

Inventory Management Implementation Model based on SAK EMKM in Maintaining The Continuity of Micro and Small Businesses in Gorontalo City

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Abstract:- The Model of Application of Inventory Management based on SAK EMKM in Maintaining the Continuity of Micro and Small Businesses in Gorontalo City, while this type of research is qualitative. The long-term goal of this research is to improve the welfare of the people of Gorontalo through the application / development of ways to maintain their business existence with good and correct inventory management Specific goals to be achieved to find a model of application of inventory management as for the results of this study: Micro and small businesses are one type of business that is very large. The existence of micro and small businesses has long been the support of the Indonesian economy. There are many programs carried out by the central and local governments as a form of efforts to preserve this type of business. But the challenges faced related to the development and preservation of this is the low knowledge and awareness of the community, especially small and micro business actors related to how to manage a good business. To support this effort, education and socialization on how to manage the business well, starting from the main determining factor of the course of a business, namely inventory, is very important.

Keywords:- Micro & Small Business, Supplies, SAK-EMKM.

I. INTRODUCTION

Inventory is a company asset that plays an important role in the course of a business. Inventory is the main focus in a trade transaction. Without inventory, trade deals would never have taken place. This is in line with Barchelino's (2016) opinion that all of the company's operational activities prioritize efforts to liquidate inventory into cash. Inventory is part of the current assets that contribute the most to the continuity of a company either a large-scale, medium-sized business or even a small company.

Mangopa et al., (2020) found that inventory management according to applicable standards namely SAK EMKM has not been fully done by micro-businesses and

small businesses. There are still some points that are not applied. The comparison of the application of SAK EMKM in micro & small businesses shows the results that small businesses are superior when compared to micro-businesses with an application percentage of 60.67% or are in the range of categories Simply Apply while for micro businesses only 40.76% or a Small Part Apply. Therefore, the development of the ability of micro and small businesses in managing their supplies needs to be done.

Tuli (2019) explained that business actors, especially micro-businesses, do not know and know the standards that are a reference in carrying out their business, namely SAK EMKM. Micro-businesses tend to still have many who have not added various components of costs incurred at the time of inventory purchase transactions at the cost of the products they sell, causing a little revenue and even tend to experience losses.

The phenomenon that occurs today is, many business actors who are still mismanaged and determine the method of recording and recognizing the main inventory are micro, small and medium enterprises that do have limited knowledge about inventory accounting regulated in the Financial Accounting Standards of Micro, Small, Medium Entities. This is also supported by the opinion of Zimmerer and Scarborough (2008) in Magfirah & BZ (2016) which explains that the causes of the high rate of micro-business death than already larger businesses are lack of resources, management experience and lack of financial stability. In addition, the most common problem faced by micro-businesses is the error in improper selling prices. This error occurs due to lack of knowledge regarding the calculation and pricing of the principal of production. So that the price of goods that becomes the basis for the determination of the wrong selling price and causes financial problems. In SAK EMKM Chapter 9 is regulated and explained about various things about inventory, including the recognition and measurement of inventory costs that are the basis for determining the price of goods. However, many do not know and have not implemented the EMKM SAK in their efforts due to ignorance and lack of information. Many

micro-business actors who researchers have not understood good inventory management, so many business people who have to suffer losses due to the cost of unsold inventory because it runs out of service.

Therefore, research on the application of inventory management models based on SAK EMKM to maintain the continuity of micro and small businesses in Gorontalo City is very important to be done as one of the efforts of community empowerment strategies, especially micro and small economic actors for the realization of community welfare. Education about the management of these supplies is needed by business actors in realizing the principle of 'going concern' in their business.

II. THEORETICAL FOUNDATION

Inventory and Urgency in Business Continuity

Inventory is a company asset that must be managed properly in order to bring profits. Both small companies and large companies must be good at managing their inventory in order to bring in profits. Errors in inventory management will cause losses for a business will even cause the death of a business (Mangopa et al., 2020).

Any error in inventory will affect both the balance sheet and the income statement. For example, an error in the physical calculation of the inventory will lead to misstatements for the final inventory, current assets, the number of assets in the balance sheet. In addition, errors in inventory will also affect the cost of goods sold and gross profit in the income statement (Reeve et al., 2012).

Many business people who are still wrong in managing and determining the method of recording and recognizing their main inventory are micro and small business actors who do have limited knowledge about inventory accounting regulated in the Financial Accounting Standards of Micro, Small, Medium Entities. It is also supported by the opinion of Maghfirah & BZ (2016) which explains that the causes of high rates of micro-business death than already larger businesses are lack of resources, management experience and lack of financial stability. In addition, the most common problem faced by micro-businesses is the error in improper selling prices. This error occurs due to lack of knowledge regarding the calculation and pricing of the principal of production. So that the price of goods that becomes the basis for the determination of the wrong selling price and causes financial problems.

Inventory Management based on SAK-EMKM

Micro, Small, Medium Entity Financial Accounting Standards (SAK EMKM) is a standard issued by the Financial Accounting Standards Board (DSAK) of the Indonesian Association of Accountants on the basis of awareness about the existence of micro, small and medium entities in Indonesia which are the main foundation of the economy, so that arrangements in a standard order that are costly are not too expensive and benefit appropriately needed to help the entity develop starting with awareness of the economy. i the importance of preparing financial statements, so that sak-EMKM (Financial Accounting Standards of Micro, Small and Medium Entities) was

ratified as of October 24, 2016 and became effective on January 1, 2018 (SAK, 2018). SAK EMKM is expected to be able to be a guideline and help MSME actors in compiling reports and managing their businesses so as to make it easier for MSMEs to get access to funding (SAK EMKM, 2016).

The model that will be applied to inventory management in micro and small businesses is sourced from SAK EMKM inventory items as below:

1. Scope

In scope it is briefly explained that this chapter sets about the principles of recognition, measurement and presentation of supplies. In addition, it is explained that inventory is an asset:

- a) To be sold in normal activities;
- b) In the process of production for later sale; or
- c) In the form of materials or equipment for use in the process of production or service delivery.

2. Recognition and Measurement

- The entity recognizes inventory when acquired at the cost of obtaining it
- Inventory acquisition costs include all purchase costs, conversion costs, and other costs incurred to bring inventory to ready-to-use conditions and locations
- Inventory cost measurement techniques, such as standard cost methods or retail methods, for convenience can be used if the results are close to the cost of acquisition
- Entities can choose using the first exit fee (MPKP) formula or weighted average in determining inventory acquisition costs.

3. Presentation

- Inventory presented in the asset group in the financial position statement
- If the inventory is sold, then the carrying amount is recognized as the expense of the period in which the associated income is recognized.

III. RESEARCH METHODS

This research uses qualitative research methods and will be applied / developed to micro and small business actors (research and development). This research focuses on micro and small businesses in the city of Gorontalo and surrounding areas. The data source in this study is the primary data needed is the results of observation, interview, and FGD. Observations are used to obtain data and information about micro and small businesses in gorontalo city. Interviews are used to identify inventory management for micro and small businesses and the viability of the company. FGD is used to clarify and equalize the perception of experts in the field of accounting in this case IAI, a team of financial accounting and micro and small business actors, about inventory management for MSMEs. To support the validity of research data is done through persistence in observations and interviews, and the adequacy of available references. Data analysis techniques are carried out with qualitative analysis techniques with stages of data reduction, data presentation, and conclusion withdrawal.

IV. RESEARCH RESULTS

In the process of retrieving data through FGD conducted by the research group there are several things suggested by the audience. Here are the thoughts expressed by Niswatin.

"There are two perspectives that can be taken in the title of this study. The first inventory management focused on management accounting. And inventory management that focuses on financial accounting in this case SAK EMKM. But judging by the importance of this research, it is recommended that this research refers to inventory management that focuses on management accounting. (Niswatin, Academician and Head of Accounting Department at the Faculty of Economics, Gorontalo State University)"

This was supported by Nilawaty Yusuf. Here are the main points of thought conveyed at FGD activities.

"It is suggested that the externality of this research is that the model created should refer to management accounting. Because the more stored supplies will be more expensive storage costs and must provide tricks to deal with inventory that does not sell" (Nilawaty, Lecturer in accounting department of the Faculty of Economics, Gorontalo State University)"

Based on the title "Inventory Management Implementation Model Based on SAK EMKM in Maintaining The Continuity of Micro and Small Businesses in Gorontalo City". So the researchers concluded to take both perspectives. Namely the financial accounting perspective based on SAK EMKM and management accounting perspective. Meanwhile Tri Handayani Amaliah said that:

"It is advisable to create a model based on risk. Where the model should be able to minimize storage costs. This means that to overcome the higher the cost of storage, the amount provided must be less. In another sense, fast expired goods are provided a little. Goods that are long expired are provided more (Tri Handayani Amaliah,

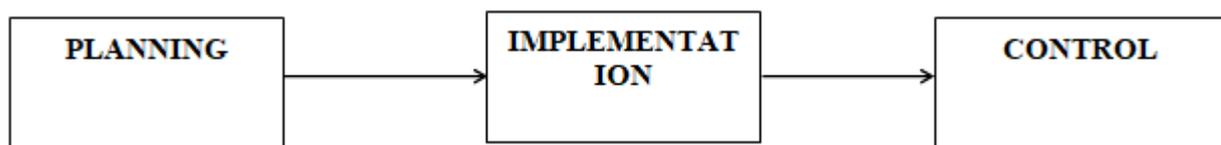
Academician and Head of Study Program of the Department of Accounting, Faculty of Economics, Gorontalo State University).

Inventory Management

Management is the science and art of managing the process of utilizing human resources and other resources effectively and efficiently to achieve a particular goal (Hasibuan, 2005). While inventory management according to Waluyo (2011) in Chrisna & Hernawaty, (2018) is an activity related to planning, implementation and supervision of determining material needs / other goods so that on the one hand the needs of operations can be met in time and on the other hand the investment of material supplies / other goods can be suppressed optimally. Well-designed inventory management can minimize total costs and improve service levels. This is because, by managing the right inventory, the company will achieve both at once. If the average inventory level can be lowered, indirectly one of the cost components of the product can be suppressed, leading to an increase in profit margins. Another aspect that can be achieved with proper inventory management is that service levels to customers increase or at least do not decrease. In inventory management, decisions regarding how many and when to place an order, are complex issues in inventory matters, especially when inventory needs consist of several types of items, with suppliers varying, delivery times are not uniform, number of orders are different and budgets are limited. Ordering inventory in order to keep control of inventory at the place of business requires calculations and forecasts (forecasting) that are really close. Improper and careless calculation and forecasting can lead to shortages of supplies that have an impact on the disruption of the production process. In addition, improper calculations and forecasts have an impact on excess inventory that can cause a dead value to the goods so that they have no selling value because they are too long in the warehouse.

Inventory Management Model

According to Kurinasih and Sani (2014) in Niswatin & Rasuli, (2021) models can also be called patterns, examples or guides of something that will be produced. Here is the inventory management model that must be applied by business actors:



- Planning

Planning activities are very important initial activities when starting an activity. This applies in inventory management. Production planning activities are activities to determine the initial steps or direction of actions that will be carried out in the future. The plan includes what is done, how much to do, and when to do it. Improper planning can result in shortages or excess amounts of inventory that will eventually lead to increased storage costs or production materials preparation costs or even the cost of damage to

goods (Badr, 2017) in (Setiawan et al., 2021). Therefore, for Micro and Small Business actors it is very important to do inventory procurement planning, namely by paying attention to the following things (Meyliawati & Suprianto, 2016):

- a. When is the right time to order goods or do goods shopping. If the time of the goods ordered is long enough in a certain period, then the inventory of the goods must be adjusted until the item is there at any time needed until the next ordered item comes.

- b. The amount or quantity of goods to be stored. The number of goods ordered must be adjusted because if too much will cause waste and is feared will increase storage costs and risk damage / expired but if too little it will cause a halt in the production process or unavailability of goods to be sold.
- c. Pay attention to safety stock or security supplies. This is almost the same as previously described about the quantity of goods ordered. Namely, this inventory is held to anticipate if something happens that inhibits the occurrence of purchase time so that the stock of inventory is still there for some time to come.

- Implementation

Implementation according to KBBI is a process, a way, an act of carrying out. While according to Angraini, (2016) implementation is an action or implementation of a plan that has been prepared in a mature and detailed, implementation is usually done after the planning is considered ready. Simply put, implementation can be interpreted as application. Therefore, in this case the implementation is a form of realization of the process carried out earlier, namely planning.

- Control

Planning that is structured using assumptions and relating to the future does not always provide the right results according to the plan. Therefore, it is necessary to hold periodic evaluations to carry out control. With a series of production planning and control processes can help efforts to produce goods or services effectively and efficiently (Hermawan et al., 2019). The control patterns that can be carried out by micro and small businesses are:

- a. for trading / retail business daily goods must check expired or expired codes every 4 times a month or once a week in order to minimize the buildup of expired goods. For manufacturing (culinary) business must check the ingredients to maintain their quality. Fast rotten items must be immediately processed into semi-finished items so that they can be used at any time to save more time.
- b. items near expiration must be attempted to be sold first
- c. carrying out an examination of the physical condition of the goods, the storage area must be in accordance with the characteristics of the goods
- d. checking goods in the store at all times to find out the condition of the goods.

Inventory Model Based on EMKM SAK in Micro and Small Businesses

Scope of Supplies

In scope it is briefly explained that this chapter sets about the principles of recognition, measurement and presentation of supplies. In addition, it is explained that inventory is an asset:

- a. To be sold in normal activities;
- b. In the process of production to be sold; or
- c. In the form of materials or equipment for use in the process of production or service delivery.

In micro and small businesses engaged in the trade / retail of daily goods, what is considered as inventory is all goods purchased for resale, namely food products, hygiene products, and household products. While in manufacturing businesses such as restaurants (culinary) that become supplies are raw materials, semi-finished goods, and finished goods. Raw materials in this case for example chicken meat, beef, fish. Semi-finished ingredients such as chicken meat that has been diungkep, finished goods are the results of processed ingredients that are ready to be served to customers.

Recognition and Measurement

- The entity recognizes inventory when acquired at the cost of obtaining it
- Inventory acquisition costs include all purchase costs, conversion costs, and other costs incurred to bring inventory to ready-to-use conditions and locations
- Inventory cost measurement techniques, such as standard cost methods or retail methods, for convenience can be used if the results are close to the cost of acquisition
- Entities can choose using the first exit fee (MPKP) formula or weighted average in determining inventory acquisition costs.

Serving

- Inventory presented in the asset group in the financial position statement
- If the inventory is sold, then the carrying amount is recognized as the expense of the period in which the associated income is recognized.

In SAK EMKM the report made consists of only 3 reports, namely statements of financial position, income statements, and records on financial statements. Here are the financial statements according to SAK EMKM:

1. Statement of financial position

| SHOP 123 | | | |
|--|-------------|-------------|-------------|
| STATEMENT OF FINANCIAL POSITION | | | |
| December 31, 2020 and 2019 | | | |
| ASSETS | Note | 2020 | 2019 |
| Cash and cash equivalents | | | |
| Cash | 3 | xxx | xxx |
| Giro | 4 | xxx | xxx |
| Deposits | 5 | xxx | xxx |
| Amount of cash and cash equivalents | | xxx | xxx |
| | 6 | xxx | xxx |
| Business receivables | | xxx | xxx |
| Supplies | 7 | xxx | xxx |
| prepaid expenses | | xxx | xxx |
| Fixed assets | | (xx) | (xx) |
| Accumulated Depreciation | | | |
| NUMBER OF ASSETS | | xxx | xxx |
| | 8 | | |
| LIABILITY | | xxx | |
| Business Debt | | xxx | xxx |
| Bank Debt | | xxx | xxx |
| NUMBER OF LIABILITIES | | | xxx |
| | | xxx | |
| EQUITY | 9 | xxx | |
| Capital | | xxx | xxx |
| Profit balance (deficit) | | | xxx |
| AMOUNT OF EQUITY | | | xxx |
| NUMBER OF LIABILITIES AND EQUITY | | xxx | xxx |

2. Income Statement

| SHOP 123 | | | |
|---|-------------|-------------|-------------|
| INCOME STATEMENT | | | |
| FOR THE YEARS ENDED December 31, 2020 and 2019 | | | |
| INCOME | Note | 2020 | 2019 |
| Business income | 10 | xxx | xxx |
| Miscellaneous income | | xxx | xxx |
| Amount of Revenue | | xxx | xxx |
| EXPENSES | | | |
| Business Expenses | 11 | xxx | xxx |
| Miscellaneous Expenses | | xxx | xxx |
| AMOUNT OF LOAD | | xxx | xxx |
| PROFIT (LOSS) BEFORE INCOME TAX | | xxx | xxx |
| | 12 | | |
| Income Tax Expense | | xxx | xxx |
| PROFIT (LOSS) AFTER INCOME TAX | | xxx | xxx |

3. Notes on Financial Statements

| SHOP 123 | | |
|---|--|-------------|
| NOTE ON FINANCIAL STATEMENTS | | |
| DECEMBER 31, 2020 AND 2019 | | |
| 1. GENERAL | | |
| The entity was established in Jakarta based on deed No. xx dated January 1, 2019 which was issued before a Notary, S.H., notary in Jakarta and received approval from the Minister of Law and Human Rights No. xx 2018 dated January 31, 2018. Entities engaged in manufacturing business. Entities meet the criteria as micro, small, and medium entities in accordance with Law No. 20 of 2008. The entity is domiciled on the street xxx, North Jakarta. | | |
| 2. OVERVIEW OF IMPORTANT ACCOUNTING POLICIES | | |
| a. Statement of Compliance | Financial statements are prepared using Micro, Small, and Medium Entity Financial Accounting Standards. | |
| b. Basic Preparation | The basis for preparing financial statements is historical costs and uses basic accrual assumptions. The serving currency used for the preparation of financial statements is Rupiah. | |
| c. Business Receivables | Business receivables are presented with the amount of the bill. | |
| d. Supplies | The cost of inventory of raw materials includes the cost of purchase and the cost of transporting purchases. Conversion costs include direct labor and <i>overhead</i> costs. Fixed overhead is allocated to conversion costs based on normal production capacity. Variable <i>overhead</i> is allocated to the production unit based on the actual use of the production facility. Entities use the average inventory cost formula. | |
| e. Fixed Assets | Fixed assets are recorded at the cost of acquisition if they are legally owned by the entity. Fixed assets are depreciated using the straight line method with no residual value. | |
| f. Recognition of Revenues and Expenses | Sales revenue is recognized when a bill is issued or delivery is made to a customer. The burden is recognized when it occurs. | |
| g. Income Tax | Income tax follows the applicable tax provisions in Indonesia. | |
| 3. CASH | | |
| | <u>2020</u> | <u>2019</u> |
| Small cash Jakarta - Rupiah | xxx | xxx |
| 4. GIRO | | |
| | <u>2020</u> | <u>2019</u> |
| PT Bank xxx – Rupiah | xxx | xxx |
| 5. DEPOSITS | | |
| | <u>2020</u> | <u>2019</u> |
| PT Bank xxx – Rupiah | xxx | xxx |
| Deposit Interest Rate: | | |
| | <u>2020</u> | <u>2019</u> |
| Rupiah | xxx | xxx |
| 6. BUSINESS RECEIVABLES | | |
| | <u>2020</u> | <u>2019</u> |
| Store A | xxx | xxx |
| Store B | xxx | xxx |
| Total | xxx | xxx |

| 7. EXPENSES PAID IN ADVANCE | | |
|--|-------------|-------------|
| | <u>2020</u> | <u>2019</u> |
| Rent | xxx | xxx |
| Insurance | xxx | xxx |
| Licenses and licensing | <u>xxx</u> | <u>xxx</u> |
| Total | xxx | xxx |
| 8. BANK DEBT | | |
| <p>On March 4, 2020, the entity obtained a Working Capital Loan (KMK) loan from PT Bank ABC with a maximum credit of Rp.xxx, an effective interest rate of 11% per year with maturity ending April 19, 2020. The loan is secured with inventory and a piece of land belonging to the entity.</p> | | |
| 9. PROFIT BALANCE | | |
| <p>The profit balance is the accumulated difference in income and expense, after deducting the distribution to the owner.</p> | | |
| 10. SALES REVENUE | | |
| | <u>2020</u> | <u>2019</u> |
| Sales | xxx | xxx |
| Sales Return | <u>xxx</u> | <u>xxx</u> |
| Total | xxx | xxx |
| 11. MISCELLANEOUS EXPENSES | | |
| | <u>2020</u> | <u>2019</u> |
| Interest Loan | xxx | xxx |
| Others | xxx | xxx |
| Total | xxx | xxx |
| 12. INCOME TAX EXPENSES | | |
| | <u>2020</u> | <u>2019</u> |
| Income Tax | xxx | xxx |

V. CONCLUSION

The inventory management model or inventory management that researchers formulated in this study can be a guideline, guide or reference for micro and small business actors in the city of Gorontalo consists of 3 stages, namely: Planning, Implementation, and Control. These three things are important elements that must be considered by business actors in carrying out their business activities in order to maintain the principle of 'going concern' or continuity of their business. In addition, in this study there is also an inventory model based on SAK EMKM, so that business actors can make this research as a guideline in order to compile their business financial statements.

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