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## Analysis of fixed assets accounting implementation in Micro, Small and Medium Enterprises (MSMEs) units in Jember

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**Abstract.** One form of investment that has great value and high risk for Micro, Small and Medium Enterprises (MSMEs) engaged in services is fixed assets. The high risk of damage to fixed assets requires the recording of correct fixed assets, and reliable procedural implementation in accordance with the provisions of the SAK EMKM (Micro Small and Medium Entity Financial Accounting Standards). This study aims to analyze the implementation of fixed asset accounting in MSMEs in Jember. This research is a descriptive study with a qualitative approach to analyze and describe the implementation of fixed asset accounting in MSMEs engaged in business and services in Jember Regency. The object of the research was conducted in Jember, which engaged in business and services including Photocopy service, Play Station rental, Car Rental, and Laundry service. The period of study is 3 (three) months. The data collecting method consists of observation methods, document methods, interview methods, and literature. The data analysis method that is used in this study is a descriptive-qualitative analysis method. The results of the study proved that the implementation of fixed asset accounting in Jember MSMEs is in accordance with the SAK EMKM, especially in the recognition and release of fixed assets in all MSMEs that had been studied, by selling. However, in recognition of prices and methods of price depreciation, there is a discrepancy between those stipulated in SAK EMKM and those used in MSMEs.

### 1. Introduction

The development of micro, small and medium enterprises (MSMEs) in Indonesia experiences very rapid development. In the last 5 (five) years, the number of MSMEs has shown a fantastic number. According to data from the Ministry of Cooperatives and MSMEs in 2013, the number of MSMEs was 57.9 million units and it is expected increase to 58.97 million units in 2018 [1]. The development of this number has a positive impact on economic growth and employment. According to [2], the existence of MSMEs in the Indonesian economy is quite dominant and significant, because these businesses open up new jobs and play a role in driving the pace of economic growth. Based on data from the Central Statistics Agency (BPS), the contribution of MSMEs to the economy is quite large, reaching 61.41 percent, while the absorption of MSMEs labor dominates at least 97 percent of the total national workforce [3]. For this reason, MSMEs must continue to be encouraged and developed with full support from the government because their existence has a great contribution to regional income and state revenues.

MSMEs becomes the pedestal source of livelihood for the majority of Indonesia's population, including people in Jember. Although MSMEs doesn't always guarantee quick success, but business opportunities in this field are always open. One of work fields that are carried out by MSMEs are in the services sector, among other areas of Laundry business services, photocopy, online game rental, and rental cars. Enterprises in the service sector are filled with uncertainty for the MSMEs must compete with other similar businesses. For this reason, MSMEs must be able to utilize their resources efficiently and effectively in order to survive. One form of investment which has great value and has a high risk to the MSMEs in the services sector is tangible fixed assets. Fixed assets to be one important element for the survival of MSMEs [4].

The fixed assets used in the operation of MSMEs are not intended to be traded but are used for a long time. As [5] said fixed assets have relatively permanent properties that are used in normal company activities. Whereas according to [6] fixed assets are tangible assets owned by business units to be used in the production and supply of goods and services, to be leased to other parties, or for administrative purposes and expected to be used for more than one period. From the 2 definitions of fixed assets above,



according to the author, fixed assets are long terms assets and used for operational activities of business units and have a useful period of more than one accounting period. Therefore, assets remain the main pillar of the survival of MSMEs, especially those engaged in services.

Fixed assets can be obtained in several ways. As [7] said, that fixed assets can be owned by buying in cash, buying in credit or in installments, by means of exchanges, issuance of securities, building themselves, leasing or leasing and donations. The method of obtaining the fixed assets will affect to the recording of the acquisition price of all fixed assets used in the company, both those that are still newly used and the old ones which require maintenance and care costs so that the fixed activation benefits are in accordance with the plan. Therefore, measurement of fixed assets must be held at the time of initial recognition and termination of recognition of fixed assets when they do not have economic benefits anymore.

Fixed assets in MSMEs are components of assets that have high value. For this reason, it takes the appropriate accounting records from consisting of recording the source/method of acquisition, determining the acquisition price, estimating the economic age, selecting the depreciation method, improving the policy and revaluing fixed assets [8]. Fixed assets are vulnerable to decrease capacity because they are used continuously [9]. Therefore, MSMEs must record the correct fixed assets and reliable procedural application in accordance with applicable standards [10]. Presentation of information about the value of fixed assets must be correct so that they can be used as guidelines for decision making on fixed assets, including procurement, use, utilization, depreciation, exchange and release methods [11].

The Indonesian Accounting Association has issued special accounting standards for MSMEs, the Financial Accounting Standards for EMKM (SAK EMKM). This standard consists of 3 (three) components, namely statements of financial position, income statement and notes to financial statements [12]. This standard facilitates business units to prepare financial statements. SAK EMKM is simpler compared to the general PSAK intended for small and medium enterprises. Some components of the general PSAK that are eliminated in SAK EMKM include the preparation of consolidated financial statements, fundamental errors and extraordinary profit and loss. The phenomenon that occurs in MSMEs relating to the implementation of tangible fixed assets accounting tends to record intangible fixed assets not to do separation so that the fixed assets reported by the business unit are only the purchase price. The valuation of fixed acquisition costs is not accompanied by other costs until the fixed assets are ready to be used in the operations of the business unit. The tangible fixed assets acquired should be recorded separately, even though the fixed assets are obtained simultaneously. Accounting for fixed assets is very important for the feasibility of financial statements. Errors in assessing tangible fixed assets affects to material errors because the investment value invested in fixed assets is relatively large [13].

Similar research conducted by Dina Fitri Septarinia, et al., Entitled Analysis of the Implementation of Fixed Asset Management in Merauke, Papua Regency, proved that the results of the Financial Statements in accordance with SAP (Government Accounting Standards) has higher importance with a mean value of 4.59 and mode value 5 (very important) in the utilization of fixed assets with mean value 3.36 and mode 3 (quite important). Government Accounting Standards have higher performance levels with mean value 4.33 and mode value 5 (good). Other similar studies conducted by Maria Bucina Buccuu (Costică) and Bogdan Nicolae Velicescu analysis of the convergence of levels of tangible assets (PPE) according to the Romanian national accounting regulations and IFRS for MSMEs indicate that there are significant impediments if the case of a possible implementation of IFRS for especially because of the fiscal rules accounting practices and because professional accountants considerably agree with PPE practices that are not common within IFRS for MSMEs.

Given the importance of fixed asset accounting in these financial statements, the treatment must be based on the SAK EMKM. This research is important so that MSMEs players, especially those engaged in services in Jember Regency can make financial reports appropriately that are able to provide financial information to those who need it to assess the ability of MSMEs. Based on the description above, researchers are interested in analyzing accounting implementation fixed assets in micro, small and medium business units in Jember.

## 2. Methods

This research is a descriptive study with a qualitative approach to analyze and describe the implementation of fixed asset accounting in MSMEs engaged in services field in Jember Regency. The object of the research was conducted in Jember. That is MSMEs engaged in business and service such as Photocopy service, Laundry business and Car Rental business located in Jember. The research time needed was 3 (three) months.

The collected data is obtained by (a) Survey: This activity is carried out by conducting a survey of MSMEs engaged in services located around the University of Jember campus, such as Photocopy service, Laundry business, and Car Rental business. (b) Library Research: The method is done by examining theories relating to the recognition, measurement, recording, and reporting of fixed assets. (c) Document: This technique is carried out by collecting the necessary MSMEs books, journals, and reports. (d) Interview: This activity is carried out to find information relating to the recording and reporting techniques of fixed assets. In MSMEs engaged in services, such as Photocopy service, Laundry business, and Car Rental business in Jember.

The data analysis method used in this study is a descriptive-qualitative analysis method. In this case, the author identifies, categorizes, and analyzes the recording and reporting of fixed assets. What has been done by Photocopy service, Laundry business, and Car Rental business in Jember. Recognition, measurement, recording, and reporting of fixed assets. Those are compared with the accounting standards and principles that apply to MSMEs, namely SAK EMKM for decision-making according to their suitability.

## 3. Results and Discussion

### 3.1. Overview of Research Objects

The object of this research is explained in table 1 below:

**Table 1.** Names of MSMEs

Business Name	Address	Early Years of Business	Number of employees
Photo Copy Farady	Jalan Kalimantan no 79 Jember	2016	5 people
Game Corp	Ruko Jalan Jawa No 30 C Jember	2010	9 people
Nan Rent Car	Jalan Soekarno Hatta Jember	2010	9 people
Sony Laundry	Jalan Dr. Soebandi No 46 Patrang Jember	2014	6 people

Source: Observation Report, 2018

From table 1 above shows that the object of this research is MSMEs engaged in services have been running for a long time, for 2 years to 8 years. All MSMEs are categorized as Small business unit because they only have 5 to 9 people. From the documents on the MSMEs that are engaged in photocopy services, we can find out the types of fixed assets that are cultivated as in table 2 below.

**Table 2.** Names of MSMEs

Fixed Asses	Brand	Year of Acquisition	Purchase price/IDR	Expenses/IDR	Hours of service/day Hours of service/day	Credit / Cash
Photocopy machine	Canon	2016	14.000.000	500.000	18 hours	Cash
Photocopy machine	Canon	2017	15.200.000	800.000	18 hours	Cash
Printer	Epson	2016	1.100.000	100.000	18 hours	Cash
Printer	Epson	2017	1.300.000	250.000	18 hours	Cash
Desk Computer	Dell	2016	3.100.000	400.000	18 hours	Cash
Laptop	Asus	2016	2.000.000	50.000	18 hours	Cash

Source: Business Unit Document Copy of Farady Photo

From the table above, it can be seen that the Photocopy Service of Farady's, all copy machines are purchased by cash. In addition, the price recorded is the acquisition price by entering all costs incurred until the copy machine is ready to be operated.

Documents that exist on MSMEs engaged in Online Game services can be identified the types of fixed assets that are sought as in table 3 below.

**Table 3.** Fixed Assets of GAME CORP

No	Fixed Assets	Brand	Year of Acquisition	Purchase price/IDR	Cost	Use of Fixed Assets/a day	Credit/Cash
1	TV	LG	2014	2.100.000	200.000	16 hours	Cash
2	TV LCD	LG	2015	4.000.000	200.000	16 hours	Cash
3	TV LCD	LG	2015	4.000.000	300.000	16 hours	Cash
4	TV LCD	LG	2015	4.000.000	300.000	16 hours	Cash
5	TV LCD	LG	2016	2.000.000	120.000	16 hours	Cash
6	TV	Samsung	2016	2.200.000	200.000	16 hours	Cash
7	TV	Panasonic	2016	1.800.000	200.000	16 hours	Cash
8	TV	Nintendo	2017	5.200.000	200.000	16 hours	Cash
9	TV	Nintendo	2015	3.600.000	240.000	16 hours	Cash
10	TV	Nintendo	2017	1.800.000	100.000	16 hours	Cash
11	PS4	Sony	2016	14.400.000	1.800.000	16 hours	Cash
12	PS4(3)	Sony	2015	9.600.000	1.000.000	16 hours	Cash
13	PS4(3)	Sony	2017	4.800.000	350.000	16 hours	Cash

Source: Accounting Documents at Game Corp

From the table above, it can be seen that Game online's business, all TV and Playstation purchased by cash. In addition, the price recorded is the price obtained by entering all costs incurred until both TV and PS are ready to be operated.

Documents that are in NAN RENT CAR can be known the types of fixed assets can be seen in table 4 below.

**Table 4.** Fixed Assets of NAN RENT CAR

Fixed Asses	Year of Acquisition	Purchase price/IDR	Cost/IDR	Credit/Cash	Use of Fixed Assets/a day
Kijang	2015	150.000.000	3.000.000	Cash	12 hours
Innova	2015	275.000.000	13.000.000	Credit	12 hours
Rush	2018	450.000.000	25.000.000	Credit	12 hours

Source: Accounting Documents at NAN RENT CAR

From table 4 above, it can be seen that the business of NAN RENT CAR, rented cars are purchased in cash, some are purchased on credit. The 3 (three) cars are recorded with the acquisition price, by entering all costs incurred until the cars are ready to be operated. Documents on SONY LAUNDRY can be identified the types of fixed assets sought as shown in table 5 below.

**Table 5.** Fixed Assets of SONY LAUNDRY

Fixed Asses	Brand	Year of Acquisition	Acquisition cost/IDR	Estimated Economic Age
Washing Machine	Panasonic	2015	2.400.000	5 years
Washing Machine	Samsung	2016	800.000	3 years
Washing Machine	Toshiba	2014	1.700.000	5 years

Source: Accounting Documents at SONY LAUNDRY

From table 5 above shows that the business of Sony Laundry operates a washing machine that has been long enough (more than 3 years). The 3 (three) washing machines are also recorded at the acquisition price by entering all costs incurred until the car is ready to be operated.

The results of the research reported above show that all MSMEs studied (Photocopy service, Play Station Rental, Car Rental, and Laundry service), in the recognition of fixed assets are in accordance with the provisions in the EMKM SAK. All these MSMEs also treat their fixed assets to be used and their benefits are taken. Use of assets remains valid for more than 1 year. But in recognition of prices, only MSMEs NAN RENT CAR and GAME CORP recognized the cost by calculating costs. As

expressed by MSMEs, specifically Nan Rent Car, the cars that are purchased from outside the city of Jember so that they have to spend quite a lot of money. [14] said that at the initial measurement the business unit included the interest element and installment costs into the acquisition price so that the value of the acquisition price would be higher. However, in initial recognition, Fixed Assets are measured at cost only without accumulated depreciation. This illustrates that there is a discrepancy with SAK ETAP so that the price of Fixed Assets presented is higher because of an error in the initial recognition.

Of the 4 (four) MSMEs studied, as many as 3 (three) MSMEs, Photocopy Farady, Game Corp, and Nan Rent Car applied the method of unit hours in depreciation, while Sony Laundry used the straight-line method. The policy in using the depreciation method using the service hour method carried out on Photocopy Farady, Game Corp and Nan Rent Car is not in accordance with the provisions in the SAK EMKM (2018). In the EMKM SAK, the fixed asset depreciation method is determined by the declining balance method and the straight-line method. The owners of the 3 (three) MSMEs have the same reasons, fixed assets such as photocopying machines, CD players with television sets and cars that have a very high risk which can be damaged at any time so they are more likely to choose the service hour method for the concept of caution.

The Sony Laundry business unit chooses to use the straight-line depreciation method because based on information from the owner, the Laundry business unit is still relatively small. The income earned from the Sony Laundry business is also relatively low (small) - it has not been able to provide a large reserve fund. The business owner only gets a surplus of income in a relatively small amount; the important thing is to be able to cover operational costs. The owner is aware that the policy of choosing a straight-line depreciation method is indeed not in accordance with the SAK EMKM, where for high risk fixed assets are more appropriate to use the declining balance method or the service hour method. Straight-line methods can be used for fixed assets with small risks such as buildings, houses, and land. To anticipate the risk of damage, the laundry business owners try to maintain in such a way by always checking regularly and keeping the washing machine from being damaged. The owner understands very well about the damage to the washing machine and has the expertise to repair itself so that the washing machine is always well cared. From the information received by the washing machine, there were not many serious problems. The decision to use this straight-line depreciation method does not conflict with the EMKM SAK, but the owner must be prepared in case of damage.

In addition, all MSMEs studied have also recognized the cost of maintaining and repairing fixed assets as an expense in the income statement in the period in which in this case they are also in accordance with SAK EMKM. In the release of the company is carried out on their fixed asset, by stopping its use and stopping the recognition of the carrying amount of fixed assets. But in its recording, the company does not recognize losses arising from this termination where this is not in accordance with SAK EMKM.

The financial statements must reveal the basis of the valuation used to determine the carrying value. All fixed assets in MSMEs in Jember recorded on the balance sheet in the amount of the acquisition cost of fixed assets are presented in the Balance Sheet at the acquisition price reduced by accumulated depreciation, besides to the fixed assets balance, it also presented in the budget realization report plan for upgrading the program with the procurement of assets based on regional economic needs and conditions.

In this study, only the Nan Rent Car budgeted funds for maintenance costs, while for the other 3 (three) MSMEs, Photocopy Farady, Game Corp, and Sony Laundry were carried out routinely because the cost was not too large, around Rp. 200,000. up to Rp. 300,000, - even often the maintenance is carried out by the MSMEs owners themselves.

All MSMEs studied are released when fixed assets cannot be used again, by means of sale, so the recording of fixed assets must be stopped. When stopping the operation of fixed assets, it will be recorded by debiting the account of Accumulated Depreciation of Fixed Assets and other general costs and crediting the Fixed Assets account.

#### **4. Conclusions**

Based on the results of the research and discussion it can be concluded that the implementation of fixed asset accounting in MSMEs in Jember is in accordance with the SAK EMKM, especially in the recognition and release of fixed assets in all MSMEs, by selling. There is a discrepancy in the recognition

of prices and the method of price depreciation, for Sony Laundry business that uses the straight-line method.

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