

THE CONCEPT OF AN ENTITY IN AN EFFORT TO SUPPORT INTERNAL CONTROL IN MSME KUNCI SOROT IN JEMBER

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ABSTRACT

MSME Kunci Sorot is engaged in the film industry in Jember. The business he owns is leasing equipment needed for shooting and filmmaking. MSME Kunci Sorot are also MSMEs that have large assets by MSME standards. This causes internal control to be needed to maintain the assets owned. The research objectives are (1) an analysis of the implementation of the entity concept in the MSME Kunci Sorot and (2) an analysis of internal control in the MSME Kunci Sorot. The research method used is descriptive qualitative and uses a case study approach. The sampling technique used snowball sampling. The result of this research is that MSME Kunci Sorot still needs to fully implement the entity concept. The entity concept applied in the MSME Kunci Sorot is still very simple to record. The entity concept that has not been implemented optimally causes the applied internal control to have many weaknesses. The results of the study indicate that internal control is needed in maintaining assets owned and facilitating daily operational processes. MSMEs that tend to be simple still need internal control so that operational processes are efficient and effective.

Keywords: MSME, Entity Concept, Internal Control

INTRODUCTION

MSMEs (Micro Small and Medium Enterprises) are one of the most important pillars of the Indonesian economy whose existence has been recognized (Lubis, 2022). Until April 2020, MSMEs contributed as much as 60% to gross domestic product (Kominfo, 2020). The government's policy of Large-Scale Social Restrictions (PSBB) has resulted in MSMEs switching from offline to online sales. The transition to the MSME sales system makes it easier for Indonesians to open a business from home without having to have an outlet or place of business. This has resulted in many people being interested in entrepreneurship by starting an MSME.

One of the MSMEs in Jember Regency is the Kunci Sorot MSME. Kunci Sorots MSME is engaged in the film sector. Kunci Sorot MSME has a business for renting equipment needed for film shooting and film production. The tools they use for film production and rental are certainly not tools that can be valued at a low price. So it can be concluded that the business undertaken by Kunci Sorot has funds and assets of considerable value. The existence of sizable funds and assets should be managed by Highlight Key by applying the entity concept. MSME Kunci Sorot are also MSMEs that have large assets by MSME standards. This causes internal control to be needed to maintain the assets owned. Alifi and Wibowo (2022) say that by applying the entity concept, information about business development can be known. This is due to the financial separation.

How is the implementation of the entity concept in the Highlight Key SMEs? There is a financial separation between private parties or business owners and the finances of business activities that must be implemented (Tuli, 2021). The application of these principles will show clarity on the use of capital for MSME operational activities. As a result of applying the entity concept, it will make it easier for business actors to make all decisions that are considered good for the sustainability of their business. This is because the entity concept will describe accounting information where there is information about

assets, liabilities, and profits generated by MSMEs in that period. According to Larasdiputra and Suwitari (2020), the accounting method by implementing the economic entity concept will work well if MSME actors have an awareness of accountability.

How is the internal control of the Highlight Key SMEs? Business activities such as MSMEs not only require the concept of an entity but also require internal control. Internal control is applied to an effort to ensure the accuracy of relevant data and protect the assets they have from misuse by owners and employees (Mubarakah, 2020). Given that the Kunci Sorots MSME field is the film and has capital and assets that are considered quite large, internal control is needed by Kunci Sorots MSME. According to Wirawan et al. (2021), internal control implemented by MSMEs must consider the costs and benefits that will arise. This means that MSMEs must ensure that the benefits they get are judged to be greater than the costs to be incurred. Considering that one of the objectives of internal control is to avoid abuse, the views regarding the concept of internal control between business owners and employees must be in line. MSMEs are expected to have the implementation of internal controls concerning cash, inventory, payroll, debts and receivables.

Entity Concept

Wirawan et al. (2021) state that the entity concept is a concept that assumes that each business entity is a unit that is separate from its owner and different from other entities. Alfi and Wibowo (2022) state that the entity concept displays an accounting business entity, which is an organization or part of an independent organization separate from other organizations or other individuals. According to Wirawan et al. (2021), the entity concept aims to facilitate evaluation by looking at financial reports as information about the development of disbursed funds. By knowing and implementing the entity concept, users can identify accounting weaknesses and the resulting information so that they can be careful in using accounting information.

The entity concept has several types, namely the business entity concept and the accounting entity concept. According to SAK EMKM, the concept of a business entity is one of the basic assumptions that stipulates that MSME actors must be able to settle between personal property and wealth resulting from their own efforts. MSME actors who do not implement business entities can be told that MSME actors have not been able to apply financial reports in accordance with accounting standards. According to Wijaya (2022).

Internal Control

Internal control is a control system that includes organizational structure, methods and measures coordinated to maintain organizational wealth, encourage efficiency and comply with management policies (Pauzi, 2022). Darmasari and Setiawan (2021) state that there are several objectives of internal control, namely (1) safeguarding assets, (2) managing asset records accurately, (3) providing accurate information, (4) encouraging and improving operational efficiency, (5) encourage adherence to managerial policies.

Internal control has several components (Pauzi, 2022), including (1) employees whose quality is in accordance with their responsibilities, (2) an authority system and recording procedures that provide sufficient protection for wealth, debt, income and costs, (3) organizational structure that clearly separates functional responsibilities.

METHODS

The research approach used is qualitative to produce descriptive data both in the form of sentences and orally. Qualitative research aims to deepen the phenomena experienced by research objects in the form of behaviour, actions, motivations and others, which will be described in the form of words and language scientifically (Abdussamad, 2022).

The approach used in this study is a case study. A case study is a detailed research strategy related to several things and collects complete data according to data collection procedures (Creswell, 2022). Abdussamad (2022) has another opinion regarding case studies, namely an approach that will describe in detail the object of research.

The sample is important in conducting research. Researchers used the snowball sampling technique to determine the research sample. Snowball sampling is a sample determination technique that is initially small in number and then enlarges (Sugiyono, 2021).

Interview questions were sourced from Tuahuns' research (2022), with questions covering (1) what is the organizational structure, (2) what is financial management in MSMEs, (3) what are the procedures for each operation, (4) how is the implementation of improving the assets of owners and MSMEs. Interviewee in this research is Ben (Owner), Arya (Finance Division) and Lutfi (General Division)

This study uses qualitative research by conducting direct research at the location of the object. The data obtained by researchers is in the form of primary data. According to Sugiyono (2021), primary data is data obtained directly from original sources or without intermediaries. Primary data was obtained by researchers through interviews and direct documentation with the owners and employees of MSME Kunci Sorot in order to obtain relevant research data. Data collection methods used in this research are (1) observation, (2) interviews, and (3) documentation.

ANALYSIS

Entity Concept Problem

The entity concept is a concept that separates the Owner's personal needs from his business needs. Currently, Key Sorots MSMEs still need to implement the entity concept fully. The Owner still uses private money to cover the operational costs of the Kunci Sorot MSMEs when they experience a loss. The recording of the financial reports of the Kunci Sorot MSMEs needs to be structured and more complex. With this record, the Owner cannot oversee the daily operations of the Kunci Sorot MSME. Supervision of daily operations that have not been maximized means it is more difficult for owners to increase the efficiency of MSME financing.

"When you experience a loss because time runs out because the target is not reached, the, so the owner bears it using his money. But this only happened once." (Arya)

Asset Security Issues

Darmasari and Setiawan (2021) state that one of the objectives of internal control is to safeguard assets. The assets owned will be guaranteed according to the existing data if good internal controls are implemented. MSME Kunci Sorots in securing their assets, are still lacking. Documents used for equipment rental still do not support security because they are in the form of ordinary notes. These notes are straightforward to forge because they can be sold freely. It can cause losses for Kunci Sorot MSME. Updating the equipment inventory list is also a form of asset security. Kunci Sorot MSME has not conducted a routine inventory of equipment. This can cause losses because if a tool is missing, then there is a possibility that the Owner is not aware because the tool inventory list has not been updated. *"All equipment has been listed. But there are some that have not been updated. For example, a tool that was just purchased this year has not been added to the inventory list"* (Ben)

MSME Kunci Sorots have tools at quite expensive prices. Efforts to safeguard assets are carried out by providing tool guards who will guard the equipment when the client rents it. However, protecting the tools is still not mandatory, and this can threaten the security of the assets owned because the tools that are rented can be exchanged. The tool guard functions as the person in charge of the instrument being rented by the client. Tool guards can also help clients to install or operate the equipment being rented. If the rented tool is damaged, then the tool guard can witness the damage.

Asset Management Issues

Darmasari and Setiawan (2021) state that accurate asset management is one of the goals of internal control. Internal control can minimize errors and fraud in terms of recording and provide asset security. The asset management of the Kunci Sorots MSME is divided into two, namely internal management and external management. Internal management consists of periodic inspections of equipment to maintain the quality and function of the equipment that will be rented out. Owned equipment checks are not carried out periodically. The inspection is carried out every two to three months. By carrying out

equipment checks for a long duration, when equipment damage occurs, the Kunci Sorot MSME cannot know directly.

"Next, re-check the tool in front of the client. We also offer tool guards for expensive equipment at an additional cost. The guard for this tool is also responsible for maintaining the security of the tool, so when there is a guard for the tool, it can minimize damage or loss of the tool." (Ben)

External management, that is, every client who rents, is given the option to pay for a guard for the equipment. Clients using the tool guard will charge a higher fee. The tool guard functions as the person in charge of the rented tool. The tool guard serves as a witness for the cause of the damage to the tool that occurs.

Operational Efficiency Problems

Darmasari and Setiawan (2021) state that internal control aims to improve operational efficiency. Organizational or company operations that are not good can be improved by carrying out internal controls.

MSME Kunci Sorot has quite a lot of members and teams. With a large number of members and a team, owners often experience losses because the income earned is not enough to provide incentives, so owners sometimes use personal cash to provide incentives to their members. With the high costs incurred, the demand for income earned is higher to avoid operational losses. This problem of operational efficiency can be overcome by cutting costs that can be minimized. Many members and teams will raise high costs, too. The incentives provided must be given to support the performance of members and teams. Thus, recalculation of the incentives provided can be a solution to this problem. *"For Kunci Sorot income, it is still unable to provide incentives to each member. We do profit sharing. So when someone rents a tool from us, there will be a 10% discount for each member's incentive. This will be for the incentives that tend to be small for each member."* (Ben)

Policy Issues

Darmasari and Setiawan (2021) argue that internal control can drive the policies of an organization or company. With internal control, it is expected that policies that have been regulated in accordance with procedures can have a positive impact on business continuity.

Kunci Sorot MSME experienced losses in providing incentives due to the large number of members. The policy of giving incentives is too high, which is based on 10% of rental income and causes losses. The recording system for MSME Kunci Sorot is still not supported, which means updating data cannot be done directly. This results in the existing data being unreliable or invalid because the data has not been updated, which can have an impact on making wrong decisions. *"The Highlight Key has implemented the accounting entity concept, but the recording is still very simple."* (Lutfi)

Employee Problems

Pauzi (2022) states that one of the components of internal control is having employees who are in accordance with their responsibilities. MSME Kunci Sorot is engaged in the film industry which requires a lot of manpower with their respective functions. Teams with their respective functions are interrelated with one another so that the film production process becomes efficient and effective. With tasks that tend to be many and take time to complete, it takes energy to do one task at a time. With the division of tasks between members, the task completion process will be faster and more efficient. *"The core team consists of eight people. As for the members, there are about fifteen people."* (Ben)

Recording System Problems

Pauzi (2022) states that the internal control component is a recording system. This recording system can provide protection for wealth, income and expenses. Recording of existing documents in the Kunci Sorots MSME is still inadequate. Documents are proof of the existence of a transaction. Inadequate documents result in not being able to support strong evidence of a transaction that risks losing assets and having unreliable data. The recording system for MSME Kunci Sorot is still not supported because the recording is still not structured. This can impact operational daily evaluations and inaccurate

decision-making. "All equipment has been listed. But there are some that have not been updated. For example, a tool that was just purchased this year has not been added to the inventory list." (Ben)

Evaluation And Recommendation

Kunci Sorots MSME problems are given recommendations and considerations for Highlight Highlight MSME resources. The recommendations made are as follows.

Table 1. Recommendation and Problems MSME Kunci Sorot

No.	Problem	Recommendation
1.	Use of Personal Cash for Operational Costs	Cutting Operational Costs
2.	Film Production Requires High Costs	
3.	Unstructured Financial Statements	
4.	Recording System Not Supported	Unpaid use of WorkSheet Online
7.	Tool List Not Updated	
5.	Documents Used Are Less Supportive	Document Redesign
6.	Disadvantages To Incentivize	
8.	Non-Periodical Equipment Checks	Making Incentive Policies and Main Duties and
9.	Equipment Escort is Optional	Functions of Members
10.	Number of Members Too High	

Source: Author

Cutting Operational Costs

Kunci Sorot MSME engaged in film requires high operational costs in producing a film. It is hoped that cost cuts will increase profits from ticket sales for the MSME Kunci Sorot films. With lower costs, profits will increase so that the owner does not need to add additional capital from personal funds. Cost reductions can be in the form of (1) Using tools owned by Kunci Sorot MSME and only renting equipment that is not owned and is crucial, (2) Cooperation with cinemas so as to reduce rental costs or make screenings in non-cinema locations, (3) Purchase of public equipment with high numbers, (4) Efficiency in the amount of energy used.

Unpaid Use of Online Worksheets

With this erratic schedule density, updating data during busy schedules really needs a solution. The problem of updating data with a busy schedule is due to data updating, which requires a special time. The update must use a file on the flash disk. With the flexibility of updating data, it will overcome these problems.

Worksheet is an online application that can be updated at any time due to the database used from the provider's server. With this application, it is possible to update data with various conditions. The busy film production schedule causes no time to update data, but with this online application, it is very possible to update data with an internet network. With Worksheet, the owner also has the flexibility to check data. In addition, access to online applications makes it very easy if data is needed if it is needed suddenly.

Document Redesign

Documents used by Kunci Sorot MSME are notes that are sold in general. The document used is very easy to manipulate by Kunci Highlight MSME members. The risk that can occur is that when members of the Kunci Highlight MSME make transactions, price mark-ups occur. MSME Kunci Sorot has a tool guard who functions as the person in charge of the equipment rented by the client. When the client commits damage, the client is obliged to replace the damage to the tool with a statement from the tool guard. The new design of the document will require a 10% fee, which is directly printed on the receipt.

The following is a form of document redesign for Highlight Key SMEs.

KUNCI SOROT			
Rental Start Date	:	_____	
Date Of Return	:	_____	Number Of Days : _____
Lessee Name	:	_____	Quote : 1
No.	Equipments Name	Qty	Total
1.	_____	_____	Rp.
2.	_____	_____	Rp.
3.	_____	_____	Rp.
4.	_____	_____	Rp.
5.	_____	_____	Rp.
6.	Equipments Guard	1	Rp.
Total			Rp.

Note:

- Payment of 40% minimum is mandatory H-3 before taking equipments
- Checking process is carried out at time of return
- If there any damage to equipment, Lessee is obliged to replace
- Equipments Guard are charged 10% of rental fee

Lessee _____ Finance _____

(_____) (_____)

Figure 1. MSME Kunci Sorot Notes Redesign

Incentive Policy Making, Main Tasks, and Member Functions

Policies that can be changed in terms of cost efficiency are (1) Incentives are given 10% of the net profit of the Highlight Key MSME, (2) The Production Department is formed to separate members from the Household Department, (3) Tool guards included in the household Department will be given obligations to control the tool every loan.

Policy changes from the Highlight Key SMEs can be carried out with weekly meetings. This is because Kunci Sorots SMEs are still SMEs, and each member knows each other. In addition, the role of the owner of the Kunci Sorot MSME is still large in operational activities.

CONCLUSION

MSME Kunci Sorots still have not fully implemented the concept of business entities and accounting entity concepts. The function of the business entity concept is to separate personal wealth from MSME wealth. With this separation, the owner can secure MSME assets and personal assets. The

owner sometimes still uses the owner's personal cash for business operational needs. The concept of an accounting entity has been implemented in Kunci Sorot SMEs, but the recording is still very simple and unstructured.

The internal control implemented in Kunci Sorot MSME is still inadequate because there are many deficiencies. The documents used are still not supportive of recording and securing assets. The list of tools used is still using a list that has not been updated, which can cause business losses. Infrequent inspection of equipment, as well as monitoring of equipment that is still optional, can increase the possibility of damage to the assets owned. The number of MSME Kunci Sorot members that is too high causes high costs to be incurred and causes losses because the costs incurred are greater than the income.

The concept of business entities and the concept of accounting entities that have not been fully implemented have resulted in the internal control of the Highlight Key MSMEs not being carried out optimally because the entity concept is part of internal control.

The results of the study indicate that internal control is needed in maintaining assets owned and facilitating daily operational processes. MSMEs that tend to be simple still need internal control so that operational processes are efficient and effective. The results of the study also provide views related to the importance of the entity concept and internal control of a business, even if it's just an MSME.

This study has limitations, namely only focusing on SMEs in the film sector. Internal control is very flexible, so each MSME will require different internal controls according to needs. This research only focuses on one area of MSME, so the results of this study may not necessarily be applicable to MSME in other fields. Subsequent research can form conclusions on the most needed internal control for MSMEs in their respective fields. Due to the differences in the needs of MSMEs in each field, there will be crucial points in each MSME sector that can be summarized. A summary of internal control conclusions is urgently needed because it will make it easier to find information.

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