



## COMMUNITY ENGAGEMENT IN SUPPORTING THE IMPLEMENTATION OF FINANCIAL ACCOUNTING STANDARDS FOR PRIVATE ENTITIES (SAK EP) IN THE PREPARATION OF FINANCIAL STATEMENTS BY COMPANIES IN KENDARI

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### Abstract

This community service program aims to enhance the understanding and capability of businesses in Kendari City in preparing financial reports in accordance with the Private Entity Financial Accounting Standards (SAK EP). The initiative was motivated by the low level of accounting literacy and the limited adoption of SAK EP among business actors, which has led to restricted access to financing, suboptimal decision-making, and potential risks of tax non-compliance. Implemented over three months by an academic team from Halu Oleo University, the program comprised three key phases: socialization, technical training, and hands-on mentoring. The results demonstrated a significant improvement in participants' awareness of the importance of accounting and their practical skills in preparing SAK EP-based financial reports. Program deliverables included training modules, standardized financial report templates, and individual action plans designed to strengthen bookkeeping practices and encourage the use of accounting software. A short-term evaluation and follow-up online mentoring were conducted to support the sustainability of the program's impact. This initiative is expected to contribute to enhanced financial transparency, improved tax compliance, and increased overall competitiveness of local businesses.

**Keywords:** SAK, Private Entities, financial statements, companies.

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## INTRODUCTION

Indonesia has more than 64 million micro, small, and medium enterprises (MSMEs), which contribute approximately 60% to the national Gross Domestic Product (GDP) (Ministry of Cooperatives and SMEs, 2023). However, the majority of these businesses continue to face challenges in financial management, particularly in preparing financial statements in accordance with accounting standards. Accurate and transparent financial reports are crucial for informed business decision-making, accessing financing, and ensuring compliance with tax obligations.

Although the Financial Accounting Standards for Private Entities (SAK EP) were introduced to simplify financial reporting for MSMEs and non-public entities, the level of implementation remains low. Several contributing factors include: (1) limited understanding among business owners regarding the importance of accounting standards, (2) constrained resources (such as trained human capital, access to technology, and funding), and (3) a prevailing habit of using basic (often manual) bookkeeping methods without proper account classification.

Kendari City, the capital of Southeast Sulawesi Province, is home to thousands of MSMEs operating in sectors such as trade, fisheries, and services. However, according to a preliminary survey conducted by the Kendari Office of Cooperatives and SMEs (2023), only 30% of business actors have

a basic understanding of accounting, and fewer than 15% have adopted SAK EP in their financial recording practices.

Several key issues have been identified in the implementation of SAK EP in Kendari, including: (1) low financial literacy many business owners perceive accounting as complex and only relevant for large corporations, (2) limited support many businesses lack access to accounting consultants or affordable training programs, and (3) insufficient outreach from regulators awareness and understanding of SAK EP remain limited among business associations and relevant local government agencies.

Without targeted intervention, these challenges may have significant implications, including difficulties in obtaining bank loans due to non-compliant financial reports, barriers to business expansion resulting from the inability to assess economic performance accurately, and risks of tax non-compliance due to improper bookkeeping practices.

Therefore, efforts to promote awareness, provide training, and offer technical assistance in implementing SAK EP for businesses in Kendari are crucial. With an appropriate approach, it is expected that business actors will be able to improve the quality of their financial statements, facilitate access to financing and business partnerships, and contribute to sustainable local economic growth.

Accordingly, this community service initiative is focused on assisting businesses in Kendari to understand and practically implement SAK EP in a manner aligned with their needs and capacities.

## **METHOD AND PROCEDURES**

As outlined in the problem statement section, the methods employed in this community partnership program to effectively achieve its objectives are as follows:

### **1. Program Socialization**

The program socialization activity was attended by representatives from various companies in Kendari City, along with the Community Service Team from Halu Oleo University. This session aimed to align perceptions and build mutual understanding to support the success of the community partnership initiative.

### **2. Program Implementation**

The implementation phase of this community service program was divided into two main components: non-physical activities and physical activities.

### **3. Guidance, Monitoring, and Program Evaluation**

The guidance and monitoring activities were conducted to provide direct technical assistance and oversight to the participating companies in Kendari City throughout the program period. Evaluation activities were carried out at the end of each session to assess the extent to which the material had been absorbed and understood by participants.

## **Institutional Feasibility**

The expertise and responsibilities of each member of the community service team in this program are outlined as follows:

Table 1 Expertise and Roles in the PKM Program Implementation

NO	NAME	FIELD OF EXPERTISE	ROLES AND RESPONSIBILITIES IN THE COMMUNITY SERVICE PROGRAM
1.	Dr. Erwin Hadisantoso, SE, M.Si, Ak, CA, ACPA	Accounting	<ol style="list-style-type: none"> <li>1. Team Leader of the Community Service Program</li> <li>2. Providing insights into business management from a financial perspective</li> <li>3. Delivering understanding of accounting concepts and the importance of preparing financial reports in accordance with SAK EP</li> <li>4. Conducting monitoring and evaluation of both theoretical and practical aspects of the program</li> <li>5. Assisting partner companies throughout the duration of the program</li> </ol>
2.	Prof. Dr. La Ode Anto, SE., M.Si., Ak., CA	Accounting	<ol style="list-style-type: none"> <li>1. Team Member</li> <li>2. Providing technical guidance on the preparation of financial statements based on SAK EP</li> <li>3. Assisting partner companies during the program</li> <li>4. Conducting theoretical and practical monitoring and evaluation</li> </ol>
3.	Dr. La Ode Suriadi, SE, MSi.	Accounting	<ol style="list-style-type: none"> <li>1. Team Member</li> <li>2. Providing technical guidance on the preparation of financial statements based on SAK EP</li> <li>3. Assisting partner companies during the program</li> <li>4. Conducting theoretical and practical monitoring and evaluation</li> </ol>
4.	La Ode Muhammad Arfan Samrin, S.E., M.Ak.	Accounting	<ol style="list-style-type: none"> <li>1. Team Member</li> <li>2. Providing technical guidance on financial reporting in accordance with SAK EP, particularly in journal and ledger entries, as well as trial balance summarization</li> <li>3. Assisting partner companies throughout the program</li> <li>4. Conducting theoretical and practical monitoring and evaluation</li> </ol>
5.	Bahar	Accounting	<ol style="list-style-type: none"> <li>1. Team Member</li> <li>2. Providing technical guidance on financial reporting in accordance with SAK EP, particularly in journal and ledger entries, as well as trial balance summarization</li> <li>3. Assisting partner companies throughout the program</li> <li>4. Conducting theoretical and practical monitoring and evaluation</li> </ol>
6.	Fadlan Hidayat	Accounting	<ol style="list-style-type: none"> <li>1. Team Member</li> <li>2. Providing technical guidance on financial reporting in accordance with SAK EP, particularly in journal and ledger entries, as well as trial balance summarization</li> <li>3. Assisting partner companies throughout the</li> </ol>

			program 4. Conducting theoretical and practical monitoring and evaluation
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## RESULTS AND DISCUSSION

### 1. Implementation Outcomes

Through intensive mentoring and interactive discussions, the implementation team successfully identified several key challenges faced by business actors, particularly companies in Kendari City, in applying the Financial Accounting Standards for Private Entities (SAK EP) when preparing financial statements. These challenges are categorized as follows:

#### a. Human Resources

Most business owners lack an adequate background in accounting, making it challenging for them to comprehend basic accounting principles and consistently apply SAK EP. The lack of professional accounting personnel within companies further exacerbates this issue, particularly for businesses that are unable to recruit dedicated accounting staff.

#### b. Understanding of SAK EP

Many entrepreneurs are still unfamiliar with the structure and content of SAK EP. They often equate it with simple cash-based recording systems, without understanding the need for proper recognition and measurement in accordance with generally accepted accounting principles. Moreover, recent changes in accounting regulations and fiscal policies remain largely unknown to many participants.

#### c. Technology and Information Systems

Limited use of accounting software that supports SAK EP-compliant bookkeeping poses another barrier. Several companies still rely on manual records or basic spreadsheets without integrated systems, which increases the risk of recording errors and inaccurate financial statement presentation.

#### d. Compliance and Regulations

Many business actors have yet to recognize the importance of preparing financial reports in line with accounting standards as a foundation for financial transparency, business decision-making, and tax compliance. Such non-compliance may hinder their access to financing from formal financial institutions.



Figure 1 Socialization of SAK EP at Regional Drinking Water Companies in Kendari City

These findings are consistent with the study by Widyaningsih et al. (2020), which concluded that the primary challenges in implementing SAK EP among Indonesian businesses stem from a lack of human resource capacity and inadequate access to proper accounting training.

## 2. Increased Awareness of the Importance of Sustainability

One of the significant outcomes of the mentoring activities was the increased awareness among participants regarding the importance of preparing financial statements in accordance with accounting standards. It was reflected in several indicators:

### a. Enthusiasm during Q&A Sessions

Participants actively asked questions related to account classifications, fixed asset treatments, and income statement preparation based on SAK EP.

### b. Increased Participation in Reporting Practices

Participants were directly involved in hands-on practice of financial statement preparation using case studies, demonstrating high levels of engagement.

### c. Interest in Accounting Software Usage

Several participants began to consider adopting simple cloud-based accounting applications compatible with SAK EP.

This growing awareness indicates a shift in perception—from viewing accounting as a mere administrative burden to recognizing it as a tool for strategic decision-making. These findings support Haron et al. (2021), who argue that practical, hands-on training significantly enhances awareness and interest among MSMEs in preparing formal financial reports.

## 3. Development of an Action Plan

As an outcome of the mentoring program, participants developed preliminary action plans to implement SAK EP in their daily business operations. These action plans include:

### a. Strengthening Accounting Human Resources Capacity

Participants are committed to participating in further accounting training, either independently or through local business communities. Some also plan to hire freelance accountants to assist with financial reporting.

b. Implementation of Systematic Recording

Companies began developing procedures for recording daily transactions based on supporting documents (receipts, invoices, transfer proofs), to facilitate journal entries and report preparation.

c. Use of SAK EP Templates and Modules

The implementation team distributed SAK EP-based financial report templates (income statement, balance sheet, cash flow statement) that could be directly used and modified by participants according to their business needs.

d. Adoption of Simple Accounting Software

Several participants started using free or subscription-based accounting software with SAK EP-compliant features to improve the accuracy and efficiency of report preparation.

e. Integration with Tax Obligations

Participants began using financial reports as a foundation for preparing annual tax returns (SPT) and other tax-related documents, thereby encouraging systematic fiscal compliance.

4. Achieved Outputs

The mentoring activities have resulted in several tangible outputs, including:

a. SAK EP Training Handbook

The implementation team developed and distributed a training module titled "Financial Accounting Standards (SAK) for Private Entities: A Practical Guide for Companies", which includes introductory accounting materials, financial statement structures, and case studies on income statement and balance sheet preparation.

b. Financial Statement Templates

Excel-based templates for income statements, balance sheets, and cash flow statements were provided, in accordance with SAK EP, for direct use by participants.

5. Evaluation and Follow-Up

To ensure sustainability and the impact of the program, the implementation team established a structured evaluation and follow-up mechanism, as follows:

a. Short-Term Evaluation

- Conducting post-activity surveys to assess participant satisfaction and understanding of SAK EP.
- Providing feedback on initial financial reports prepared by participants.

b. Medium-Term Evaluation

- Offering online mentoring for three months to assist participants with technical challenges in financial statement preparation.
- Holding monthly accounting clinics for in-person consultations.

c. Long-Term Evaluation

- Planning a follow-up seminar in the following year on "Digital Transformation and MSME Financial Reporting".
- Conducting a longitudinal study to evaluate changes in participants' financial reporting practices over the course of one year.

This evaluation approach is grounded in the principles of continuous improvement in accounting education and training, as recommended by the SME Finance Forum (2021).

## CONCLUSION

The mentoring activities on the implementation of Financial Accounting Standards for Private Entities (SAK EP) for companies and MSMEs in Kendari City have successfully provided both foundational knowledge and practical skills in preparing standardized financial statements. Several key conclusions can be drawn from this program:

- A noticeable gap remains in accounting knowledge and skills among business actors, particularly in understanding the principles and structure of financial statements based on SAK EP.
- Direct training and mentoring activities significantly improved participants' awareness of the importance of standardized financial reporting, not only for tax compliance but also as a foundation for more rational business decision-making.
- Outputs such as training modules, financial statement templates, and discussion forums have supported participants in gradually applying SAK EP in their daily business operations.
- This initiative has opened up opportunities for collaboration between academics and business practitioners, particularly in enhancing financial literacy and business readiness in response to regulatory and formal financing requirements.
- Initial evaluations indicate a significant increase in participants' understanding, which is expected to contribute to better financial reporting practices in the long term.

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