

# Financial Management Training As An Effort To Improve The Reliability Of Preparation Of Financial Statements

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## Article Info:

**Abstract :** Financial Statement is one of very important element in business, because it is an output that can give information for user as base for taking decision. The problems faced cooperative employees of PT PUSRI Palembang are, they not yet understand about financial management in compile report effective and efficient finance. Financial management need understood for cooperative manager, because its related with the reliability of information in financial statement cooperative. This community service activity aims to provide knowledge and skills regarding financial management in order to increase the reliability of financial statement to the target group, namely the PT PUSRI Palembang employee cooperative. Activity devotion done with method outreach and training. Benefit from activity devotion to employees cooperative PT PUSRI Palembang is expected become useful input for participants activity capable to manage financial in a effective and efficient manner so the cooperative objective can optimally achieved. Besides it, with knowledge management good finances owned by the participants can used as consideration in taking decision related finance nor direction policy business in a manner more broad .

**Keywords :** Cooperative ; Financial management ; Financial statement

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## 1. INTRODUCTION

In the economic system in Indonesia, the three participating economic actors are: the State Enterprise sector, the private sector, and the cooperative sector. Law number 25 of 1992 concerning Cooperatives article 1 states: Cooperatives are Business Entities consisting of persons or Cooperative Legal Entities based on the principles of Cooperatives as well as a people's economic movement based on the principle of kinship. The businesses that can be handled by Cooperatives are listed in article-3, which states: (1) cooperative business is a business that is directly related to the interests of members to improve the business and welfare of members; (2) excess cooperative service capabilities can be used to meet the needs of people who are not members of Cooperatives; (3) cooperatives carry out business activities and play a major role in all areas of people's economic life.

The problems encountered in the production process of village-owned enterprises include determining the accurate cost of production (Yusnaini, et al., 2020). Many Village-Owned

Enterprises pay little attention to how to determine the right production costs for the main product and by-products for the products they produce. This is due to a lack of knowledge about the types of costs and how to position costs in determining the cost of goods. The focus of the problem faced by BUMDes is how to determine the production costs of main products and by-products correctly. Thus the problems faced include readiness to understand human resources, necessary bookkeeping, documentation or forms that support the process (Rahardja *et al.*, 2019).

The program for promoting cooperatives as a form of eradicating poverty runs from the national level to the district/city level. The government implemented several programs aimed at stimulating the development of these cooperatives. One of the government programs that has been implemented effectively is providing business capital to existing cooperatives as well as those that have just started growing. In order for the cooperative business to run well, cooperative managers need to understand the managerial aspects of the business. One of them that is considered important is the problem of marketing networks and responsiveness to business opportunities.

Most cooperatives start their business by opening a savings and loan business for their members, but due to weak cooperative management, the savings and loan business does not develop and tends to lose money from year to year. In fact, if you look at the opportunities that exist, it is very possible for cooperatives to develop their business in the trade sector because the average member of a cooperative has the same needs or interests. Likewise with marketing networks, cooperatives can become a forum for members who have businesses to market members' products in collaboration with other cooperatives so that partnerships between cooperatives arise (Setyawati *et al.*, 2019).

However, in its development the development of cooperatives still faces several obstacles such as the level of ability, skills, expertise, human resource management, entrepreneurship, marketing and finance (Kuncoro, 2007). Cooperatives are very heavy in the face of competition from large and more modern companies. The ability to compete in the market determines the survival of a company, as well as cooperatives (Yusmanianti *et al.*, 2022). To support the cooperative business, it is very important to carry out the activities of recording and preparing financial reports on an ongoing basis, all matters relating to the financial position and performance of cooperatives are recorded in detail and processed into financial reports according to applicable standards so that accountability and supervision will be easier to carry out. Thus the health of cooperatives from one period to the next can be monitored, because the assessment/measurement of cooperative health cannot be carried out without the data contained in the financial reports.

Financial statements are information that can illustrate the financial condition of an entity (Mulyani, 2014). Cooperatives are one of the legal entities in Indonesia, the function of the cooperative's financial reports is to measure the financial condition of the cooperative, see the results of the management's accountability, and the basic policy in determining cooperative procedures and regulations for the next period. In article 30 of Law Number 25 of 1992, one of the mandated obligations of cooperative management is preparing financial reports, then in article 35 delegating the requirements for holding an Annual Member Meeting (RAT), management is required to carry out the preparation of financial reports at a minimum issuing balance sheets, income statements and notes on financial reports.

Based on the consideration of the problems that exist in all cooperatives, only a few cooperative managers can issue financial reports based on applicable standards and regulations. In order for the existence and continuity of the cooperative business to be as expected, the participation of various parties is needed. Particularly the government's role in fostering and assisting cooperatives, both in the field of cooperative institutions, business development, and management (managerial) of cooperatives (Dewi, 2019). The problems faced by partners are difficulties in organizing the duties and responsibilities of pre-cooperative administrators and in carrying out business development due to the lack of knowledge of pre-cooperative administrators and members about cooperative institutions and management.

This community service activity aims to provide knowledge and skills regarding financial management in order to increase the reliability of financial reports to the target group, namely the PT Pusri Palembang employee cooperative. At this time, cooperatives have lost their competitive

edge, even though cooperatives used to be an integral part of the national business world which has the potential and strategic role in supporting economic development. Based on the Law of the Republic of Indonesia No. 25 of 1992, cooperatives are business entities consisting of people or cooperative legal entities with activities based on cooperative principles as well as a people's economic movement based on the principle of kinship, can play a role in the process of equity and increase people's income and encourage economic growth and play a role in realizing national stability in general and economic stability in particular (Listya, et al., 2022).

The existence of cooperatives in quantity is quite encouraging, but in terms of quality it needs serious attention. The problem experienced by cooperatives in general is that the majority of management and supervisors do not have sufficient capacity to run good cooperatives, especially the problem of managing resources such as assets (Utama, 2021). So that this causes the rate of growth of cooperatives to be slow and the goals for the welfare of cooperatives cannot be realized properly. The holding of financial management training and assistance is expected to contribute in the form of increasing the ability of managers and supervisors of the PT Pusri Palembang cooperative in preparing financial reports reliably and minimizing the risk of wrong notes in reporting their financial reports. So that in the end the goal of cooperatives in increasing the common good based on kinship can be achieved.

## **2. LITERATURE STUDY**

### *2.1. Financial management*

Financial Management is a process in the company's financial activities related to efforts to obtain company funds and minimize company costs as well as efforts to manage the finances of a business entity or organization in order to achieve predetermined financial goals (Andiko, Asnawi & Pangayow, 2018). According to Brigham & Houston (2010) in his book entitled Financial Management, he argues that financial management explains several decisions that must be made, namely investment decisions, funding decisions or decisions to meet funding needs, and policy decisions. In conclusion, the definition of financial management) is the process of making decisions about assets, financing of these assets, and distribution of all potential cash flows generated from these assets. The theory states that financial management is an analysis and planning analysis to find out about the financial situation that occurs in companies, both regarding investment decisions, funding and even company assets with the aim of providing profit for shareholders and business sustainability for the company.

The purpose of financial management is to maximize profits and minimize costs in order to obtain a maximum decision making in running the company towards development and running companies. The main task of the financial manager is to make plans regarding the procurement and allocation of funds in order to maximize the value of the company. Which includes Forecasting and Planning Financial managers must relate to other executives in predicting the future of the company and also Investment and Financing Decisions Financial managers must relate to other executives in predicting the future of the company. Sources of funds that can be used to increase company growth are internal and external capital.

### *2.2. Reliability of Financial Statements*

Based on Government Regulation Number 71 of 2010, states that there are four characteristics in determining a value from quality financial report information, namely:

a. Relevant

If the information in the financial statements has an influence on user decisions, then the financial statements can be said to be relevant. Information that has relevant value includes timeliness, completeness, useful predictive and useful feedback.

b. Reliable

A financial report can be said to be reliable if it is presented based on honest facts, free from material errors and things that are misleading. There are three characteristics in achieving

reliable information, such as being verifiable, neutral and presented honestly.

- c. Comparable  
Useful financial statement are financial statement that can be compared with previous periods.
- d. Understandable  
If the user understands the information in accordance with the limits of his ability and understanding contained in the financial statements, then the financial information is valuable information that can be understood.

Government Regulation No. 71 of 2010, the reliability of financial reporting is that information in financial statement is free from misleading notions and material errors, presents every fact honestly, and can be verified. Information may be relevant, but if its nature or presentation is unreliable then use of that information could potentially be misleading. Reliable information meets characteristic (1). Honest Presentation . It means Information faithfully describes the transactions and other events that should be presented or can reasonably be expected to be presented (2). Can be verified (verifiability) . It means The information presented in the financial statements can be tested, and if the tests are carried out more than once by different parties, the results still show conclusions that are not much different. (3) Neutrality . It means Information is directed to general needs and does not favor the needs of certain parties.

### 2.3 Accounting For Cooperatives

Accounting provides ways to collect and report economic data to various parties who need it. Owner and prospective owners can find out how the financial position and prospects company in the future. The bank or credit provider can assess the company's ability to operate which in turn consider the risks that may occur before giving a loan. Government agencies have an interest in company activities in relation to the preparation of government regulations, for example tax regulations. Even employees have an interest in the course of company operations to consider the stability of the company's business and the benefits that employees might enjoy (Nainggolan, 2012).

The basic accounting concepts that apply to cooperatives are no different from other business entities. As stated in chapter I point 2.1 to 2.6 chapter I of the Indonesian Accounting Principles book, namely:

- a. Unit of accounting, accounting information has a relationship with the unit or entity. In financial accounting, the company is considered as an economic entity that is separate from the parties concerned with the company's resources.
- b. Continuity, an economic entity is assumed to continue to do business and will not be dissolved, unless there is evidence to the contrary.
- c. The accounting period, with the periodic presentation of financial statement, is expected to help interested parties in making decisions.
- d. Measurement in the value of money, financial accounting uses money as a common denominator in measuring company assets and liabilities and their changes.
- e. Exchange price, financial transactions must be recorded at the exchange price, namely the amount of money that must be received or paid for the transaction.
- f. Determination of expenses and income, recognition of revenue during the period and determination expenses incurred in connection with efforts to generate such revenue.

After the cooperative's financial year is closed, no later than one month before An annual member meeting is held, the management prepares an annual report contain at least the annual calculation consisting of the final balance sheet year and the calculation of the results of operations for the year concerned as well as an explanation on these documents and the conditions and cooperative efforts as well as the results that have been achieved.

Cooperative financial statement can provide useful information for main users and other users to know the benefits obtained by becoming a member of the cooperative , to know the percentage of cooperative finance during a period with the remaining results of operations and benefits of

cooperative membership as a measure , knowing the economic resources owned by the cooperative as well cooperative obligations , knowing the transactions, events and circumstances that connect economic resources, liabilities and net worth in an period, with a separation between those relating to members and non members , know other important information that may influence cooperative liquidity and solvency.

### 3. METHOD

The target audience for this activity is the employee cooperative of PT Pusri Palembang. Participants have different levels of education and educational backgrounds, so not all cooperative managers have a good understanding of financial management. The dedication method is used, namely (1) Lecture method, by providing counseling about the importance financial management; (2) Training methods, as for training conducted in order to provide understandings of the importance of preparing financial reports for cooperatives as well as providing counseling on the procedures for preparing simple financial reports for cooperatives. Participants who were given lectures, training and mentoring were as many as 10 cooperative administrators who of course are used to dealing with financial transactions and cooperative business activities. The stages of the implementation method of community service are in the form of training, workshops and mentoring.

### 4. RESULTS AND DISCUSSION

#### 4.1. Implementation Activity

This financial management training and mentoring activity is aimed at PT Pusri Palembang employee cooperatives. This activity was carried out within a period of one month in October-November 2022. In practice this training and assistance was carried out in three visits, namely on 18, 22 and 25 October 2022. This activity was carried out face to face at the PT Pusri employee cooperative office Palembang, which is located at Jalan Mayor Zen, Palembang City, by complying with the applicable health protocols regarding the Covid-19 pandemic which has not subsided. The participants who attended consisted of 15 employees of the accounting and finance department at the employee cooperative of PT Pusri Palembang. The list of service participants is shown in the attachment. Service participants consisted of 73 percent women and 27 percent men consisting of heads, managers, assistant managers, and accounting and finance staff. Each position has its own job description. In terms of financial statement, policies related to financial statement are decided by the head of accounting and finance and implemented by the entire organizational structure under him.

The first visit was carried out on October 2022. The activities during this visit were carried out according to the agenda, namely providing material exposure regarding financial reports and financial management. After the material presentation was finished, the activity continued with a question and answer session with the scope of financial management. In general, the participants were enthusiastic about the material presented, this was seen from the many questions and discussions related to financial management. Based on the results of questions and answers and discussions with participants, the general condition of financial statement in PT Pusri's employee cooperative can be described more clearly. Furthermore, problems related to financial statement



began to be seen during the first visit.

### Figure 1 . The First Visit

The second visit aims to provide simple simulations and practices related to financial management that are adapted to the conditions of partners' financial management and accounting. The simulation was carried out based on tutorials and materials given on the first visit. The simulation is carried out using the available equipment in the form of a computer and adapts to the conditions of partners in making financial records tutorials and material that has been given on visit first.

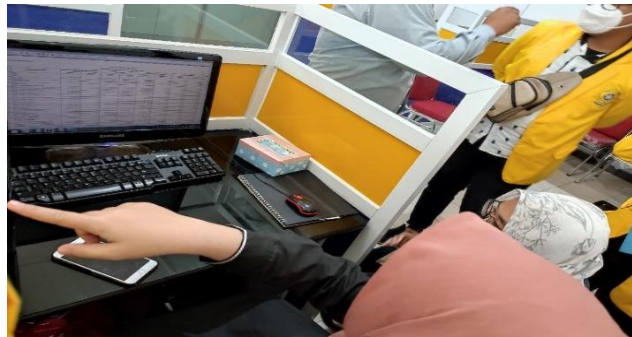


Figure 2. Discussion Session in the First Visit

The recording of financial statements at the PT Pusri Palembang employee cooperative is carried out computerized using an existing application, therefore the simulation is carried out following the procedures that have been implemented. In the simulation carried out, cases were given by the service team and resolved together with guidance from instructors who were members of the service team. The second agenda on the second visit is the practice of financial management.



Figure 3. The Application used to make Financial Statements

After gaining knowledge about the preparation of financial reports committed to implementing the applicable rules After conducting discussions and consulting on financial reporting issues currently being faced by cooperatives. At the end of this activity, the service team conducted interviews with activity participants. From the results of the interviews it was known that the participants were very happy because they were motivated and felt helped to gain knowledge about the preparation of financial reports. accounting and finance cooperative employees of PT Pusri Palembang.



**Figure 4.** Group photo with participants

**4.2. Activity Results**

Financial statements are one of the absolute components that must be owned by cooperatives as a condition for developing a business by submitting capital to banks as creditors. As a result, the habit of recording every business activity that occurs and managing financial reports must be cultivated among SMEs. The importance of prioritizing growing the habit of recording and managing financial reports for cooperatives in accordance with accounting standards but still using a practical format, namely by using computerized records (Yusmanianti & Ekowati, 2019).

The role of Higher Education in providing solutions to the community is through the Tri Dharma of Higher Education through Community Service. This activity is one form of implementation of the collaboration between Muhammadiyah University of Bengkulu and the Office of Cooperatives and SMEs. This activity received high support from the Cooperative Office, because through this activity the tertiary institutions had contributed to assisting the government in increasing cooperative capabilities through business accountability in the form of competency in compiling cooperative financial reports in accordance with generally accepted accounting standard.

Based on the summary of the problems faced by cooperative management, it is difficult to understand the Accounting System and accounting principles, which include recording, recognizing, measuring and reporting cooperative finances. This understanding greatly influences the presentation of accurate, relevant and timely financial reports. The reports presented must be in accordance with Generally Accepted Accounting Principles (PABU). From the activities that have been carried out, it shows that the cooperative management is very enthusiastic and enthusiastic about participating in the training and requests that assistance be provided in preparing cooperative financial reports according to PABU. To provide solutions to partners, it is deemed very necessary to carry out community service activities in the form of partnerships. Based on an agreement with partners that this service activity is assistance in preparing simple financial reports for the PT PUSRI cooperative. information for other parties who do not know company information. For this reason, financial reports must be made clear so that all parties understand the information presented. For a cooperative or microfinance institution and MSMEs it can be a tool to increase capital from banks (Yuniarti, 2021).

Therefore, with financial management training and assistance, it is hoped that it can optimize asset management so as to produce the highest benefits for the company. Thus, good asset management of the PT Pusri Palembang employee cooperative can anticipate and minimize the risk of impairment of assets, monitor depreciation and consideration in acquiring new assets in order to achieve company goals. In addition, asset management can maintain high asset values by carrying out adequate maintenance.

**5. CONCLUSION**

The service activities carried out went well. Cooperative management actors are able to absorb the material conveyed. This can be seen from several performance indicators. First, cooperative actors understand how to make simple, precise and correct financial records. From this service activity it is also expected to be able to improve cooperative managers to increase company profits by monitoring business activities in accordance with financial reporting.

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