

BEYOND THE STANDARDS: AN EXAMINATION OF COMPANIES OPERATING WITHOUT IMPLEMENTING FINANCIAL ACCOUNTING STANDARDS (SAK)

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ABSTRACT

Financial statements have an important role in ensuring transparency, accountability, and reliability of information for stakeholders. In Indonesia, *Financial Accounting Standards (SAK)* are the main guidelines in the preparation of financial statements. However, in practice, many companies, particularly micro, small, and medium enterprises (MSMEs), have not formally adopted SAK, even though they have applied basic accounting principles. This study aims to analyze the extent to which companies that do not implement SAK still maintain the qualitative characteristics of financial information, namely relevance, reliability, comparability, and comprehensibility. This study employs a qualitative descriptive approach, using data obtained from interviews with four companies in the trade, health, and processed food sectors. The results of the study show that most companies do not understand the importance of SAK and still rely on external consultants for preparing financial statements. Financial statements are generally only prepared for tax purposes and do not meet adequate reporting standards. The main factors causing the non-implementation of SAK are limited human resources, lack of accounting literacy, and the perception that implementing SAK is not urgent for small businesses. This finding emphasizes the need for government support and accounting professional institutions to provide training and assistance in implementing SAK EMKM, thereby improving the quality of MSME financial reporting.

Key words: Financial Accounting Standards (SAK); financial reporting; qualitative characteristics; transparency; accountability; non-adoption

INTRODUCTION

The Financial Accounting Standard (SAK) is the primary reference for preparing financial statements in Indonesia, aiming to enhance transparency, accountability, and comparability between entities (IAI, 2022). SAK is a formal guideline for regulating the recognition, measurement, presentation, and disclosure of financial transactions, ensuring that stakeholders can reliably use the information presented. However, the level of SAK implementation among micro, small, and medium enterprises (MSMEs) is still relatively low. The results of the survey by Manchat & Sanda (2022) show that most MSMEs have not implemented SAK EMKM due to limited understanding and implementation costs. This finding is supported by (Firdaus & Wibowo, 2020), who stated that low accounting literacy and a lack of training are the main factors that hinder the adoption of standards (Nasrah & Ratna, 2024).

From a theoretical perspective, the application of accounting standards is related to the theory of accountability (Gray et al., 1996), which holds that business entities are responsible for providing relevant and trustworthy information to external parties. When a company does not implement formal standards, its level of accountability may decrease because financial information becomes more difficult to compare between entities (Stubbs & Higgins, 2018). In addition, the IASB (2018) financial reporting conceptual framework emphasizes that the quality of good financial statements must meet four main characteristics, namely relevance, reliability, comparability, and comprehensibility. Without guidelines such as SAK, financial information risks losing these characteristics and can reduce the quality of economic decisions (Paramitha Nida et al., 2024; Stubbs & Higgins, 2018).

Previous empirical research has also reinforced this phenomenon. (Juita, 2016) and Yani & Zulkifli (2025) found that the majority of MSMEs only compile simple reports for tax purposes, without following formal accounting standards. Rahmat Putra & Nur Khalisa (2023) even showed a positive relationship between business owners' accounting literacy and compliance with SAK EMKM. Thus, improving accounting understanding is key to encouraging the implementation of better reporting standards (Patmawati et al., 2024). Based on this background, this research aims to:

1. Analyze the practice of preparing financial statements in companies that have not implemented SAK.
2. Identify obstacles and challenges in the implementation of SAK.
3. Evaluate the extent to which the company's financial statements meet the qualitative characteristics of financial information.

METHOD

This study uses a qualitative descriptive approach (Creswell & Plano Clark, 2018), collecting data through *in-depth interviews*. The research subjects consisted of four companies that had not implemented SAK in the preparation of their financial statements, namely:

1. Tsurayaa Pangan Delapan Delapan (medium-scale trade)

2. Satria Budi (medium-scale trade)
3. Bengkayang Sehat Medika (small-scale pharmacy)
4. Maju Mapan Banyumas (processed food production, medium scale)

The interview instrument included aspects of understanding SAK, the practice of preparing financial statements, obstacles and challenges faced, and perceptions of the importance of implementing SAK. The data was analyzed using a thematic content analysis technique, which identified patterns of findings and compared them with the principles in the SAK EMKM and the qualitative characteristics of the financial statements.

RESULTS AND DISCUSSION

To provide a clearer picture of the study's results, the following table presents a summary of key findings from interviews with four companies across different sectors and business scales. This table compares the level of understanding, the practice of preparing financial statements, and the challenges faced in implementing Financial Accounting Standards (SAK). This comparative analysis is important to show the diversity of accounting practices among entities that have not yet formally adopted accounting standards. This table also shows recurring patterns, such as low accounting literacy, dependence on external consultants, and the perception that the implementation of SAK has not been a priority for small and medium-sized companies.

Table 1. Summary of Empirical Findings Based on Interview Results

Aspect	Tsurayaa Delapan	Pangan Delapan	Satria Budi	Bengkayang Medika	Sehat	Maju Mapan Banyumas	Researcher's Analysis
Business Profile	Trading medium-scale, 25 employees	sector, 25	Trading medium-large, 40 employees	Pharmacy, small-scale, 7 employees		Food production (meatball factory), medium-scale, 65 employees	Diversity of sectors and sizes demonstrates relevance across industries.
Understanding of SAK	Aware of SAK but uncertain about its application requirements		Aware of SAK but limited understanding	Unfamiliar with SAK and its requirements		Not aware of SAK at all	Accounting literacy remains low among all respondents, regardless of business scale.
SAK Implementation in Financial Reporting	Not using SAK		Not formally using SAK	Has not implemented SAK		Does not know whether reports follow SAK	None of the entities formally adopts SAK in financial reporting.
Type of Financial Reports Prepared	No complete financial statements		Income statement, balance sheet, cash flow statement	The daily cash report is summarized into simple income and cash reports		Provides raw data (sales, purchases, bank statements) to the consultant	Reports are administrative rather than analytical or decision-useful.
Preparation Method	Data compiled manually and processed by an external consultant		Manual and Excel-based preparation by the consultant	Data was entered into Excel and processed by an external partner		Entirely handled by an accounting consultant	High dependency on external parties for financial reporting processes.
Purpose of Reporting	For tax purposes only		Internal use, tax filing, and occasionally for bank requirements	Internal control and tax reporting		Internal and external use (banks, tax)	Reporting primarily serves compliance purposes, not managerial decision-making.
Main Challenges	Limited understanding, unsure about SAK requirements		Lack of accounting staff, limited literacy	Inadequate knowledge and accounting personnel		Lack of understanding and absence of training	Dominant factors: low accounting literacy and insufficient human resources.
Future Plans and Expectations	Needs training and socialization on SAK		Plans to implement SAK if training support is available	Expects government support and guidance		Plans to implement SAK after staff training	All respondents expressed willingness to adopt SAK if given structured assistance and training.

(Source: Primary data from interviews, processed by researchers (2025)).

The table above shows a relatively consistent pattern among the four companies. Despite the different sectors and business scales, the financial reporting practices carried out show similar characteristics: administrative compliance orientation, a limited understanding of accounting standards, and a high dependence on external parties. These findings confirm that the main obstacle to the implementation of SAK is not caused by resistance to regulation, but by limited human resources and low internal accounting literacy. Larger-scale companies such as Satria Budi have shown higher awareness and intention to implement SAK in the future. In contrast, smaller entities such as Bengkayang Sehat Medika still do not consider the implementation of SAK a priority. This condition aligns with the findings of Ayem et al., (2024) and Yani & Zulkifli (2025), which affirm that awareness and training are determining factors in the adoption of SAK EMKM. Overall, the results of this comparative analysis strengthen the argument that targeted training, government socialization, and the promotion of SAK EMKM implementation are indispensable to improving the quality of financial reporting and accountability in the Indonesian MSME sector.

Understanding of Financial Accounting Standards (SAK)

The results of the interviews show that the company's understanding of SAK is still minimal. Two companies, Tsurayaa Pangan Delapan Delapan and Satria Budi, are aware that SAK is a guideline for preparing financial statements, but do not understand the types of SAK (General, ETAP, EMKM) and their implementation obligations. Meanwhile, Maju Mapan Banyumas and Bengkayang Sehat Medika are not even familiar with SAK. As stated by a representative of Tsurayaa Pangan Delapan Delapan: *"We do not use SAK because we do not know whether it is mandatory or not to use SAK."* Meanwhile, from the Maju Mapan Banyumas side, it was stated: *"The company does not know about the Financial Accounting Standards (SAK)."* These findings indicate that accounting literacy remains low among business actors (Manehat & Sanda, 2022b; Nuvitasari et al., 2019), consistent with Karmana et.al (2024) research, which revealed that most of MSMEs in Indonesia are not familiar with SAK EMKM. From a theoretical perspective, this condition shows the weak aspect of financial information accountability (Gray et al., 1996) because management has not understood the obligation to present relevant and reliable information.

Unstandardized Financial Statement Preparation Practices

The four companies prepare financial statements primarily for administrative purposes, especially for tax reporting. The types of reports produced are also diverse and do not cover the entire accounting cycle. For example, Satria Budi prepares income statements, balance sheets, and cash flows. In contrast, Bengkayang Sehat Medika only creates daily cash reports, which are then processed into basic income and cash statements. As stated by Bengkayang Sehat Medika: *"We only make daily cash reports, which are then processed into simple reports such as profit and loss and cash."* Other companies, such as Tsurayaa Pangan Delapan Delapan, do not even compile complete financial statements: *"The company does not prepare financial statements. We only prepare data that a third party then compiles."* This practice reflects a reporting orientation that is minimal compliance (*compliance-based reporting*), not *decision-useful reporting* (Agarwal et al., 2025). In fact, according to the IASB (2018), quality financial statements should meet four primary characteristics: relevance, reliability, comparability, and comprehensibility. Without a formal structure as stipulated in the SAK, financial statements tend to be inconsistent and cannot be compared between periods. These results are consistent with the research of Andarsari & Dura, (2018), who found that most MSMEs only record daily transactions without complete financial reports, and Hanifati & Leo, (2019) who stated that most micro business actors in Indonesia compile reports solely for tax reporting, not for managerial analysis.

High Dependence on Consultants or Third Parties

All companies in this study rely on third parties or external consultants in the preparation of financial statements. Satria Budi even appointed a permanent consultant to process the data collected by the administration. A similar thing was done by Maju Mapan Banyumas, where the process of preparing the report was completely handed over to the consultant: *"The consultant does the entire process of preparing financial statements. We only submit sales data and bank statements."* From the perspective of resource-based theory, this condition indicates that the company lacks internal competence in accounting, so it relies on external capabilities (Barney, 1991). Although using consulting services helps fulfill administrative obligations, this dependence risks low internal understanding and a lack of accounting knowledge transfer within the organization. This phenomenon aligns with the research results by Uyar & Güngörmüş (2013) In Turkey, it was stated that SMEs with limited accounting human resources tend to rely on the services of outside professionals. However, without training assistance, this practice does not contribute to improving internal accounting literacy (Hanifati & Leo, 2019).

Obstacles and Challenges in the Implementation of SAK

Some of the obstacles revealed by respondents can be categorized into three main aspects:

1. Limited Human Resources (HR)

The absence of exceptional accounting staff causes the recording process to be carried out manually by the administration (Andarsari & Dura, 2018). *"We do not have a dedicated accounting staff yet; only the administration department records daily transactions."* (Satria Budi)

2. Lack of Understanding of Accounting Terms and Procedures

Many business actors find accounting terms complicated and challenging to implement without assistance. *"We have trouble understanding accounting terms"* (Hanifati & Leo, 2019)." (Bengkayang Sehat Medika)

3. Perception that SAK Implementation Is Not Urgent

Some respondents considered that for small businesses, SAK is not a top priority (Setiawan et al., 2024). *"It may be important, but for a small scale like ours, the implementation of SAK is not a priority."* (Bengkayang Sehat Medika)

These findings strengthen the study by Sari and Indrawati (2020), which emphasized that the main obstacles to implementing SAK EMKM are limited resources and low motivation, stemming from the lack of intense regulatory demands. In terms of organizational behavior theory, these factors illustrate the low perceived behavioral control (Ajzen, 1991), where business actors feel they lack the competence and resources to implement standards.

Perception and Expectations for the Implementation of SAK

Although they have not yet implemented SAK, most respondents showed **potential awareness** of the importance of standardized financial reporting. For example, Satria Budi stated: *"We recognize the importance of SAK for the accuracy and transparency of financial statements, and plan to implement it next year if resources are sufficient."* The statement shows a positive intention to change, but it requires systemic support. Respondents hope for training, socialization, and professional assistance to help them understand and implement SAK. This is also reflected in the statement of Tsurayaa Pangan Delapan Delapan: *"Companies need special training to build competent human resources in compiling financial statements."* This hope highlights the research finding, which indicates that accounting literacy plays an important role in increasing compliance with SAK EMKM (Patmawati et al., 2024). Thus, a practice-based training approach and continuous mentoring can be the leading solution to expand the adoption of SAK among MSMEs.

Synthesis Analysis: The Gap between Practice and Principle

Overall, the results of the study show that there is a gap between actual financial reporting practices and the principles outlined in the SAK. The following table summarizes the comparison of field conditions with the principles of qualitative characteristics of financial information according to the IASB (2018):

Table 2. Evaluation of Financial Information Characteristics

Characteristics of Financial Information	Field Conditions (Interview Results)	Compatibility with SAK
Relevance	Reports are compiled for tax purposes only, not decision-making	Low
Reliability	Data is processed manually without a verification system	Low
Comparability	The report format is not uniform between periods	Low
Understanding	Business owners do not understand accounting terms	Low

These results reinforce Martínez-Ferrero et al. (2015)) argument that the quality of financial information decreases significantly when standards are not applied consistently. Therefore, improving the quality of reporting must begin with basic literacy, followed by technical guidance on the implementation of SAK EMKM.

CONCLUSION

This study reveals that most companies that have not implemented Financial Accounting Standards (SAK) continue to record and prepare basic financial statements. Still, the practices carried out do not meet the qualitative characteristics of financial information as regulated in the conceptual framework of SAK. Financial statements are generally compiled using Excel for administrative purposes, such as taxation, and do not follow a formal accounting cycle. The level of understanding of SAK is still low in all the companies studied. Most business actors are unaware of the types and obligations of implementing SAK, particularly SAK EMKM. This condition is exacerbated by the limitation of human resources in the accounting field and dependence on third parties (external consultants) in the preparation of financial statements. As a result, the transfer of accounting knowledge does not occur at the internal level of the company. In terms of organizational behavior, business actors perceive low behavioral control over the implementation of SAK. They understand the importance of standards but feel they lack the ability and support to implement them. However, there is a positive trend where some companies are starting to show their intention to adopt SAK if they receive adequate training and assistance. Thus, it can be concluded that the main challenge in implementing SAK lies not in the resistance of business actors but in the limited capacity and literacy of accounting. Therefore, increasing understanding and competence through training, socialization, and assistance programs for the implementation of SAK EMKM is very necessary. Practically, collaboration between the government, the Indonesian Institute of Accountants (IAI), and universities is the key to building a transparent and accountable financial reporting ecosystem in the MSME sector. A sustainable coaching approach will help companies transition from simple reporting to standards-based reporting, thereby improving the reliability of financial information, competitiveness, and business credibility in the eyes of stakeholders.

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