

Simple Accounting Standard for SMEs

I am a small-business owner and have limited resources in my accounting team. To grow, I need financing and it entails a submission of financial statements. Are there any accounting standards that is simpler and more relevant to the size of my business?

Defi, Jakarta

Many small and medium entities (SMEs) face challenges in preparing financial statements, mostly due to the limited resources available to ensure that the financial statements prepared will provide a true and fair view of the financial situation and performance.

SSR: Simple, Steady, and Relevant

There is actually a financial accounting standard that is specific for SME in Indonesia, that is the Financial Accounting Standard for Non-Publicly Accountable Entities (Standar Akuntansi Keuangan Entitas Tanpa Akuntabilitas Publik or "SAK ETAP") which was issued in 2009.

Simple.

The SAK ETAP in its entirety is a stand-alone standard. It is by far; less complex compared to the full International Financial Reporting Standards (IFRS), have simplified accounting treatments and fewer options, and consists of only 30 provisions.

It is simpler than IFRS for SME, because SME in Indonesia have smaller assets and revenue size compared to the term SME in other part of the world, like the US and European countries.

If a transaction or condition is not specifically govern in SAK ETAP, management can use their own judgement to employ an accounting policy that will generate (a) information that will be relevant to user for decision making purpose, and (b) reliable financial statements that: provide a true and fair financial situation, performance and cash flow; reflect the substance of economic transaction; free from bias, reflect cautiousness and prudential; and comprehensive in all material aspects.

Steady.

There is no plan for update or change to the standard in the near future.

Relevant.

The standard, SAK ETAP, is probably the right fit for your business if yours can fit into the non-publicly accountable entity (ETAP) classification, and usage of it will generally satisfy the bank. If your business does not have a significant public accountability and does not issue general purpose financial statements for external parties, then it will fit the ETAP classification.

Why SAK ETAP is recommended for Indonesian SMEs?

There are other reasons aside to the size and the complexity of transactions why SME is better to use SAK ETAP than IFRS.

The implementation of fair value requirement in IFRS is not cheap; this might be a burden to SMEs.

SAK ETAP mainly requires items to be measured at their historical cost. Fair value is rarely used.

IFRS is a principle based standard which requires much professional judgement, and surely will not be easy for entities with limited resources supporting its accounting team.

A good IT system supporting the financial reporting process as well as proper documentation is also important in IFRS implementation.

If your business classify as ETAP, your need to remember that if you opt to use IFRS in preparing your financial statements, you cannot go back and change to use SAK ETAP.

With SAK ETAP, hopefully SMEs can prepare true and fair financial statements, be audited, and have funding options from external parties to grow its business.

KEY POINTS

- SAK ETAP in its entirety is a stand-alone standard. It is by far; less complex compared to IFRS.
- SAK ETAP is the right fit for your business if yours can fit into the non-publicly accountable entity classification, and usage of it will generally satisfy banks.
- If you opt to use IFRS in preparing your financial statements, you cannot go back and change to use SAK ETAP.



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THE POWER OF BEING UNDERSTOOD

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