OPTIMIZING FINANCIAL REPORTING IN SMALL BUSINESSES: LEVERAGING MICROSOFT EXCEL FOR EFFICIENCY AND ACCURACY

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ABSTRACT

The importance of preparing accurate and timely financial reports for Micro, Small and Medium Enterprises (MSMEs) cannot be denied in the context of effective financial management. However, MSMEs often face obstacles in compiling financial reports manually, resulting in a lack of efficiency and accuracy of financial information. The aim of this research is to explore the potential of the Microsoft Excel application in increasing the efficiency and accuracy of preparing MSME financial reports, as well as identifying best practices in implementing Excel. The research method used is a qualitative case study through in-depth interviews and direct observation of the process of preparing financial reports in MSMEs at the Bumbu Bakso Trading Company Pasar Bigung Majalaya. The research results show that effective application of Excel can increase the efficiency of the process of preparing MSME financial reports. The implication of this research is to provide practical guidance for MSMEs in utilizing information technology such as Excel for more effective financial management, as well as contributing to the development of financial management theory and practice at the MSME level.

Keywords: Microsoft Excel, Financial Reports, Accounting, MSMEs

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are very important to the global economy, contributing significantly to job creation and local economic development[1]. However, MSMEs face challenges in effective financial management, especially in preparing accurate and timely financial reports [2]. These statements are not only a legal requirement but also serve as an important tool for strategic decision making and accessing financial resources[3]. Despite the recognized importance of financial reports, MSMEs often struggle to prepare them manually due to limited resources and inadequate access to technology. This highlights the need for support and intervention to improve financial management practices among SMEs, ensuring their sustainability and growth in a competitive business environment.

Several studies have focused on preparing financial reports using the Microsoft Excel application in Micro, Small and Medium Enterprises (MSMEs). These studies highlight the importance of digitizing financial reporting systems to facilitate access to financial services for MSMEs [4]. In addition, research emphasizes the importance of implementing a Microsoft Excel-based accounting information system to improve the accuracy and accountability
of financial records in MSMEs[5]. In addition, scholars have conducted training sessions to educate MSME entrepreneurs in utilizing Microsoft Excel for financial report preparation, aiming to improve understanding and application of financial reporting tools[6]. The study also analyzes the factors that influence the quality of financial reporting in MSMEs, emphasizing the positive impact of information technology on the quality of financial reporting [7]. Lastly, research shows how applying Microsoft Excel for bookkeeping can significantly benefit MSMEs by improving financial management and decision-making processes[8].

The aim of this research is to explore the potential of using the Microsoft Excel application in preparing financial reports for Micro, Small and Medium Enterprises (MSMEs) at the Bumbu Bakso Trading Company Pasar Bingung Majalaya, as well as to identify effective strategies in utilizing Excel to increase efficiency and accuracy in MSME financial management.

LITERATURE REVIEW

2.1 Definition of Financial Statements

Financial statements are comprehensive reports that provide insight into the financial activities and status of an entity. These statements are the result of interactions between companies, users of financial information, and the accounting profession. They serve as an important tool for monitoring borrowers, especially in the commercial banking sector, helping in assessing credit risk, relationship length, collateral, and information asymmetry [9].

2.2 Definition of Micro, Small and Medium Enterprises (MSMEs)

Micro, small and medium enterprises (MSMEs) are vital components of the local economy, contributing significantly to job creation and economic growth. These companies are usually characterized by factors such as number of employees, sales volume, and capital value, operate in the informal sector and are often managed by one or two individuals [10]. MSMEs are critical to generating employment and GDP growth in developing countries, although they face challenges such as credit rationing, which impacts their ability to borrow and grow [11].

2.3 Definition of Microsoft Excel

Microsoft Excel has been known as a spreadsheet worksheet application program which is very helpful in data processing and reporting activities because it is equipped with calculation and graphing features in the form of number processing with various formulations for processing data automatically including basic calculations, use of functions, data management and data generation. The Microsoft Excel application is an application that is usually used to process data using computer devices [12].

2.4 Microsoft Excel for accounting

Microsoft Excel is a valuable tool for preparing financial reports because of its affordability, simplicity, and efficiency. This enables real-time, interactive, and efficient information processing, improving the quality of financial reports [13]. Excel simplifies the preparation of financial reports such as balance sheets and income statements, reducing cycle time from journal entry to final report. Especially in Micro, Small and Medium Enterprises (MSMEs), Excel plays an important role in providing information about business performance and assisting stakeholders in decision making [14].
METHODOLOGY

In this research, the research design used is a case study with a qualitative approach. This approach was chosen because it provides ample space to understand in depth the experiences and practices related to the use of the Microsoft Excel application in preparing financial reports in MSMEs. Case studies allow researchers to explore comprehensive information from several MSMEs representing various sectors and different characteristics, thus allowing for more contextual generalizations.

The data collection techniques used include in-depth interviews with MSME owners, financial managers and staff directly involved in the process of preparing financial reports. Apart from that, direct observation of the process of preparing financial reports using Excel was also carried out to gain a more concrete and in-depth understanding of the challenges and practices that occur in the field.

The work steps in carrying out the preparation of Financial Reports using Microsoft Excel are as follows:

1. Collect evidence of transactions for one month, namely October 2023, carried out at the Micro, Small and Medium Enterprises in Meatball Seasoning at the Confused Market in Majalaya
2. Create a List of Accounts / COA (Chart of Account)
3. Create a control to enter the account type into the COA sheet
4. Create a Journal Form
5. Make a Ledger
6. Make a Work Balance Sheet
7. Make a Profit and Loss Report
8. Make a Balance Sheet
9. Field implementation activities

RESULTS AND DISCUSSION

4.1 Analysis in progress

Creating an Accounting Information System in Preparing Financial Reports using the Microsoft Excel Application is to record financial transactions for one month, namely October 2023 and find out the profit or loss of the Micro, Small and Medium Enterprises in Meatball Seasoning at the Confused Market in Majalaya. Employees from the Micro, Small and Medium Enterprises in Meatball Seasoning at Pasar Confused Majalaya still record transactions manually using cellphones to record daily income and expenses, then report the recording via WhatsApp to the business owner every day, as can be seen in Figure 1. They do not prepare reports. finance due to a lack of understanding, especially in the field of accounting, they have not carried out recording in accordance with applicable accounting standards and have not utilized Microsoft Excel technology as a tool that can facilitate the preparation of financial reports.
4.2 Making Financial Reports Using the Microsoft Excel Application

4.2.1 Create a List of Accounts Sheet / COA (Chart of Account)

Chart of Accounts (COA), also known as Schedule of Accounts, is a basic tool in accounting that regulates financial transactions[15]. It serves as a structured list of all the accounts used by an organization to record its financial transactions [16]. By providing a standard framework for categorizing financial information, COA facilitates the preparation of financial reports and supports consolidated reporting. Additionally, COA helps in linking financial transactions to specific accounts, enabling efficient tracking and analysis of financial data. The COA format usually includes several levels of account codes, assisting in the systematic organization of financial information. The following displays the COA sheet that has been created, it can be seen in Figure 2 below:
This part of the COA sheet consists of creating the account type, normal balance (SN), and position (POS) created manually according to the transaction. To enter the account type into the COA sheet, create the input using ComboBox. ComboBox is part of the Form control which is used to create forms that can be interacted with. With ComboBox, authors can choose one option from a collection that has been provided determined or created manually. This is very useful in creating data formulas in Excel, where the author can select values from a preset list, instead of having to enter the values manually again. For normal balances and positions, adjust to the existing account type. Whether the normal balance section is included in debit or credit, as well as the position, is included in the balance sheet or profit and loss account.

4.2.2 Create a Control Sheet to enter account types into the COA sheet

Making control sheets in preparing financial reports is used to determine account positions by balances, which can be debit or credit balances. Meanwhile, the normal account balance is the side where the increase in the account is recorded.[17]

![Figure 3. Tampilan Sheet Control](image)

In this Control Sheet there are three sections, namely, Account Type, SN (Normal Balance) and POS (Position), which here shows that there are two normal balances, namely a normal debit balance and a normal credit balance. In the position section there are two positions, namely Balance Sheet and Profit and Loss.

4.2.3 Create a Journal Form

Journal entries play an important role in preparing financial reports using Microsoft Excel[18]. These entries are very important because they record financial reporting activities directly related to financial statements and disclosures, and assist in accounting analysis. Utilizing Microsoft Excel in the preparation of financial reports allows real-time, synchronous, and interactive information that can be easily simplified through simple formulas, increasing process efficiency[19].

In the journal sheet in Figure 4, it is created to record all transactions involving receipts and expenditures, as well as providing a detailed explanation of financial transactions every day, consisting of date, transaction description, account code and amount that must be filled in in the debit and credit sections during October 2023 which occurred at the Micro, Small and Medium Enterprises in Meatball Seasoning at the Bingung Market in Majalaya.
4.2.4 Creating a Ledger

The process of creating a ledger in preparing financial reports using Microsoft Excel involves recording various financial activities. This ledger functions as a detailed historical data archive of a company's financial transactions, including income, expenses, adjustments, and account balances[19]. By leveraging Excel's PivotTable, filtering, and charting capabilities, valuable insights can be extracted from ledger data, enabling in-depth analysis and visualization of financial information[20].

The ledger sheet created acts as the main book for recording all financial transactions. Apart from that, the general ledger also provides information regarding the balance of each account and the value of transactions that occur in each forecast code in one time period. Every transaction that has been made in the journal will appear in this section by ordering which account code will be displayed as in Figure 5 below:
4.2.5 Creating a Work Balance Sheet

Creating worksheets in preparing financial reports using MS Excel involves designing interactive worksheets enhanced with Basic Macro/Visual Applications to assist in understanding financial accounting theory and statement preparation [21]. This process enables real-time, synchronous, and interactive information retrieval, streamlining through simple Excel formulas [22].

The Work Balance sheet is used to summarize the financial information of Micro, Small and Medium Enterprises from the journal to the balance that has been posted in the ledger. The balance sheet plays a role in compiling a financial balance sheet by taking into account the assets, liabilities and equity of Micro, Small and Medium Enterprises. The Work Balance Sheet, which is prepared as in Figure 6 below, helps in monitoring changes in account balances on an ongoing basis and provides the information needed to assess the company’s finances in more detail.

![Figure 6. Track Balance Sheet Display](image)

4.2.6 Make a Profit and Loss Report

The process of producing a profit and loss report in preparing financial reports using MS Excel involves utilizing software features and formulas to streamline the accounting cycle efficiently [19]. Microsoft Excel enables real-time, synchronous, and interactive information retrieval, increasing the speed and accuracy of financial reporting [23].

In the Profit and Loss Report sheet section. The Profit and Loss Report, which can be seen in Figure 7, reflects the income and expenses of Micro, Small and Medium Enterprises to assess whether the MSMEs have made a profit or loss. Profit occurs when income exceeds expenses, while loss occurs when income is lower than expenses incurred by MSMEs. This provides a clear or comprehensive understanding of the Company’s financial performance in relation to the income generated and the management of its operational costs.
4.2.7 Creating a Balance Sheet

Balance sheet reporting in financial statements functions to communicate the company's financial position by detailing assets, liabilities and equity [24]. This reporting helps stakeholders make informed decisions by providing an overview of the company's financial health [25]. Utilizing MS Excel for balance sheet preparation allows efficient organization and calculation of financial data, improving accuracy and presentation [26].

The Balance Sheet, which can be seen in Figure 8 below, plays a role in presenting information regarding the financial condition of MSMEs in a certain time period. The balance sheet provides details about the MSME's assets, liabilities and equity, providing a clear picture of the MSME's financial situation at that time. This is useful for MSME owners, investors and other related parties to understand the financial structure of MSMEs and make the right decisions based on existing information.

Figure 7. Profit and Loss Report Sheet Display

Figure 8. Balance Sheet Display
5.1 Conclusion

This research highlights the importance of applying the Microsoft Excel application in preparing financial reports for Micro, Small and Medium Enterprises (MSMEs). The research results show that effective use of Excel can increase the efficiency of the process of preparing MSME financial reports, thereby reducing errors and delays that can have a negative impact on decision making and the financial health of MSMEs. The implications of this research go beyond the practical context, because it provides a significant contribution in enriching the research literature on MSME financial management with an information technology approach.

5.2 Recommendation

Based on the findings in this research, there are several suggestions that can be submitted to stakeholders in MSMEs:

1. Training and Education: It is recommended that the government, educational institutions and related organizations increase training and education programs regarding the use of Excel in financial management for MSMEs. This will help business owners and related staff to utilize Excel optimally.
2. Application Development: It is necessary to develop special Excel applications or templates that suit the needs of MSMEs, which can facilitate the process of preparing financial reports without requiring high technical skills.
3. Further Research: It is recommended to conduct further research involving a wider sample and a more complex variety of MSMEs to gain a deeper understanding of the factors that influence the effectiveness of using Excel in MSME financial management.

By implementing these suggestions, it is hoped that MSMEs can improve their overall financial performance, support economic growth, and strengthen their position in a competitive market. It is important to convey these conclusions and suggestions in scientific articles in order to provide a sustainable contribution to the development of MSME financial management theory and practice.

REFERENCES


