

THE SKILLS AND UNDERSTANDING OF RURAL ENTERPRISE MANAGEMENT OF THE PREPARATION OF FINANCIAL STATEMENTS USING FINANCIAL ACCOUNTING STANDARDS (IFRS) FINANCIAL STATEMENT ON THE ENTITIES WITHOUT PUBLIC ACCOUNTABILITY (ETAP) FRAMEWORK ON THE IMPLEMENTATION OF VILLAGE ADMINISTRATION LAW

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Abstract: *The objective of this research was to analyze the factors affecting the abilities of village-owned enterprises (BUMDES) in the region of North Sumatra in preparing the Financial Accounting Standards (IFRSs) financial statement on the Entities without Public Accountability (ETAP) in the framework of the implementation of Village Administration law in North Sumatra and the Time Accuracy in delivering Accountability. The present research was undertaken by surveying several selected regencies. 107 respondents were selected based on convenience sampling to villages that had established rural enterprise units, such as BUMDes. The variables used were the level of education, the understanding of SAK ETAP and quality of consultation. The results demonstrate that the understanding variable on SAK ETAP and the quality of consultation are the dominant variables towards accuracy in delivering Accountability.*

Keyword: *Education level, the understanding of SAK ETAP, quality of consultation, and ability in preparing Financial Statements.*

1. BACKGROUND

The newly issued law last year is Law No. 6 on 2014. In relation to the Law No. 06 of 2014 on village, it said that the Rural Development should have the goal to improve the welfare of village community, life quality of human, and reduction of poverty through the fulfillment of basic needs, development of facilities and infrastructure in village, the development of local economic potentials, and the utilization of sustainable natural and environmental resources. The basic development of economic in rural areas has long been run by the government

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through a variety of programs. However, they have yet to generate satisfactory results as desired by general public. There are many factors leading to the less effectiveness of these programs. One dominant factor is the overly huge intervention by the government. It actually results in the obstruction of the creativity and innovation power of the rural communities in managing and running the economic engine in rural areas. The system and institutional mechanisms in rural economy do not run effectively and imply on aid-dependency to government so as to shut down the spirit of independence. In relation to the Law No. 06 of 2014 on village, it is said that the Rural Development is aimed to improve the welfare of village community and life quality of human, and reduction of poverty through the fulfillment of basic needs, development of facilities and infrastructure in village, the development of local economic potentials, and the sustainable utilization of natural and environmental resources. Suriadi (2015) concludes that the result is the formation of Village owned enterprises (BUMDes) as the results of institutional strengthening activities, training and technical guidance. Maksun and Rustam (2014) studied under the title of The Impact of Treasurer's Experience And Knowledge on The Effectiveness of the Administration and Preparation of The Accountability Reporting System in North Sumatra. The findings concluded that in order to create the effectiveness of Administration and Accountability Report Preparation System, the role of experience and knowledge were required. Rasdianto *et al.* (2014) This study aims to analyze the role of treasurer capacity on human resources and its tenure of services, facilities and infrastructures, the regulation, intensity of training administration and accountability of each of the task forces (SKPD) in North Sumatra on the timeliness of the regional government's financial report. The result of the study has revealed that simultaneously and partially the variables of treasurer's human resources and tenure of service, facilities and infrastructure, the regulation and intensity of the training administration and the accountability of the treasurers in North Sumatra are significantly affect to the timeliness of the regional government's financial report.

Learning from past experience, a new approach expected to foster and drive the economy in rural areas is the establishment of economic institutions fully managed by the village community. Economic institutions established by the desire of rural communities start from the potentials that can be developed using local resources and whenever market demand exists. To avoid economic institutions from being controlled by certain groups who have great capital in rural areas, the possession of institutions is held by the village and is jointly controlled with the aim of improving living standards of the local economy. The form of institution as mentioned above is named Village-owned Enterprises (BUMDes), as mandated in the Law 32 of 2004 and Government Regulation No. 72 of 2005. The factor education level will determine whether an entity is able to present the financial statements properly. The understanding of SAK ETAP is a regard that determines the presentation of financial statements (Laries, 2014), and Tuti, also Dwijayanti (2015).

In addition, the quality of consultation also sets the process of Preparation of Financial Statements with SAK ETAP Framework. The problems of this research are :

1. Is the village implementing BUMDes capable of understanding the preparation process of SAK ETAP financial statements in North Sumatra?
2. Do the level of education, understanding of SAK ETAP, Quality of Consultation, and abilities in the preparation of Financial Statements with SAK ETAP Framework have effects on the time accuracy in delivering the accountability of BUMDes management in North Sumatra?

2. LITERATURE REVIEW

2.1. Theoretical Overview

2.1.1. Entities without Public Accountability (ETAP)

SAK ETAP stands for Financial Accounting Standards for Entities without Public Accountability, set by Indonesian accountant association for small and medium enterprises. SAK ETAP has the objective to make all business units prepare for financial statements according to the standards established. In accordance with the scope of SAK ETAP, the Standard is intended for use by entities without public accountability. Entities without public accountability in question are those which do not have significant public accountability, and do not publish financial statements for general interest for external users. The external users, for instance, are owners who are not directly involved in the creditor's business management, and credit rating institutions. Furthermore, this standard field also explains that entities are said to have significant public accountability if the submission process for registration statement - in the capital market authorities or other regulators for the purpose of issuance of securities in the capital markets, or entities having control over assets in the capacity as fiduciary - is intended for a large group of communities, such as banks, insurers, brokers or securities traders, pension funds, mutual funds and investment banks. SAK ETAP: Financial Accounting Standards for Entities without ETAP Public Accountability is the entities which: (Sagala, 2015).

- a) Do not have a significant public accountability; and
- b) Do not publish financial statements for general purpose for external users.
- c) Using IFRS reference for Small Medium Enterprises.
- d) More simply, including:
- e) Fixed assets, intangible, with the use of acquisition price
- f) Subsidiaries are not consolidated but serve as an investment using the equity method.

- g) Referring to the currently used accounting practices
Qualitative Information in Financial Statements: (Laries, 2014)
- a) Understandable,
 - b) Relevant,
 - c) Materiality,
 - d) Reliability,
 - e) Substance outperforms the form
 - f) Healthy consideration,
 - g) Completeness,
 - h) Comparable,
 - i) On time,
 - j) The balance between Costs and Benefits.

SAK ETAP does not allow the recognition of posts in the balance sheet not meeting the definition of assets or liability with no regards whether these posts are the result of the implementation of the “matching concept”. Offsetting is not allowed on assets with liabilities, or income with load, unless required or permitted by SAK ETAP. The Benefits of SAK-ETAP

1. It is expected that by the presence SAK ETAP, small & medium enterprises are able to:
 - a) Preparing their own financial statements.
 - b) Become auditable and obtain an audit opinion.
 - c) Use their financial statements to obtain funding (e.g. from banks) for business development.
2. More simple compared with PSAK - IFRS; hence the implementation is easier.
3. Keep providing reliable information in the presentation of financial statements.

The desired presentation of Financial Statements in the SAK ETAP framework is: (Sagala, 2015).

1. Reasonable Presentation; financial statements should provide financial position, financial performance and cash flows of an entity in a reasonable manner. Reasonable presentation requires the truthful presentation upon the effects of transactions, other events and conditions in accordance with the definitions and criteria of assets recognition, liabilities, income and expenses.
2. Compliance with SAK ETAP; the entities of which financial statements complying with SAK ETAP must make an explicit statement in full manner and upon such compliance in the recordings of financial statements. The

- financial statements should state that they are in obedience with SAK ETAP, unless they have complied with all requirements in SAK ETAP.
3. Business Continuity; while preparing the financial statements, the entity management using the SAK ETAP should make an assessment on the entity's ability to continue the business.
 4. Frequency of Reporting; the entities should fully complete financial statements (including comparative information) at least once a year.
 5. Consistent presentation; presentation and classification of posts in the financial statements between periods should remain consistent; and if the presentation or classification of posts in the financial statements has been altered, the entity should reclassify the comparative number, unless being reclassified as impractical.
 6. Comparative Information; the information should be disclosed in comparative manner with the previous period, unless stated otherwise by SAK ETAP.
 7. Materiality and Aggregations; the material posts should be presented separately in the financial statements while the non-material ones are combined with an amount having similar properties or functions. Failure to include them or errors in recording a post is deemed material, if either individually or jointly, is able to affect the statement users in making economic decisions.
 8. Complete Financial Statements, Financial Statements of Entities include:
 - a) Balance
 - b) Income statement
 - c) Statement of changes in equity
 - d) Cash flow statement
 - e) Notes to Financial Statements
 9. Identification of Financial Statements
 - a) The entity shall clearly identify each component of the financial statements, including notes to the financial statements.
 - b) The entity should disclose the following in the notes to the financial statements: the domicile, legal form of the entity and the registered office address, and explanation on operating properties and the main activity.

2.2. Previous Research Overview

The matrix of previous research results is as follows:

Table 2
An Overview to Previous Research

No.	Researcher	Title	Variable	Results
1.	Tuti, Rias and S, Patricia Febrina Dwijayanti (2015)	SAK ETAP Factors Influencing the Understanding of MSMEs in the Preparation of Financial Statements Based on SAK ETAP,	SAK ETAP, Financial Statements, Understanding MSMEs.	The results of the study prove that giving information and socialization, educational background, level of education and business size does not influence on the understanding of MSMEs in drawing up financial statements based on the SAK ETAP. Only long influential usahalah significantly to the understanding of MSMEs in drawing up financial statements based on the SAK ETAP.
2	Hapsari, Mia (2013)	Implementation of Financial Statements according to Sak Etap (Entities Financial Accounting Standards without Public Accountability) in CV.Sapta Putra Mekar	Descriptive Study	Obstacles met including a lack of human resources mastered the skills in preparing the financial statements and the lack of time focused on making financial statements because that time is used maximally on the enterprise operations, and all transactions are done using cash on hand.
3.	Leries, Floren Violetfin, Fefri Indra Arza (2012)	Citra Ramayani Implementation of Entity Financial Accounting Standard without Public Accountability (SAK ETAP) (A Case Study on CV. Citra Pandion Bernas in Solok REgency)	ZAK of ETAP, Financial Statement	The implementation of the financial statements in CV Citra Pandion Bernas, reviewed based SAK ETAP is not fully done. There are still several elements of financial statements that have not been presented.

2.3. Conceptual Framework

Conceptual framework used in the research is:

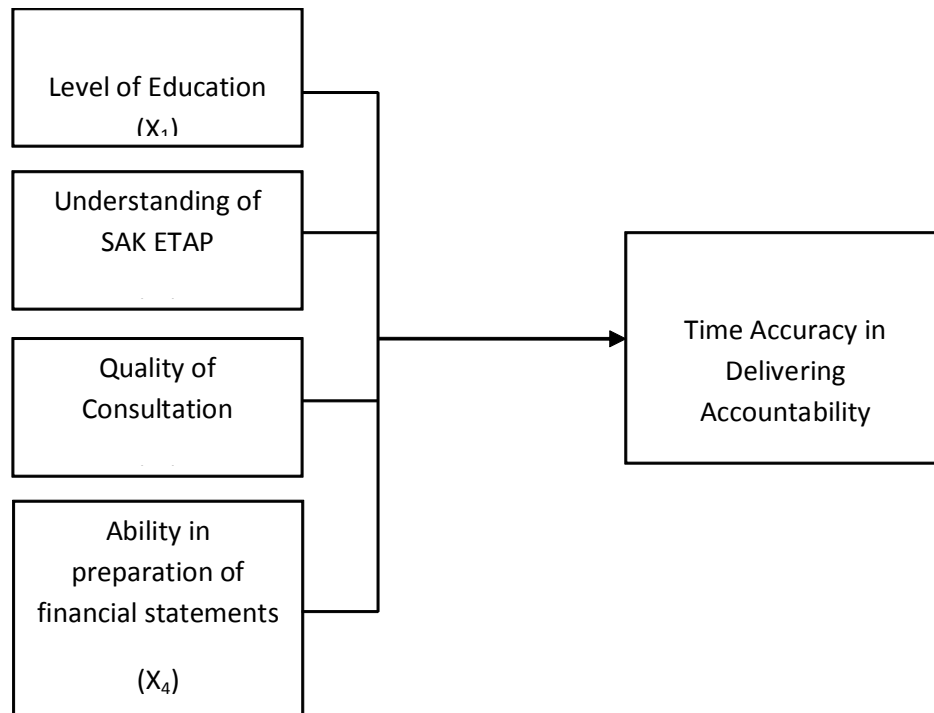


Figure 1: Conceptual Framework

2.4. Research Hypothesis

The hypothesis of this research is as follows: "The level of education, the understanding of SAK ETAP, the Quality of Consultation and Ability of Preparation in Financial Statements affect the time accuracy in delivering Accountability of Village-owned Enterprises (BUMDes management in North Sumatra)".

3. RESEARCH METHODS

3.1. Type of Research

This type of research was explanatory survey that illustrates the relationship among interrelated variables.

3.2. The Population and Methods of Sampling

The population of this research included the entire population of the village which had established BUMDes in North Sumatra; and the analysis unit was 107 village

officials directly involved in the management of BUMDes, who were selected based on convenience sampling.

3.3. The Definition of Operation and Measurement of Research Variables

The understanding of SAK ETAP financial statements will contribute to the implementation process of financial statements based on SAK ETAP that can assist the management of BUMDes. The educational background is that which is able to distinguish the poor understanding level of the BUMDes management. The educational background other than economy or accounting has the tendency to have slower time in understanding the preparation process of financial statement based on SAK ETAP. The education level meant in this research is the level taken by a person in accordance with the needs and objectives to be achieved. Experience is a period or duration of time taken by the management in implementing and applying the accounting system.

3.4. Data Collection Technique

The data collection of this research employed primary data coming from respondents on the field.

3.5. Data Analysis

The next step in this research is the modeling of a research model in the form of Structural Equation Modeling that the indicator variables can be assessed reflectively and formatively to test the theory more profoundly.

3.6. Hypothesis Testing

The mathematics to test the hypothesis proposed is as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Where :

- X_1 = Level of Education
- X_2 = Understanding of SAK ETAP
- X_3 = Quality of Consultation
- X_4 = Ability in the preparation of Financial Statements using SAK ETAP Framework
- Y = Time accuracy in delivering the Accountability (Y)
- a = Constant
- b = Coefficients of Regression
- e = Error

The steps below were conducted to test the hypothesis:

1. T test.
2. F Test.
3. Determining the value of the coefficients of determination (R^2) (Ghozali, 2005)

5. RESULTS

5.1. Data Description

The number of questionnaires distributed to respondents was 115. All questionnaires distributed were recollected and could be used as data in this research.

Table 3
Distribution of Questionnaires

<i>Description</i>	<i>Total</i>	<i>Percentage</i>
Distributed questionnaires	190	100%
Returned questionnaires	115	60%
Unreturned questionnaires	75	40%
Usable questionnaires in the research	115	60%

Source: Data Survey (2016).

5.2. Hypothesis Testing

Several hypotheses put forward in this research are as follows: “Level of education, understanding of SAK ETAP, Quality of Consultation and ability in the preparation of Financial Statements using SAK ETAP Framework affect the time accuracy in delivering the Accountability”. The results of hypothesis testing conclude that understanding variable on SAK ETAP and the quality of consultation is the dominant variable toward time accuracy in delivering accountability. In partial statistical test with the critical t value in $df = (n-k)$, where n is the number of samples and k is the number of independent variables, including constant. In order to test the partial regression coefficients individually from each of the independent variable, it can be seen in the following figure:

5.3. Result of Coefficient of Determination Testing (R^2)

The coefficient of determination used to test goodness-fit of the regression model can be seen from the value of R Square. R-square only exists for endogenous construct. For a set of latent predictor variable on the criterion variable, Q-Squares indicator is used or another term is referred to as Stoner-Geisser Coefficient (Sholihin and Ratmono, 2013). The coefficient of determination as follows:

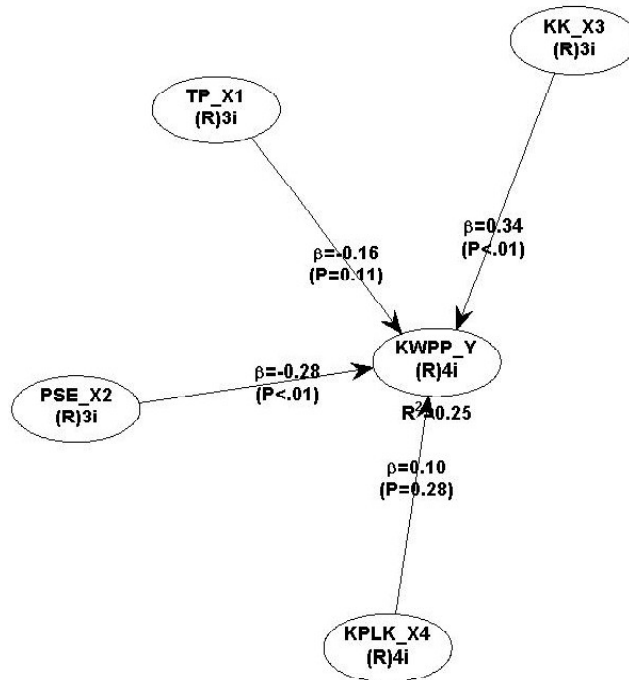


Figure 2: Testing Result of WarpPLS (2016)

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*****
* Latent variable coefficients *
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R-squared coefficients
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TP_X1    PSE_X2    KK_X3    KPLK_X4    KWPP_Y
                                0.246
    
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Source: Output of WarpPLS. (2016).

6. DISCUSSIONS

Currently, the government is implementing PP 71 of 2010. where the reporting in accordance with the PP, is consisted of Budget Realization Statement, Statement of Changes in Surplus Budget Balance, Balance Sheet, Statement of Operations, Statement of Cash Flows, Statement of Changes in Equity, and Notes to Financial Statements. The village has an administrative system. Particular villages have Village-owned Enterprises (BUMDes) which has a separate management and is independently managed from the village administration. Villages need to be introduced and the accounting system should be applied as a whole because

villages are a form of separate accountability. Standards for application of accounting are required to run the entity. In addition, the presence of standards will allow the auditor to perform the audit.

The standards made will not be able to run properly without competent human resources in the field of accounting to do it. Therefore, it is necessary to optimize human resources with placement of officers according to their competence. It is imaginable when the 10% funding was being disbursed and those who manage it were not the people who had competence in the field of accounting; instead of empowering the village, they would do damages to the village because of the possibility in fund management which should have been done. Placement of employees in accordance with their competencies is not only for college graduates but also Accounting vocational high school graduates. Law no. 6 of 2014 will be implemented starting from 2015. It is thereby necessary to assess whether or not the country is ready to implement accountability, in addition to the result of Law No. 6 of 2014 in the absence of standards for financial statements in villages.

The results show that the rural enterprise management in preparing the financial statements, especially from the aspect of time accuracy in delivering accountability is mostly influenced by understanding variable upon SAK ETAP and quality of consultation. The more they understand the presentation on SAK ETAP provisions, the more timely the deliverance of financial statements as a part of accountability. Discipline in providing time to record every transaction in the journal is one of the indicators. Hapsari (2013) stated that in the preparation of financial statements of small and medium enterprises in general is incompatible with SAK-ETAP, i.e. preparing financial statements as a whole, such as the balance sheet, income statement, statement of changes in capital, cash flow statement and notes to the financial statements in accordance SAK- ETAP so that every income and expenditure of the company can be seen more clearly, and it requires skilled experts in their field, i.e. accounting. The quality of consultation factor with a clock indicator and the intensity of the consultation will facilitate the management to prepare for financial statements needed.

7. CONCLUSIONS AND SUGGESTIONS

7.1. Conclusions

1. The degree to education, understanding of SAK ETAP, Quality in Consultation, Preparation of Financial Statements with SAK ETAP Framework affect the time accuracy in delivering Accountability with sufficient variation of relationship.
2. The results of hypothesis test conclude that the variables of understanding of SAK ETAP and quality of consultation are the dominant variables on time accuracy in delivering Accountability.

7.2. Suggestions

1. The implementation of SAK-ETAP entry is quite easily if being coordinated and training is held on a regular basis. It is the government's duty to provide guidance and assistance periodically.
2. Conducting research and studies by observing other BUMDES managements using more random techniques and other variables, i.e. the understanding of the accounting system which has garnered many complaints from the general public to date.

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