



Financial Training for MSMEs: Enhancing Financial Statement Preparation and Audit Understanding in Kembangan District

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ABSTRACT

This financial training aims to enhance the understanding and skills of MSME managers in Kembangan District in financial statement preparation and financial statement audit. The training is conducted through counseling and hands-on practice methods, covering the basics of accounting, how to prepare financial statements in accordance with the financial accounting standards applicable in Indonesia, and the importance of auditing to ensure the reliability of financial statements. The training results showed a significant improvement in participants' understanding of financial statement preparation and audit processes relevant to MSME needs. This training is expected to make a tangible contribution to improving financial governance in MSMEs in Kembangan District. The program's goal is to boost business transparency, increase access to funding, improve adherence to regulations, and promote lasting business growth and development within the local MSME sector by improving financial management skills.

Keywords: Audit Training Program, Financial Statement Audit, Financial Statement Preparation, Kembangan District MSMEs, MSME Financial Training

1. Introduction

MSMEs in Indonesia play an important role in the national economy. One of the challenges faced by MSME operators is inadequate financial management, which often hampers the growth and development of their businesses. One important aspect of financial management is the presentation of accurate and transparent financial statements. Good financial statements not only help business owners in decision-making but also serve as a tool to attract investors, fulfill tax obligations, and enhance business credibility in the eyes of external parties (Arens et al., 2017).

The preparation of financial statements aims to provide relevant information about the financial condition and performance of an entity (Fitriyah, 2024). Accurate and timely financial statements enable business owners, managers, and external parties such as investors and creditors to make appropriate decisions (Kieso et al., 2021). In the context of MSMEs, the main purpose of financial statement preparation is to provide a clear and transparent picture of business conditions, which can be used to manage the business more effectively (IAI, 2015).

Good financial statement preparation brings various benefits to MSMEs. Financial statements provide a strong foundation for decision-making by business managers, such as investment decisions, cash management, or other operational decisions (Kieso et al., 2021). Well-prepared financial statements enhance business transparency, which is very important for building trust with external parties such as investors, creditors, and authorities (Messier et al., 2021). Accurate financial statements help MSMEs fulfill tax obligations more accurately, reducing the risk of fines (Prasetyo, 2022; Rosnidah et al., 2022) or sanctions from

tax authorities (Arens et al., 2023). Additionally, clear and reliable financial statements can increase MSMEs' opportunities to obtain financing from banks or other financial institutions, as they provide a better picture of the company's financial health (Hall, 2019).

Financial statement audits are conducted by independent auditors to ensure that the presented statements truly reflect the actual situation and comply with applicable accounting principles. The purpose of an audit is to provide an independent opinion on the fairness of the financial statement presentation (Arens et al., 2023). The main benefits of financial statement audits include increasing trust by providing assurance to external parties such as investors, creditors, and government that the presented financial statements are reliable and comply with applicable accounting principles (Kieso et al., 2021). Through audits, auditors can identify errors or deviations in financial statements, thereby improving the reliability of information used for decision-making (Messier et al., 2021). Audits also function to detect and prevent fraud or deviations in financial statements, which is important for maintaining business integrity and accountability (Rezaee, 2022). Additionally, the audit process can identify weaknesses in internal control systems, which can be improved to enhance operational efficiency and effectiveness (Hall, 2019).

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of Indonesia's economy, contributing more than 60% to GDP and absorbing about 97% of the workforce (Ministry of Cooperatives and MSMEs, 2023). Despite MSMEs' significant role, their capabilities in financial management, especially in financial statement presentation and internal auditing, are still relatively low. Research by Barus & Suharman (2020) shows that most MSMEs do not prepare financial statements according to the Financial Accounting Standards for Micro, Small and Medium Entities (SAK EMKM), causing low accountability and difficulties in obtaining capital access (Nihayah et al., 2022). Even simple internal audits are often neglected, whereas audits can help business operators recognize potential recording errors, fund leakages, and inventory management issues (Barus & Suharman, 2020). Therefore, this training is important to equip MSME operators with practical and applicable understanding regarding financial statement presentation and auditing.

Kembangan District, as one of the areas in West Jakarta, is a region with significant MSME growth. However, preliminary survey results conducted by the community service team show that most MSME operators in this area still perform financial recording manually or do not keep records at all. This becomes a major obstacle to sustainable business growth.

Based on this background, this Community Service (PKM) activity is carried out with the aim of improving the understanding and skills of MSME operators in Kembangan District in preparing financial statements according to applicable standards and introducing the concept and practice of simple internal auditing. It is hoped that after participating in this training, MSME operators can implement more orderly, transparent financial recording that is ready to be audited, thereby increasing their business credibility in the eyes of external parties, including banks and investors.

2. Methodology

The activity implementation methods include lectures and interactive discussions for the delivery of basic accounting materials, SAK EMKM, and simple audit principles. Simulation and practical exercises are conducted where participants prepare balance sheets, income statements, and cash flow statements using their own business cases. An internal audit workshop is implemented where participants learn to prepare internal audit checklists and identify common potential errors. Evaluation and monitoring are carried out through pre-post tests, observations, and interviews with participants to assess understanding and implementation.

3. Results and Discussion

The training attended by 50 MSME operators in Kembangan District showed an average understanding score increase of 45% in the post-test compared to the pre-test. Participants were able to prepare basic financial statements and demonstrated understanding of the importance of internal auditing to improve business efficiency and control. Most participants also stated that this training encouraged them to start recording transactions regularly and preparing monthly reports.

The training conducted for MSMEs in Kembangan District included several sessions, including basic accounting theory, financial statement preparation (balance sheet, income statement, and cash flow statement) using ETAP standards, and understanding the importance of financial statement auditing. Based on evaluation results, the majority of participants admitted difficulties in understanding how to prepare financial statements that comply with applicable ETAP standards. However, after the training sessions, participants showed significant improvement in understanding, both theoretically and practically.

In the financial statement audit session, participants were given knowledge about the steps in conducting audits and the importance of audits to identify potential errors in financial statements. Several participants revealed that they previously did not know how important the audit process was in maintaining the credibility of their financial statements. Some participants felt more confident in managing their financial statements after understanding the correct audit process and the benefits of audits conducted by independent third parties (Arens et al., 2023).

3.1. Challenges in Financial Statement Preparation

Although participants showed improved understanding, the main challenge faced by MSMEs in financial statement preparation is the limitation of human resources and technical knowledge related to accounting. Many participants have non-accounting educational backgrounds and are not familiar with preparing financial statements that meet ETAP standards. Additionally, most MSMEs in Kembangan District still use simple and unstructured financial recording methods, which hinder their ability to prepare more complex financial statements (Kieso et al., 2021).

Another challenge is the lack of understanding about the importance of good internal control. Many participants were unaware that strong internal control is the foundation of accurate financial statement preparation and effective auditing. Therefore, although they have been taught how to prepare financial statements, they face difficulties in ensuring that these statements are free from errors or deviations (Rezaee, 2022).

3.2. Impact on MSME Development

This training has a significant positive impact on MSME development in Kembangan District. With better capabilities in preparing financial statements according to ETAP standards, participants can now present more transparent and trustworthy reports. Accurate financial statements enable MSME managers to make better decisions regarding financial management, expenditures, and more strategic investment planning (Arens et al., 2023).

This improved understanding also opens opportunities for MSMEs to more easily access financing, both from banks and other financial institutions. Financial statements prepared well and in accordance with ETAP standards provide confidence to lenders that the MSME has solid financial management (Hall, 2019).

Furthermore, participants' interest in conducting audits of their financial statements increased after understanding the importance of auditing in maintaining their business credibility. The audit process conducted by independent auditors provides objective opinions on the fairness of prepared financial statements, which in turn increases investor and creditor confidence in MSMEs. In the long term, this will contribute to MSME growth and development, as they can improve the quality of their financial statements and ensure that their business management is transparent and accountable (Rezaee & Riley, 2009).



Figure 1. Documentation of Training Activities

4. Conclusion

The training provided successfully improved the understanding and skills of MSME participants in Kembangan District regarding financial statement preparation with ETAP standards and financial statement auditing. Participants now better understand the importance of accurate and transparent financial statements, as well as audit processes that can enhance their business credibility. Although challenges in financial statement preparation and understanding of auditing still exist, the impact of this training is very positive for MSME development. With improved financial statement preparation capabilities and interest in being audited, MSMEs can manage their finances better and increase their business competitiveness. It is hoped that this training can be continued periodically to continuously improve financial management capacity among MSMEs. This training activity successfully improved MSME financial literacy in terms of financial statement preparation and introduction to internal auditing. Going forward, advanced training can focus on the use of digital bookkeeping applications and more in-depth risk-based auditing.

This financial education program in Kembangan District showed a significant increase in MSME financial literacy, with participants scoring 45% higher on post-test evaluations compared to pre-tests. The program helped participants learn how to prepare financial statements following ETAP standards and understand audit processes, filling important gaps in financial management practices for small and medium businesses.

The findings of this study have several important implications. Firstly, the training directly tackles the issue of poor financial record-keeping, which can hold back the growth and credibility of MSMEs. By teaching participants how to create standardized financial statements, the program enables better decision-making, more strategic financial planning, and increased transparency in business operations. Secondly, understanding audit processes equips MSMEs with tools to maintain financial accuracy, identify errors or irregularities, and improve internal controls and accountability.

In a broader economic context, the improved financial skills obtained through the training program open up opportunities for MSMEs to access capital and credit facilities. Financial institutions typically require standardized and reliable financial statements when making lending decisions. This training model has the potential to be replicated in other regions with high numbers of MSMEs, offering a practical approach to addressing widespread financial management challenges in Indonesia's small business sector.

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