

Increasing Financial Management Competency Through Basic Accounting Training for Small and Medium Enterprises in Malaysia

Inten Meutia^{1*}, Hasni Yusrianti¹, Agil Novriansa¹, Zul naidi Yaacob²

¹Accounting Department, Universitas Sriwijaya, Palembang, Indonesia.

²School of Distance Education, Universiti Sains Malaysia, Penang, Malaysia.

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Corresponding Author:

Inten Meutia

inten.26@gmail.com

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Abstract: Financial management issues are inextricably linked to the growth of SMEs since effective financial management necessitates accounting knowledge, which not all SMEs possess. This is because human resources lack the skills and knowledge necessary for effective business management. The goal of financial management training is to assist SMEs in figuring out the best selling price for their goods and in improving and streamlining the management of basic financial reports for companies they have operated by moving from manual to digital models. The first steps of the training process involve teaching participants the value of financial reports and how to create basic financial reports. Strategies for figuring out selling prices for the goods being sold are explained and helped with. Thirty small and medium-sized businesses (SMEs) in Balik Pulau, Penang, Malaysia, received this training and mentoring.

Keywords: Financial Reports; Profit and Loss; Cost of Goods Sold; Selling Price.

Introduction

When starting a business, it is hoped that it will run well and make a profit. However, to achieve this, it is not enough just to realize sales achievements, but it is necessary to prepare human resources (HR) who have an important role in managing finances through the means of making general financial reports, which can be understood by users of financial reports. This is where the business problems that most often occur in Micro, Small and Medium Enterprises (SMEs), most of which have poor management, include carrying out the accounting recording process. SME is an abbreviation for micro, small and medium enterprises whose business activities are productive activities owned by individuals and/or individual business entities that meet the criteria for Micro Enterprises as regulated in the Law (Jamkrindo, 2015). The development of SMEs in Indonesia will have an overall impact on the economy in Indonesia because SMEs are a real sector that is able to absorb a high number of workers and reduce

unemployment rates in rural and urban areas (Hafni & Rozali, 2017).

Even though in reality it is not as smooth as expected, there are still many obstacles faced by SMEs both internally and externally. Based on an internal perspective, these include: capital (60-70% unable to access banking financing), human resources (lack of knowledge about quality control, market needs, marketing methods, strategic planning), legal (still an individual legal entity), accountability (does not yet have a system good financial administration and management). From an external perspective, namely: the business climate is not yet conducive, infrastructure (limited facilities & infrastructure), access (limited access to raw materials and technology), halal (only a small portion of SME products have halal certification).

One way to access technology and information (digital) for SME players is through computerized applications. Micro, Small and Medium Enterprises (SMEs) as community business units must be able to innovate and respond to the challenges of the times. The innovations carried out need to be balanced by adequate

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mastery of technological aspects to increase the effectiveness and efficiency of business processes, one of which is managing financial reports. Currently, there are still many SMEs that do not understand the fundamental role of financial reports. Business financial reports are only prepared as is, written manually in a simple format, and do not use appropriate accounting standards.

The result is that there are often errors in drawing conclusions regarding the profit/loss status of SMEs due to irregular business financial reporting. Modugu & Eragbhe (2013) stated that SMEs have an important role in the development of a country, but the status of their financial management is still not well presented. The development of SMEs cannot be separated from financial management problems because good financial management requires accounting skills, which not all SMEs can understand well. SMEs believe that there is no need to assess the company's financial performance; some even do not need to make financial reports because they are considered too complicated and a waste of time. The impact is that SME business players do not know their ability to pay off short-term debt, how much sales contribute to profits, and how many times the SME turns over in a year. This is due to the lack of knowledge and abilities of human resources regarding good business management.

SME players consider that sales and the existence of money in cash flow are still more important than periodic financial reporting, this results in the contents of SME financial reports often being incomplete, not recorded neatly, and not reflecting the actual status of the business (Shields & Shelleman, 2011; Spinelli & Timmons, 2009). Preparing financial reports is still considered difficult, especially for SMEs that still operate on a small scale (Coleman, 2002; Everaert, Sarens, & J. Rommel, 2006).

Furthermore, SME business management is often given little attention by most micro- and small-business entrepreneurs. The digital economic disruption and the pandemic are an opportunity for small businesses to switch to online media. This is in accordance with the government program of the Indonesian Ministry of Cooperatives and SMEs, which has launched the program "30 million SMEs Go Digital by 2024".

The majority of SMEs are identified as often making mistakes and not understanding when preparing financial reports for their business. Many of them have prepared financial reports, either recording them manually or using a computer. But the reality on the ground shows that financial statements and the amount of money available often show discrepancies. This difficulty is especially experienced by business people who do not have a financial/management/business educational background. In line with research conducted by (Widjaja et al., 2018) which states that the

lack of human resources who have skills in accounting is an obstacle to the progress of SMEs.

Another inhibiting factor is a lack of knowledge about financial management so that SMEs actors do not have the ability to separate funds from sources and needs for business from funds for the household, so knowing whether a business is experiencing a profit or loss is difficult to detect and analyze. These conventional habits of course hinder business performance and hinder business progress and development. Research conducted by (Humaira & Sagoro, 2018) states that there is a positive influence between financial attitudes, financial knowledge and behavior on financial management abilities.

Financial statements

Financial statements are official records of the activities and financial position of a person, business, or other entity. An easy-to-understand format is used to present related financial data in a structured manner. They usually contain management discussion and analysis and consist of four basic financial reports. Financial reports are structured statements regarding the financial condition and financial performance of an entity, in accordance with (SAK, 2020). Apart from that, financial reports also function as documents that contain financial information related to a company within a certain period of time and are produced in accordance with applicable accounting rules (Robinson et al, 2012). There are four qualitative characteristics that financial reports must have, namely; understandability, relevance, reliability, and comparability. There are many types of financial reports depending on whether the company is in the public sector or private sector. Financial reports that comply with PSAK used by the private sector are as follows; Financial statement, Income statement, Cash flow statement, Statement of Changes in Equity, and Notes to Financial Reports. Financial reports for small and medium businesses can be made even simpler. According to Rudianto (2012) the accounting cycle is a sequence of work that must be carried out by accountants from the start in analyzing transactions to producing the company's financial reports for the next period's transactions. In this way, business actors can control assets, liabilities and equity as well as plan income and cost efficiency for decision making, as well as to smoothly obtain soft credit from financial institutions. Apart from carrying out the accounting process manually, currently, access to technology and information (digital) is required for SMEs through computerized applications.

Conditions and Mastery of Technology

Profiling results from the target audience, namely business actors in Penang, Malaysia. Precisely in the

Balik Pulau area, Penang. A crucial problem that needs to be addressed immediately is improving financial management capabilities, especially the preparation of simple application-based financial reports and strategies for determining selling prices. Many business actors combine business finances with personal finances, do not have reports on their business results, and make mistakes in determining selling prices. Based on the situation analysis above, it can be concluded that training and assistance programs for preparing simple financial reports based on Excel applications and training on preparing selling prices in Balik Pulau Malaysia are very necessary.

Problem Identification and Formulation

Based on the situation analysis above, it can be identified that the problems faced by SMEs in Balik Pulau, Penang, Malaysia are:

1. Lack of knowledge and ability of SMEs regarding the concept of good financial management.
2. There is still a lack of ability of SMEs to utilize technology in running a business.

The urgency of assistance in financial preparation and reporting is very high, especially for SMEs in Penang, Malaysia in the context of improving the regional economy, one of which can be strengthened through training models and assistance in preparing financial reports. The target audience is micro, small, and medium enterprises (Malaysian small entrepreneurs from Indonesia).

The aim of this community service is to provide assistance and counseling to individuals and small entrepreneurs, especially Indonesian micro and small businesses (SMEs) in Malaysia, about basic financial management, especially in accordance with basic financial accounting. In this way, business actors can calculate breakeven, the cost of goods sold, determine selling prices, and calculate profit margins for their business.

Specifically, the objectives of this training and mentoring are:

1. Helping SME players improve and simplify the management of financial reports for businesses they have run, by switching from manual to digital models.
2. Helping SMEs in determining the right selling price for the products they sell.

The benefits of this community service are as follows:

1. For business people, managing financial reports will become easier, practical and orderly. It is hoped that business actors can increase the effectiveness and efficiency of business processes, one of which is good management of financial reports.
2. Academics and the government can utilize the results of this service as a training and mentoring

model, especially for updating SME financial reports which can be duplicated in other places.

The impact of this community service is modernization and changes in the mindset of SME players in managing businesses more effectively and efficiently. It is hoped that after carrying out this service program, the participants will have financial management skills. Furthermore, it will also be able to look for opportunities to increase family finances as provisions to improve their standard of living.

Implementation Readiness

The organizer of this service activity is an accounting lecturer at the Faculty of Economics, Sriwijaya University who has accountant certification and is experienced in company accounting. The competencies possessed by activity implementers are very relevant and in accordance with the activity material. This service activity is carried out by providing material related to digital entrepreneurship and technical guidance or practice using applications for simple financial management.

Method

Location

The training was conducted at the Meeting Room of Pertubuhan Peladang Kawasan Seri Pulau, Balik Pulau, Penang, Malaysia. This training program was a collaborative effort between the Faculty of Economics, Universitas Sriwijaya, and Universiti Sains Malaysia. The resource persons for this training were certified accounting lecturers from the Faculty of Economics, Universitas Sriwijaya.

Implementation Stages

The community service activity will be carried out using management and technical assistance methods through training techniques as well as question-and-answer or discussion sessions. The systematic implementation of this community service activity is as follows:

a. Step 1 (Training Method):

The first training method provided will be management assistance, where participants will be given knowledge and understanding of financial and business management concepts, especially basic financial reporting for SMEs. Participants will receive explanations about the importance of financial and business management, particularly for business actors who wish to expand their markets globally.

b. Step 2 (Application and Tool Practice):

In the next method, participants will receive training in simple financial and business management, as

well as technical assistance in preparing Financial Statements using Excel applications, organized into a module for preparing simple financial statements.

c. Step 3 (Discussion):

Participants will be given the opportunity to engage in question-and-answer sessions or share problems related to financial management, the preparation of simple financial statements, and potential challenges in their implementation.

Target Audience

The selected target audience for this community service activity is farmers in Balik Pulau, Penang, Malaysia. These farmers are micro, small, and medium-sized enterprise (SME) entrepreneurs operating in the Home Industry sector in Penang, such as cake makers, food producers, spice makers, and pickle producers. The estimated number of participants in this community service activity is around 30 individuals.

Organization Personnel

Table 1. Personel Expertise

Name	Expertise	Task
Prof. Dr. Inten Meutia., M.Acc., Ak (Chairman)	- Expertise in Sustainability Accounting	- Provided material on Basic Financial Management.
- Accounting Lecturer (Unsri, Indonesia)		- Practiced good financial management for SMEs.
Prof. Madya Zulnaidi Yaacob., Ph.D	- Expertise in Management Accounting	- Coordinated with Universiti Sains Malaysia (USM).
- Dean of School of Distance Education (USM, Malaysia)		- Coordinated with local farmers in Penang, Malaysia.
Dr. Hasni Yusrianti, MAAC., Ak., CA	- Expertise in Auditing and Public Accounting	- Coordinated with USM for a Simple Financial Report Module
- Accounting Lecturer (Unsri, Indonesia)		- Practiced the preparation of simple financial statements.
Agil Novriansa., M.Sc., Ak.	- Expertise in Auditing	- Coordinated the implementation of the Community Service Program with relevant parties.
Accounting Lecturer (Unsri, Indonesia)		

Result and Discussion

Activity Implementation

Basic accounting training for enhancing financial management and business competency for micro, small,

and medium-sized enterprises in Penang, Malaysia was attended by 30 business practitioners. The types of businesses engaged in by the participants consisted of 29 culinary entrepreneurs and 1 herbal medicine entrepreneur. This activity took place on December 7-8, 2023.



Figure 1: Training environment in Balik Pulau, Penang.

Training Stages

The first stage of the training involves providing participants with management guidance on the concepts of financial and business management for small and medium-sized enterprises (SMEs). Participants are given an explanation regarding the importance of financial management in entrepreneurship. The topics covered include Financial Planning, Business Concepts, Basic Accounting for SMEs, Profit and Loss Statements, and Pricing Strategy.

Material related to financial planning really needs to be provided so that business actors can determine the direction of business decisions and also as a means of controlling business activities. The business entity concept is also provided so that business actors separate business activities and personal activities related to finance. Specifically for basic accounting for SMEs, including; recording assets, recording income and expenses, preparing expenditure plans, determining production costs, preparing profit and loss reports, as well as determining prices and profit planning. Profit and loss reports are also provided so that business actors can see whether the business they are doing is profitable or not in a period, and can use profit and loss reports to increase business profits. In detail, the material presented is as follows;

- Introduction to basic Accounting
- Why is it important to do financial planning



Figure 2. Material: Basic Financial Accounting

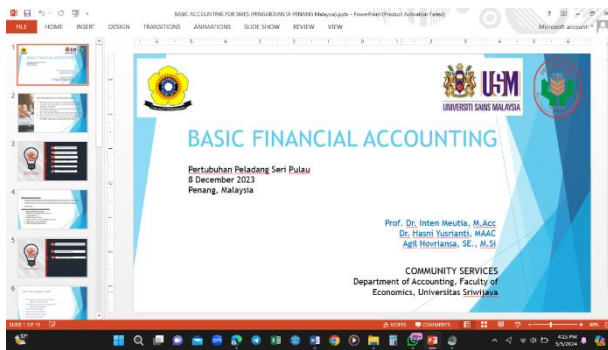


Figure 3. Material: SME financial planning



Figure 4. Material: Basic Accounting for SMEs

- c) Basic accounting for SMEs
- d) Profit and Loss Calculation
- e) Determination of Selling Price

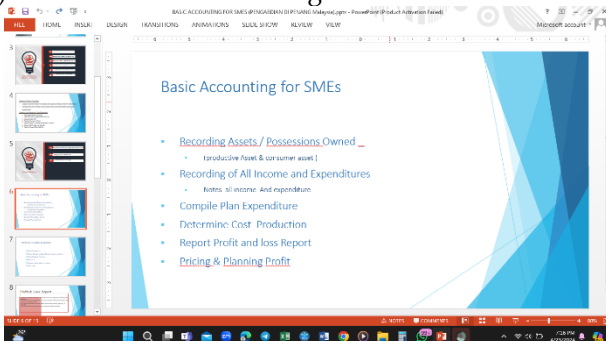


Figure 5. Material: Profit and Loss Statement

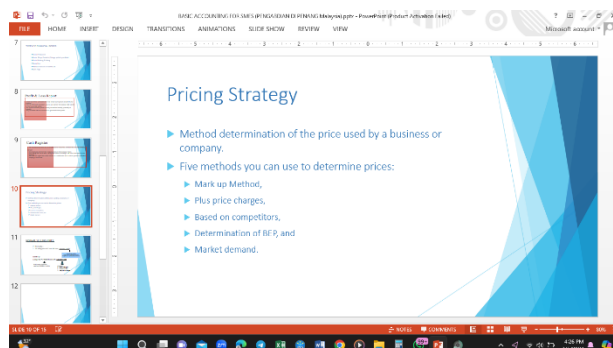


Figure 6. Material: Pricing Strategy (Price Determination)

In the second stage of the training, a practical or simulation of basic accounting is conducted using a

simple Excel-based application. This simple Excel application is designed to be easily used by SME practitioners in Malaysia. The calculations include cash book preparation, material purchases, standard material usage, standard overhead, standard wages, cost calculations/unit price, fixed costs, and preparation of profit and loss statements.

In general, the main menu of this application is Sales, Cost of Goods Sold, Overhead Costs, Profit and Loss Report, and Cash Book. The main menu is also supported by supporting sheets. Sheets related to preparing sales reports are sales books, sales recaps, goods price lists. The sheets related to the cost of goods sold are the cost of goods sold, material standards and overhead standards. Meanwhile, the other sheets are Profit and Loss Statement, fixed costs, cash book.

This simulation of preparing a simple financial report takes the example of preparing a profit and loss report for the "Laris" cake shop. This shop produces various cakes, including; Engkak Cake, Layer Cake, Marble Cake, and Bolu Suri. Considering the diversity of products sold by service participants in Malaysia, the menus in the excel sheet can be easily adapted to the products being sold.

Simulations of preparing Excel-based financial reports are provided with the material. Specifically, knowledge and assistance is also provided regarding several financial calculations, including; Cash Book Recording; Preparation of Sales Reports; Calculation of standard material costs, standard wages, and standard overhead costs; and Preparation of profit and loss reports.

Material for Simulation

We use excel application to demonstrate the preparation basic financial accounting. The slide below are some material that we prepare to make basic financial accounting and pricing strategy.

TGL	Keterangan	Debet	Kredit	Saldo
8	SALDO AWAL			10.500.000
9	1 Bayar Gaji Pegawai		9.250.000	1.250.000
10	1 Penjualan Tanggal 1	6.750.000		8.000.000
11	1 Dibekl Terang	260.000		7.740.000
12	2 Dibekl Terang 20 kg		560.000	7.180.000
13	2 Penjualan Tanggal 2	5.130.000		12.310.000
14	3 Penjualan Tanggal 3	4.345.000		16.655.000
15	4 Penjualan Tanggal 4	5.330.000		21.985.000
16	5 Beli Bunter		200.000	21.785.000
17	5 Beli gas		500.000	21.285.000
18	5 Bayar Telepon & Internet		400.000	20.885.000
19	5 Penjualan Tanggal 5	5.525.000		26.410.000
20	5 Bayar Air		300.000	26.110.000
21	6 Penjualan Tanggal 6	6.385.000		32.495.000
22	6 Biaya Endorse		200.000	32.295.000
23	8 Penjualan Tanggal 8	4.390.000		36.685.000
24	8 Dibekl Terang 20kg		260.000	36.425.000

Figure 7. Cash Register

Figure 8. Sales report

Figure 9. Income statement

Figure 10. Overhead Determination

Figure 11. The Use of materials

Figure 12. List of employee costs

In the final session, a discussion was held with the participants. Considering the many types of businesses the participants had, the discussions were more specific. The training participants were very enthusiastic. During the discussion, many people also asked about opportunities to export to Indonesia.

Realization of Solution to problem

Business actors are currently starting to transform to carry out simple accounting records as has been explained. Several participants expressed several difficulties faced when carrying out accounting records. Another problem faced by online business actors is the difficulty of carrying out records that comply with accounting standards, even with simple records.

This problem can be handled by providing participants with knowledge and assistance and knowledge of simple financial accounting by utilizing the Excel application in the current technological era. Problem solving is carried out by providing management assistance in the form of explanations about the importance of financial and business management even though the business undertaken is not yet large. Technical assistance is also provided by providing guidance on how to prepare simple financial reports for small and medium businesses.

Another technical assistance provided is how to determine the cost of goods sold in order to determine the best selling price for the products produced. The following are the problems and the systematic realization of problem solving:

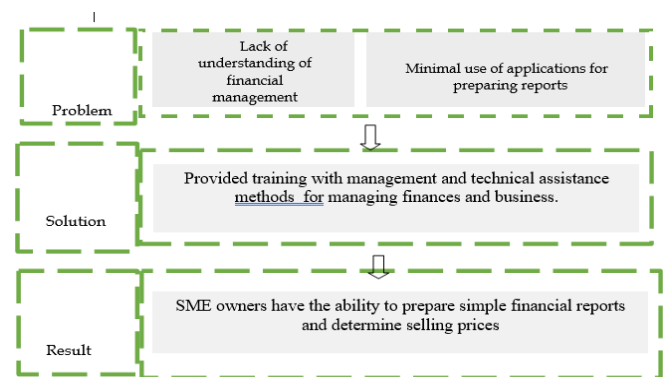


Figure 13. Systematic Problem Solving



Figure 14. Participants and Resource Persons

Response and feedback

Positive responses were given by the training participants during the activity, such as actively participating in following the material and practices carried out. The following is documentation of training and technical guidance with participants.



Figure 15. Participants and Resource Persons



Picture 16. Visit Participats SMEs

A review of participant products that have been sold at outlets is also carried out for direct sharing regarding what costs can be included in preparing financial reports that can still be maximized.

Conclusion

Business actors can improve their financial and business management capabilities by increasing their ability to prepare financial reports and determine selling prices in accordance with the cost of goods sold. Business actors can maximize the use of the Excel application for preparing financial reports, determining the cost of goods sold and determining selling prices. Considering that time is very limited for providing this training, it is very important for business actors to receive assistance after the training is carried out. Small and medium businesses can maximize their business by utilizing various technologies that are currently developing. It is very important for business people to master other simple applications for business

development, not just preparing financial reports. Based on suggestions from participants, it is hoped that further service activities can be carried out related to how Malaysian products can be marketed to Indonesia.

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