 7 of the Year (2021) concerning Ease, Protection, and Empowerment of Cooperatives and Micro, Small and Medium Enterprises, article 1 explains that the definition of MSMEs is as follows: a. Micro Enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Enterprises as stipulated in this Government Regulation. b. Small Business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or not branches of companies that are owned, controlled, or become part either directly or indirectly of Medium Enterprises or large businesses that meet the criteria of a Small Business. Small as referred to in this government regulation. c. Medium Enterprises are productive economic enterprises that stand alone, which are carried out by individuals or business

entities that are not subsidiaries or branches of companies that are owned, controlled, or become part of either directly or indirectly with Small Businesses or large businesses that meet the criteria of Medium Enterprises as stipulated in this government regulation.

### **Accounting Understanding**

According to Mahmudi (2016) Understanding of accounting is the extent to which the ability to understand or understand accounting is good as a body of knowledge and as a process, starting from recording transactions to becoming financial reports.

### **Internal control**

According to the AICPA (American Institute of Certified Public Accountants, 2015) states, the internal control system includes the organizational structure, all methods and coordinated provisions adopted within the company to protect assets, check accuracy, and how far accounting data can be trusted increases efficiency. business and encourage adherence to company policies that have been implemented. With the existence of indicators that are used as determinants of internal control, several categories can be grouped including administrative controls and accounting controls.

## **RESEARCH METHODS**

The type of research used in this study is a quantitative method. The population in this study were 1,041 SMEs in the Malioboro 2 Terrace Area, the city of Yogyakarta.

Table 2. Number of UMKM Terrace Malioboro 2 Yogyakarta City

<b>No</b>	<b>Type Of Business</b>	<b>Amount</b>
<b>1</b>	<b>Batik Crafts</b>	<b>51</b>
<b>2</b>	<b>Souvenirs</b>	<b>923</b>
<b>3</b>	<b>Culinary</b>	<b>67</b>
	<b>Total</b>	<b>1.041</b>

Source: Yogyakarta City Cultural Heritage UPT

Sampling was carried out using the simple random sampling probability sampling method. In determining the sample size, the researcher used the Slovin formula with a total of 91 MSME members with an error rate of 10%. The method of collecting primary data from this study was by distributing questionnaires to

MSME actors engaged in batik, culinary and souvenir crafts in the Teiras Malioboro 2 area, Yogyakarta City. Meanwhile, secondary data was obtained from available sources by looking at literature, journals, books, scientific papers and laws and regulations related to research content. In addition, researchers also conducted interviews with MSME actors by asking questions about MSME Teras Malioboro 2.

Indicators are indications of how variables are measured to determine whether a study is good or bad and also facilitate the results and discussion of future research. Indicators and Variables based on data sources are processed as follows:

Table 3. Operational Variables

Variable	Indicator	Scale
Independent Variable: Understanding of Accounting (X1)	The Recording Stage	Ordinal Scale
	Stage of Summarizing	
	Reporting Stage	
Independent Variable: Internal Control (X2)	Administrative Controls	Ordinal Scale
	Accounting Controls	
Dependent Variable: Prospects of Implementing SAK EMKM-Based Financial Statements (Y)	Decision Making: Financial Literacy	Ordinal Scale
	Decision Making: Market Expansion - Other Market Segments	
	Decision Making: Increase Sales: Marketing Mix	
	(Chen and Volpe, 1998), (Pearce II, John and Robinson, Ricahrd B, 2013) and Kotler, Philip and Gary Amstrong, 2016)	

Source: Processed data (2023)

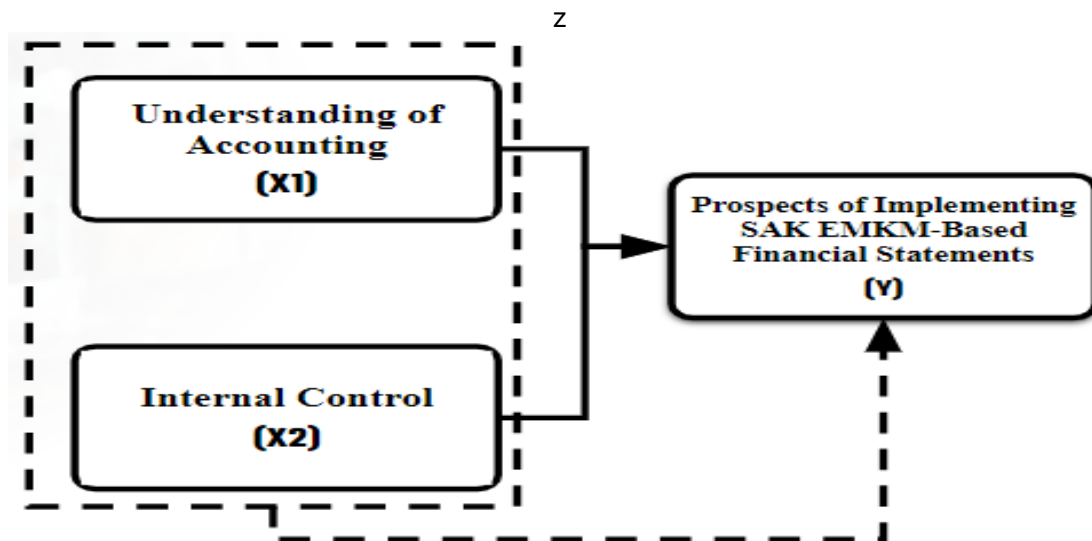


Figure 1. Research Model



The hypothesis in this study are

**H1** *Understanding of Accounting has a Positive Effect on the Prospects of Implementing SAK EMKM-Based Financial Statements for MSMEs in the Teras Malioboro 2 Area, Yogyakarta City.*

**H2** *Internal Control has a Positive Effect on the Prospects of Implementing SAK EMKM-Based Financial Statements for MSMEs in the Teras Malioboro 2 Area, Yogyakarta City.*

**H3** *Understanding of Accounting and Internal Control has a Positive Impact on the Prospects of Application of EMKM SAK-Based Financial Reports to MSMEs in the Region Malioboro Terrace 2 Yogyakarta City.*

## **Research results and discussion**

### **Validity test**

According to Sugiyono (2019), the validity test is used to carve out the legitimacy or validity of a questionnaire. A questionnaire is said to be valid if the questions on the questionnaire are able to reveal something that is measured by the questionnaire. From the results of validity testing, the questionnaire containing these 3 variables was 47 questionnaires which had been filled out by 91 respondents in this study. One way to find out which questionnaires are valid and which are invalid, we have to find out the table first. The formula for  $r_{table}$  is  $df = N-2$  so  $91-2 = 89$ , so  $r_{table} = 0.1735$ . From the results of the validity calculation, it shows that  $r_{count} > r_{table}$ , there are 47 valid questionnaires.

### **Reliability Test**

According to Sugiyono (2019) Reliable research results, if there are data similarities at different times. A reliable instrument is an instrument which, when used several times to measure the same object, will produce the same data. Based on the results of the reliability test, it shows that the Cronbach's Alpha on the Accounting Understanding variable is 0.825, the Internal Control variable is 0.850, and the Prospects for the Implementation of SAK EMKM-Based Financial Statements is 0.836 so it can be concluded that the statements in this semi-variable questionnaire are reliable because they have a higher Cronbach's alpha value. greater than 0.60. This shows that each statement item used will be able to obtain consistent data, which means that if the statement is submitted again, an answer that is relatively the same as the previous answer will be obtained.

### **Normality test**

According to Sugiyono (2016), the purpose of the normality test is to find out whether the distribution of a data follows or approaches the normal distribution,



namely the distribution of data with a bell shape. Good data is data that has a pattern like a normal distribution, that is, the distribution of the data is not skewed to the left or skewed to the right (Sugiyono, 2016). Based on the results of the normality test, it is evident that the residual values are normally distributed, which can be seen from Asymp. Significance (2-tailed)  $0.200 > 0.05$ . So it can be concluded that the residual values are normally distributed.

### Heteroscedasticity Test

According to Sugiyono (2016), the independent variable variance is constant for each particular value of the independent variable (homoscedasticity). A good regression model is that there is no heteroscedasticity. The occurrence of heteroscedasticity problems will result in a doubt or inaccuracy in the results of the regression analysis that was carried out.

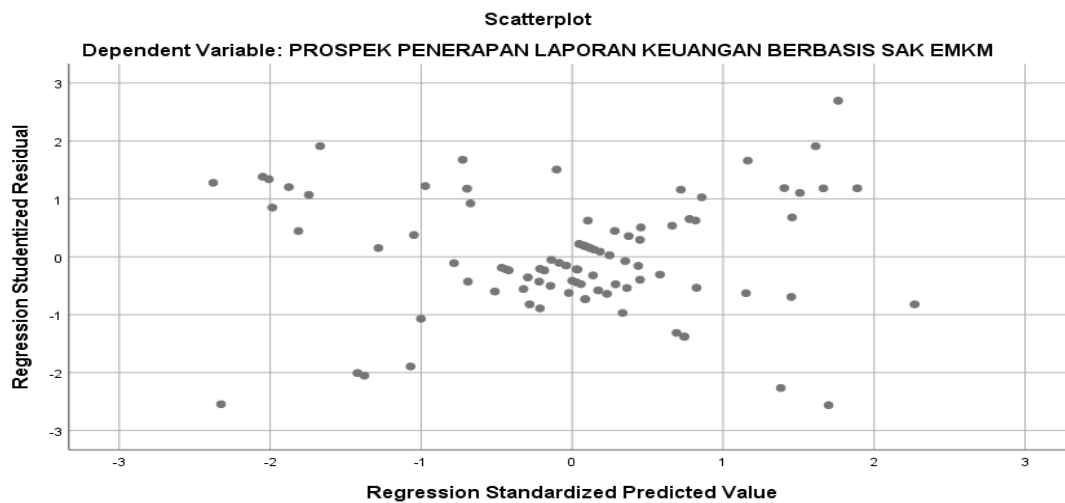


Figure 2. Heteroscedasticity Test Results

Based on Figure 2, it can be seen that the points on the Scatterplot chart are spread evenly without forming a particular pattern. So it can be concluded that the data tested in this study did not experience heteroscedasticity.

### Multicollinearity Test

According to Sugiyono (2016), the multicollinearity test aims to test whether the regression model found a correlation between the independent variables. Because it needs to be tested to find out whether there are two or more items that are interrelated or have a perfectly linear relationship between some or all of the independent items. If this is not found, it means that there is no multicollinearity. Based on the results of the multicollinearity test, it can be seen that the Accounting Understanding variable has a Tolerance value of  $0.768 \geq 0.10$  and VIF  $1.302 \leq 10$  while the Internal Control variable has a Tolerance of  $0.768 \geq 0.10$  and VIF  $1.302 \leq 10$ . This shows that all independent variables in the study there is no multicollinearity.

### Multiple Regression Analysis

Multiple regression analysis is used to prove whether there is a causal relationship between the independent variables and the dependent variable, if there are 2 or more independent variables (Sugiyono, 2018). The results of the multiple linear regression analysis test are as follows:

Table 4. Multiple Linear Regression Test Results

		Coefficients <sup>a</sup>					Collinearity Statistics	
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
		B	Std. Error	Beta				
1	(Constant)	3.767	3.902		.965	.337		
	PEMAHAMAN AKUNTANSI	.467	.052	.788	9.039	.000	.768	1.302
	PENGENDALIAN INTERNAL	-.270	.083	-.283	-3.242	.002	.768	1.302

a. Dependent Variable: PROSPEK PENERAPAN LAPORAN KEUANGAN BERBASIS SAK EMKM

Source: Processed data (2023)

Based on the results of data processing in Table 4, the multiple regression equation can be compiled as follows:  $Y = a + b_1.x_1 + b_2.x_2 + e = 3.767 + 0.467.X_1 - 0.270.X_2 + e$ . From the results of the regression analysis, the results can be interpreted as follows:

1. A constant value of 3.767, this figure indicates that if Understanding of Accounting (X1) and Internal Control (X2) is able to make a major contribution in influencing the Prospects of Application of EMKM SAK-Based Financial Statements (the dependent variable) is a multiple of 3.767.

2. The Accounting Comprehension Variable (X1) has a regression coefficient value of 0.467. The coefficient value of Understanding of Accounting makes a positive contribution to the Prospect of Application of EMKM SAK-Based Financial Statements. This means, if the Accounting Understanding increases by a multiple of 1 times, it will affect the Prospects of Application of EMKM SAK-Based Financial Statements and also increase by 46.7%, and vice versa.

3. Internal Control Variable (X2) has a regression coefficient value of -0.270. The internal control coefficient value makes a negative contribution in influencing the Prospects of Application of EMKM SAK-Based Financial Statements. This means, if the internal control is according to a multiple of 1 times, it will affect the Prospects of Application of EMKM SAK-Based Financial Statements and will increase by 27%, and vice versa.

### Partial Test (T Test)

The t test is used to test whether the accounting system variables (X1) and internal control (X2) partially (separately) affect the dependent variable, namely the success of SMEs (Y) (Ghozali, 2009). The results obtained are as follows:

Table 5. T test results

		Coefficients <sup>a</sup>				
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.767	3.902		.965	.337
	PEMAHAMAN AKUNTANSI	.467	.052	.788	9.039	.000
	PENGENDALIAN INTERNAL	-.270	.083	-.283	-3.242	.002

a. Dependent Variable: PROSPEK PENERAPAN LAPORAN KEUANGAN BERBASIS SAK EMKM

Source: Processed data (2023)

**H1 test:** The significance test is carried out by comparing the significance probability value with a predetermined significance level, which is 0.05. The  $t_{count}$  value is 9.039 when compared to the table at a significance level of 0.05, which is 1.987, then the  $t_{count}$  is greater than  $t_{table}$  ( $9.039 > 1.987$ ), so in the first hypothesis it is stated that understanding of accounting has a positive effect on the Prospect of Application of SAK EMKM-Based Financial Statements accepted. A significance probability value of 0.000 indicates a smaller value compared to the value at a predetermined significance level, namely 0.05 ( $0.000 < 0.05$ ). Based on the results of the hypothesis test, it can be concluded that the Accounting Understanding variable has a significantly positive effect on the Prospects of Applying EMKM SAK-Based Financial Statements that are Accepted.

**H2 test:** The significance test is carried out by comparing the significance probability value with a predetermined significance level, which is 0.05. The  $t_{count}$  value is -3.242 when compared to the table at a significance level of 0.05, which is equal to 1.987, then the  $t_{count}$  is smaller than the  $t_{table}$  ( $-3.242 < 1.987$ ), so in the second hypothesis it is stated that Internal Control has a negative effect on the Prospects of Application of EMKM SAK-Based Financial Statements Rejected.

**F test (simultaneous)**

The F (simultaneous) test aims to determine the effect of two independent variables together with one dependent variable (Sugiyono, 2018). The third hypothesis states that "Accounting Systems and Internal Control simultaneously influence the success of MSMEs". The results of the F test (simultaneous) are as follows:

Table 6. F Test Results

		ANOVA <sup>a</sup>				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1641.435	2	820.717	41.657	.000 <sup>b</sup>
	Residual	1733.752	88	19.702		
	Total	3375.187	90			

a. Dependent Variable: PROSPEK PENERAPAN LAPORAN KEUANGAN BERBASIS SAK EMKM

b. Predictors: (Constant), PENGENDALIAN INTERNAL , PEMAHAMAN AKUNTANSI

Source: Processed data (2023)

Based on Table 6, the test results obtained an  $F_{count}$  value of 41.657 greater than  $F_{table}$  of 3.10 with a significance of 0.000. Because the value of  $F_{count} > F_{table}$  (41.657 > 3.10). So it can be concluded that the hypothesis which states "Understanding of Accounting and Internal Control influences the Prospects of Implementation of SAK EMKM-Based Financial Statements simultaneously" is accepted.

### Determination Test (R2)

The coefficient of determination is used to determine how much the independent variable varies, namely the accounting system (X1) and internal control (X2) simultaneously on the success of MSMEs (Y). The following are the results of the determination test:

Table 7. Determination Test Results (R2)

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	[
1	.697 <sup>a</sup>	.486	.475	4.43866	]

a. Predictors: (Constant), PENGENDALIAN INTERNAL , PEMAHAMAN AKUNTANSI

b. Dependent Variable: PROSPEK PENERAPAN LAPORAN KEUANGAN BERBASIS SAK EMKM

Source: Processed data (2023)

Based on the results of Table 7, it can be seen that the adjusted R2 is 0.475 = 47.5%. This shows that the variable Prospects for the Implementation of SAK EMKM-Based Financial Statements can be explained by 47.5% by the independent variables namely Understanding of Accounting and Internal Control. By using the formula  $\varepsilon = \sqrt{1 - R^2} = \sqrt{1 - 0.475} = 0.525$ . Meanwhile, the value of the error terms which is a variation of the dependent variable is the Prospect of Application of SAK EMKM-Based Financial Statements that cannot be explained by all independent variables of 0.525 = 52.5%.

### Discussion

This study aims to determine the effect of Understanding of Accounting and Internal Control on the Prospects of Implementing SAK EMKM-Based Financial Statements. The discussion of each is presented as follows:

#### The Influence of Understanding of Accounting on the Prospects of Implementing SAK EMKM-Based Financial Statements

The better the understanding of accounting, the closer it will be to achieving the Prospect of Application of EMKM SAK-Based Financial Statements. Judging from

the results of the analysis of the test results  $R^2 = 0.475$ . This shows that accounting understanding has an influence on the success of MSMEs by 47.5%, while the remaining 52.5% is influenced by other variables. To test the hypothesis, namely knowing the effect of understanding accounting on the Prospects of Applying SAK EMKM-Based Financial Statements. The results of the study show that understanding of accounting influences the prospects for implementing SAK EMKM-based financial statements. This is supported by the result that  $t_{count}$  is greater than  $t_{table}$  ( $9.039 > 1.987$ ). The significance probability value is 0.000 which indicates that the value is smaller than the value at a predetermined significance level, namely 0.05 ( $0.000 < 0.05$ ).

This shows that MSME actors in the Teiras Malioboro 2 area have good knowledge, skills and abilities about understanding accounting so that the prospects for implementing SAK EMKM-based financial reports can be improved for the better. These results can be seen in the accounting understanding variable questionnaire which has an average percentage above 60% and the highest is 77% understanding of recording and posting each account balance contained in the general ledger. This is in line with the signaling theory that MSMEs that use an accounting system will give a good signal in achieving the Prospects of Implementing EMKM SAK-Based Financial Reports. The results of this study support research conducted by Setiajatnika & Dewi (2022), which states that understanding accounting has a positive effect on the quality of financial reports.

### **The Effect of Internal Control on the Prospects of Implementing SAK EMKM-Based Financial Statements**

The more effective the implementation of internal control, the Prospect of Application of SAK EMKM-Based Financial Statements will be achieved. The results showed that internal control had an effect on the Prospects of Application of EMKM SAK-Based Financial Statements being rejected. Judging from the results,  $t_{count}$  is smaller than  $t_{table}$ , namely ( $-3.242 < 1.987$ ). The significance probability value of 0.002 indicates a smaller value compared to the value at a predetermined significance level, namely 0.05 ( $0.002 < 0.05$ ). These results can be seen in the internal control variable questionnaire which has an average percentage below 60% and the smallest is 55%, namely the lack of monitoring employees in making financial reports by 58%, the lack of checking income and expenditure receipts periodically by 55%, lack of time limits for employees when making accurate data processing as much as 58% along with borrowing capital from other parties or banks for business continuity 55%. Even though the internal controls that have been made are good, they are less effective in their application so that the implementation of financial reports is not made properly and this can affect the prospects for SAK EMKM-based financial reports.

This study supports research conducted by Lisa, A. et al (2020) internal control influences MSME behavior. With internal control in a business, all work can run well and smoothly. Because all work is controlled in its own parts. Internal

control cannot provide absolute assurance because of the limitations inherent in all internal control systems and the consideration of benefits and sacrifices in achieving control objectives. In a business, if there is no financial internal control, errors and inaccuracies will arise as well as substantial losses for the company.

### **Effect of Understanding of Accounting and Internal Control Simultaneously**

The results showed that the understanding of accounting and internal control simultaneously influences the prospects for implementing SAK EMKM-based financial statements ( $F_{\text{count}} 41.657 > F_{\text{table}} 3.10$ ). This shows that these two variables play an important role in the Prospects of Implementing SAK EMKM-Based Financial Statements together. These results can be seen in the prospect variable questionnaire for implementing SAK EMKM-based financial statements which has the highest average percentage of 76% seen from MSMEs being able to promote products on various social media or e-commerce. The results of this research reflect the research conducted by Saleh & Andreani (2022) which shows that simultaneously the Understanding of Accounting and Internal Control affects the results of financial reporting where this has a positive impact on financial credit to third parties as well as greater financial stability.

### **Conclusion**

Based on the discussion of the results of the research that has been done, the following conclusions can be drawn: Understanding of accounting and internal control simultaneously influences the prospects for implementing SAK EMKM-based financial reports in the Teiras Malioboro 2 area, Yogyakarta city, with a contribution of 52.5%. Accounting understanding has a positive effect on the prospects for implementing SAK EMKM-based financial reports in the Malioboro 2 terrace area, Yogyakarta city. By having as much influence as 46.7%. Internal control has a negative effect on the Prospects of Implementing SAK EMKM-Based Financial Statements. By having as much influence as -3.2%, where the lowest score in the questionnaire is the lack of monitoring employees who are making financial reports as much as 58% and not checking income and expenditure receipts periodically, namely as much as 55%, business owners also lack time limits for employees when making accurate data processing as much as 58% and 55% are still unsure about borrowing capital from other parties or banks in business continuity, so this affects the prospects for implementing financial statements. In internal control which is lacking due to the actual conditions, MSME owners tend not to supervise the preparation of financial reports and their employees directly, because most of the owners are out of town so they only visit their place of business a few times. However, if they come to Puin, they only receive a rough or outline report, for example, only asking about the number of goods sold or whether there are many buyers and business owners, and most of the work is delegated to third parties.

The story is that employees often do not print notes or proof of transactions on a regular basis which results in evidence not being properly documented.

### **Suggestion**

Research Based on the limitations of existing research, the following are some suggestions that were found, namely: In the internal controls that exist in MSMEs, it should be further improved related to the risk of fraud that will occur if you do not monitor employees preparing financial reports, check income and expenditure notes regularly as well as the importance of time limits for managing finances so that data processing is accurate. Because with a good working relationship, each function in carrying out their respective duties can be better and more effective. It is better for the UPTD Cultural Heritage as a party from the government to immediately provide training on understanding accounting and internal control so that MSMEs know the importance of understanding accounting based on SAK EMKM and effective internal control. It is also hoped that every existing human resource has sufficient tasks to be able to increase the prospects of implementing financial reports. Because it is considered important that the prospect of implementing SAK EMKM-based financial reports is more effective in providing access to capital to third parties so that they are able to support the continuity of sales expansion and market expansion needed by SMEs in the Teras Malioboro 2 Area, Yogyakarta City.

For further researchers, they can add new variables such as Accounting Information Systems and Information Technology Utilization, where the development of data processing systems and equipment allows accounting information systems to not only be able to present financial accounting reports but also various management accounting information and even non-financial reports which are very important for support internal control and the quality of financial reports that affect the prospects for implementing SAK EMKM-based financial reports, can take a wider sample and it is hoped that the research will not only be in one place. To strengthen and support the results of this study, it is necessary to re-test to see the consistency of this research with previous research and subsequent research.

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