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The Role of Accounting System Implementation in Improving Financial Management of Bakery and Cake Businesses in Binjai City

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ABSTRACT

The implementation of accounting systems plays a vital role in supporting the sustainability and decision-making processes of Micro, Small, and Medium Enterprises (MSMEs). However, many bakery and cake businesses still experience limitations in applying accounting principles in accordance with established standards. This study aims to analyze the implementation of accounting systems in Bakery & Cake businesses in Binjai City and evaluate their conformity with basic accounting concepts and the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM). This research employed a descriptive qualitative approach using a census method involving 33 Bakery & Cake businesses operating in Binjai City. Data were collected through structured interviews, documentation, and direct observation, and subsequently analyzed using descriptive analysis techniques. The findings indicate that all business owners have carried out basic financial recording, particularly cash receipts and cash disbursements. However, most businesses have not implemented comprehensive accounting procedures, such as inventory recording, calculation of cost of goods sold, journal preparation, ledger posting, and the preparation of financial statements in accordance with SAK EMKM. Although business owners recognize the importance of accounting records for business management, limited accounting knowledge and skills remain significant barriers to proper implementation. Therefore, continuous accounting training and assistance are necessary to improve the quality of financial reporting and strengthen the sustainability and competitiveness of Bakery & Cake MSMEs in Binjai City.

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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) including bakery and cake businesses play a vital role in driving economic growth, creating jobs, and increasing community income. To achieve sustainable growth, business owners

require an accounting system capable of generating accurate financial information to serve as a basis for decision-making. Implementing a sound accounting system also facilitates business control, performance assessment, and business planning.

The issuance of the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) provides guidelines for MSMEs to prepare financial statements that are simple, reliable, and compliant with standards. However, in practice, many MSME owners have yet to implement adequate accounting systems. Transaction recording is generally limited to cash receipts and disbursements; businesses often fail to record inventory, calculate the cost of goods sold, or prepare complete financial statements in accordance with SAK EMKM.

Preliminary survey results from ten bakery and cake businesses in Binjai City indicate that while all of them record simple financial transactions, the majority do not separate business finances from personal finances, nor do they implement comprehensive accounting processes. Consequently, the resulting financial information fails to accurately reflect business performance and cannot be optimally utilized for business decision-making.

Given this situation, this study aims to analyze the implementation of accounting systems in bakery and cake businesses in Binjai City and assess their alignment with SAK EMKM principles. The findings are expected to contribute to improving MSME financial management and provide valuable insights for business owners and stakeholders in promoting the adoption of more effective accounting systems.

RESEARCH METHOD

This study employed a descriptive qualitative approach to analyze the implementation of accounting systems in Bakery & Cake businesses in Binjai City. The qualitative approach was chosen because it enables an in-depth understanding of accounting practices implemented by business owners and their conformity with basic accounting concepts.

The research was conducted in several Bakery & Cake businesses operating in Binjai City. The research subjects consisted of business owners or managers who are directly responsible for financial recording and reporting activities. Informants were selected using purposive sampling, with the criteria that the businesses had been operating for at least one year and maintained financial transaction records.

Data were collected through three techniques: observation, interviews, and documentation. Observation was carried out to identify the financial

recording process and accounting practices implemented in the businesses. Semi-structured interviews were conducted with business owners or managers to obtain information regarding bookkeeping systems, financial reporting procedures, and challenges in implementing accounting systems. Documentation included financial records, sales reports, purchase records, and other accounting-related documents available in each business.

The collected data were analyzed using descriptive qualitative analysis. The analysis consisted of data reduction, data presentation, and conclusion drawing. The implementation of accounting systems was evaluated based on fundamental accounting concepts, including the business entity concept, historical cost concept, going concern concept, accounting period concept, matching concept, revenue recognition, and the preparation of basic financial statements. The findings were then compared with generally accepted accounting principles applicable to Micro, Small, and Medium Enterprises (MSMEs), particularly the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM).

To ensure the validity of the findings, source triangulation and method triangulation were employed by comparing information obtained from interviews, observations, and documentation. This approach enhanced the credibility and reliability of the research results.

RESULT AND DISCUSSION

Respondent Characteristics

This study involved 33 bakery and cake business owners in Binjai City as respondents. The majority of respondents were over 40 years old, with the largest age group falling within the 41–50 range (48.4%), indicating that most business owners possessed considerable experience in running their businesses. Regarding education, high school graduates predominated (42.4%), while in terms of business tenure, the majority had been operating for either 6–10 years or more than 16 years (30.3% for each category). Most businesses were established with an initial capital of IDR 5,000,000–IDR 30,000,000 (69.6%), and financial management was handled directly by the business owners in all cases (100%).

Accounting System Implementation

The study results indicate that all respondents recognized the importance of a bookkeeping system for business operations. However, the accounting practices employed remained simple and did not yet align with established basic accounting concepts.

All respondents (100%) recorded cash receipts and expenditures as a basis for business control. Furthermore, all respondents stated that they separated business finances from personal finances in their daily record-keeping. However, interview results revealed that, in practice, personal expenses were sometimes included as business costs, meaning the separation was not entirely consistent.

Regarding the recording of accounts receivable, only 54.5% of respondents maintained routine records, while the remaining 45.5% lacked adequate administration for receivables. An even lower rate was observed regarding the recording of accounts payable; only 30.3% of respondents recorded their business obligations, while 69.7% did not, primarily because most transactions were conducted in cash.

The study also found that none of the respondents maintained systematic inventory records. Stock management relied on physical observation rather than inventory cards or structured recording systems. This situation makes it difficult for business operators to determine the quantity of available inventory or its value for any given period.

Understanding the Income Statement

All respondents (100%) calculate profit and loss and record business revenue to determine the profits earned. However, the calculation periods vary. Specifically, 45.5% of respondents calculate profit and loss monthly, 24.4% daily, and 6.1% weekly, while the remainder perform calculations every six months or annually. This variation indicates the absence of a uniform recording standard among bakery and cake business operators.

Discussion

Based on an analysis of fundamental accounting concepts, the implementation of accounting systems in bakery and cake businesses in Binjai City does not yet fully align with generally accepted accounting principles.

First, regarding the business entity concept, a mixture of business and personal expenses was observed; consequently, income statements do not fully reflect the actual state of the business.

Second, regarding the going concern concept, none of the respondents record fixed assets or calculate depreciation. As a result, asset values and depreciation expenses are omitted from financial statements, rendering the financial information incomplete.

Third, regarding the basis of accounting, the majority of respondents utilize a simple cash-based single-entry recording system. Transactions are not recorded using a double-entry accounting system, limiting the scope of the resulting financial information.

Fourth, regarding the accounting period (matching/periodicity) concept, most respondents calculate profit and loss periodically, primarily on a monthly basis. This demonstrates an awareness among business operators of the importance of evaluating business performance over specific periods, even though their recording procedures remain simple.

Overall, the research findings indicate that bakery and cake business operators in Binjai City are aware of the importance of financial record-keeping; however, their accounting system implementation falls short of fundamental accounting concepts—particularly regarding the recording of inventory, fixed assets, depreciation, and liabilities, as well as the adoption of double-entry accounting systems. Therefore, training and guidance on the preparation of financial statements in accordance with the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) are required to ensure the quality of business financial information is more accurate and can serve as a basis for business decision-making.

CONCLUSION

Based on the discussion and research conducted in the previous chapters regarding accounting practices, the author offers the following suggestions for business development to bakery and cake shop owners in Binjai City, North Sumatra:

1. Business entity concept: In this regard, some business owners have not yet separated their business transaction records from their personal household transactions.
2. Going concern concept: While owners calculate profit and loss to monitor the business's ongoing operations and growth—indicating an application of the going concern concept—they do not calculate fixed asset depreciation; therefore, it is concluded that bakery and cake shop owners in Binjai City are not fully applying the going concern concept.
3. Recording basis: Business owners utilize the cash basis, where transactions are recorded or recognized only when cash is received or paid out. The recording system employed remains simple in nature.
4. Based on the records kept, bakery and cake shop owners in Binjai City do not fully apply the matching principle, which requires that revenue be matched against the expenses incurred.
5. Time period concept: Bakery and cake shop businesses in Binjai City apply the time period concept, as profit and loss calculations are performed for specific business periods.

6. It is concluded that the accounting practices of bakery and cake shop owners in Binjai City do not yet align with basic accounting concepts, as some owners have not implemented these fundamental principles.

Recommendations

1. Bakery and cake shop owners in Binjai City should maintain records in accordance with the business entity concept by separating business expenses from personal household expenses.
2. Bakery and cake shop owners in Binjai City should apply the going concern concept by incorporating fixed asset depreciation calculations into their profit and loss statements.
3. Bakery and cake shop owners in Binjai City should adopt the accrual basis of accounting, under which transactions are recognized at the time they occur.
4. Bakery and cake shop owners in Binjai should adhere to the matching principle the concept that expenses should be recognized in the same period as the revenues they help generate.
5. Bakery and cake shop owners in Binjai should implement record-keeping practices that align with fundamental accounting concepts; doing so will assist in identifying, evaluating, and assessing business progress, thereby enabling sound decision-making.

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Finally, the authors hope that the findings of this research will contribute to the development of accounting practices among micro, small, and medium-sized enterprises (MSMEs) and serve as a useful reference for future research in the field of accounting information systems and small business management.

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