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# BUMDesa Financial Accountability: What is The Role of BUMDesa Accounting and Implementation of SAK ETAP?

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*Journal of  
Entrepreneurship and Business*  
E-ISSN: 2289-8298

Vol. 12, Issue 1, pp. 127-134. Mar. 2024

Faculty of Entrepreneurship and  
Business, Universiti Malaysia Kelantan  
Locked Bag 36, 16100 Pengkalan Chepa  
Kota Bharu, Kelantan, Malaysia  
<http://journal.umk.edu.my/index.php/jeb>

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Date Received: 20<sup>th</sup> December 2023

Date Accepted: 7<sup>th</sup> March 2024

DOI: 10.17687/jeb.v12i1.1198



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**Abstract** – The presence of BUMDesa can serve as a means to alleviate the country's economic crisis, as seen by the employment opportunities it provides in several provinces in Indonesia and the substantial revenue it generates for the community. Nevertheless, the viability of BUMDesa's activities is intrinsically linked to the substandard nature of BUMDesa's financial statements. Some BUMDesa still fail to produce financial reports due to a deficiency in their grasp of accounting literacy and management. Numerous BUMDesa frequently fail to achieve progress in their economic endeavors, and using BUMDesa development funding is inefficient. This study empirically examines the function of BUMDesa financial responsibility in accounting and the implementation of financial accounting standards for entities without public accountability (SAK-ETAP) by creating BUMDesa financial statements. How is financial accountability achieved in BUMDesa? What is the function of accounting in BUMDesa management, and are BUMDesa's financial statements presented according to SAK-ETAP? This research study will also be evaluated using entity theory, which highlights the importance of management taking responsibility, ensuring business continuity, and providing financial information to stakeholders of the corporate entity. The qualitative research methodology uses a descriptive technique rooted in phenomenology. This study utilizes primary data from interviews with key informants, including the director and treasurer of BUMDesa "Pule Sejahtera." The study's findings suggest that BUMDesa "Pule Sejahtera" financial statements lack full accountability. Accounting is crucial for BUMDesa's success in ensuring its financial accountability. SAK-ETAP is restricted to creating cash-in and cash-out records to calculate the ultimate balance of BUMDesa's assets. The leadership of BUMDesa "Pule Sejahtera" should promote the understanding of accounting and provide financial support.

**Keywords:** "Financial Accountability," "SAK ETAP," "BUMDesa"

## 1. Introduction

In order to enhance living conditions and alleviate poverty, the Indonesian government places significant emphasis on the rural economy. The Ministry of Villages has initiated a program to expedite the enhancement of the village economy through the establishment of Village-Owned Enterprises (BUMDesa). The overall state of BUMDesa in Indonesia, which was created as a government-led effort to harness the potential of rural areas, places the

management of BUMDesa within the jurisdiction of the village government authority. According to data from the Office of Community and Village Empowerment (Boby, 2024), most village leaders who have completed their education have high school qualifications. According to the provisions of Law No. 6/2014 (Arsik & Lawelai, 2020), specifically Article 50, paragraph 1, individuals must have a high school diploma as a minimum prerequisite to qualify for a position as a village official. Consequently, not all of the village's human resources are willing to contribute to its improvement and progress, nor do they possess a firm grasp of financial literacy and accounting. The village's limited comprehension of human resources hinders the effectiveness of accounting.

This is because the average village official is a high school graduate, and there are even some who only have high school or lower degrees. So, a more profound study to assess village financial accountability can be seen from how accounting principles are applied in activities and how much compliance managers have in implementing accounting standards relevant to their business. Accountability is BUMDesa's responsibility towards parties involved in operational activities, including the village government and central government (Amerieska et al., 2021). The application of accounting and preparation of financial reports must be based on financial standards to become a vital reference for trust and openness regarding finances managed by BUMDesa to all parties.

When creating financial statements, BUMDesa must adhere to the requirements for compiling financial statements that align with the applicable financial accounting standards. BUMDesa must meet specific criteria, specifically the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP). This is because BUMDesa's financial statements include the financial activities of MSMEs and other economic activities in the village that are not accountable to a public entity in their financial reporting. Any deviations from the relevant accounting standards must be disclosed in the accounting policies and notes of the BUMDesa financial statements (Poeh et al., 2022). The recommended accounting standard for presenting BUMDesa financial statements is the Village Minister Regulation No. 4 Year 2015, which follows the Financial Accounting Standards for Entities Without Public Accountability or SAK ETAP. The SAK ETAP standard is highly recommended as a reference for creating BUMDesa financial statements due to its simplicity and lack of complexity in the preparation process (Poeh, 2022). Under the SAK ETAP guidelines, BUMDesa must prepare multiple financial statements, including the balance sheet, statement of changes in equity, cash flow statement, income statement, and notes to the financial statements (Iluwati et al., 2022). SAK ETAP assures BUMDesa's financial statements are clear, pertinent, significant, trustworthy, and comprehensively presented. This study will also analyze the theoretical process of preparing financial statements for BUMD when implementing the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP). The investigation will concentrate on BUMDesa "Pule Sejahtera" because of its significant potential for developing commercial units. Nevertheless, the initial survey indicated that managers still have a limited comprehension of the provisions for implementing BUMDesa performance reporting. The BUMDesa "Pule Sejahtera" has also participated in the Desa Berdaya competition by proposing a BUMDesa unit to develop a tourism hamlet.

## **2. Literature Review**

### **2.1. Entity Theory**

Entity theory states that a company is a business unit that exists separately from the owner's identity. Entity theory emphasizes the concept of management and responsibility, where businesses are concerned with the level of business continuity and financial information for equity owners' businesses to fulfill legal needs, maintain good relations with equity holders, and hopefully be able to obtain funds in the future. (Wijekoon, Sharma, and Samkin 2023). It can be concluded that there is a separation between the company's interests and the owner's interests. Thus, the transactions recorded and accounted for are transactions involving the company. The company is considered to act in its interests separate from the owner (Lee et al., 2019).

### **2.2. Accountability**

Accountability is an essential aspect for companies and government bodies, serving as a means of fulfilling their responsibilities towards shareholders. The government is a public institution tasked with providing services to the community, different from the private sector. Accountability will be significantly increased when the company has issued or is in the process of issuing securities in the capital markets and when the entity manages assets in a fiduciary capacity for a large group of individuals Sriwati, (2022). Accountability refers to the duty of individuals, legal entities, or collective leaders to provide explanations and justifications for their performance and behavior to those with the right or authority to request such information or accountability. (Rambu Ana and Ga, 2021) Accountability can be interpreted as an obligation to convey responsibility, answer, and explain the performance and actions of a person/legal entity/collective leader or organization to parties with the right or authority to ask for information or accountability. Organizations must authorize their activities and demonstrate their performance to the public (Bovens, 2008). However, because sources of legitimacy vary depending on ownership, goals, logic, and control, responses to legitimacy claims are also expected to be influenced by these combined characteristics of the organization (Yelvita, 2022).

### **2.3. SAK- ETAP**

SAK ETAP refers to financial accounting standards that apply to businesses that do not have special public accountability obligations. SAK ETAP is applied to companies or organizations that require accountability only on an internal scale and do not even have public accountability. An entity that does not have public accountability is an entity that does not have substantial public responsibilities and does not provide financial reports for general use by external users. External users in this context refer to individuals or entities, such as owners who are not directly involved in business management, as well as creditors and credit rating agencies (Poeh, 2022). SAK ETAP, issued by the Indonesian Accountants Association, is very suitable to be implemented by BUMDes because of its compatibility with the nature and characteristics of BUMDesa. BUMDesa is not responsible for accountability in general, but BUMDesa reports are accounted for in the Village Fund report.

According to SAK ETAP, an organization's comprehensive financial report consists of a balance sheet, profit and loss statement, change in equity report, cash flow report, and accompanying notes (Iluwati, 2022).

#### 2.4. BUMDesa

BUMDesa, or Village-Owned Enterprises, are business entities collaboratively established by the Village Government and the Village community (Gusirsfa & Agung, 2021). There are three underlying principles for the creation of BUMDes. Firstly, BUMDesa functions as a corporate entity, but its objective extends beyond just profit-seeking. It also aims to deliver services to the community, acting as an extension of the Village Government and engaging in community service activities. Initiatives aimed at enhancing and invigorating the local economy of the hamlet. Furthermore, BUMDesa must refrain from assuming control of local inhabitants' economic endeavors. Instead, they should focus on generating novel economic opportunities, enhancing value, or fostering collaboration between existing economic activities and those previously pursued by village residents. Furthermore, BUMDesa is structured as a Social Enterprise, a commercial organization designed to address social issues by generating additional value (Creating Value) (Poeh, 2022).

### 3. Methodology of Study

#### 3.1. Research Approach and Study Design

The research methodology employed in this study is a descriptive qualitative technique, utilizing a literature review to establish a research framework, enhance the theoretical foundation, and identify areas of knowledge deficiency. Secondary data were utilized, specifically financial report documents and other relevant materials. The research begins with a comprehensive review of existing literature about the phenomena prevalent in the community. Subsequently, data is collected through observation and interviews with the study subjects. The focus of the study is the BUMDesa "Pule Sejahtera." The participants in the study include the BUMDesa Director, the BUMDesa Treasurer, the Village Head, and representatives of community leaders. The focus of this study pertains to the individuals who participate in the research interviews or serve as informants. The research will focus on the BUMDesa Director, Treasurer, and Village Head, who will serve as informants regarding their responsibilities in managing the financial reporting and accountability activities and procedures of BUMDesa.

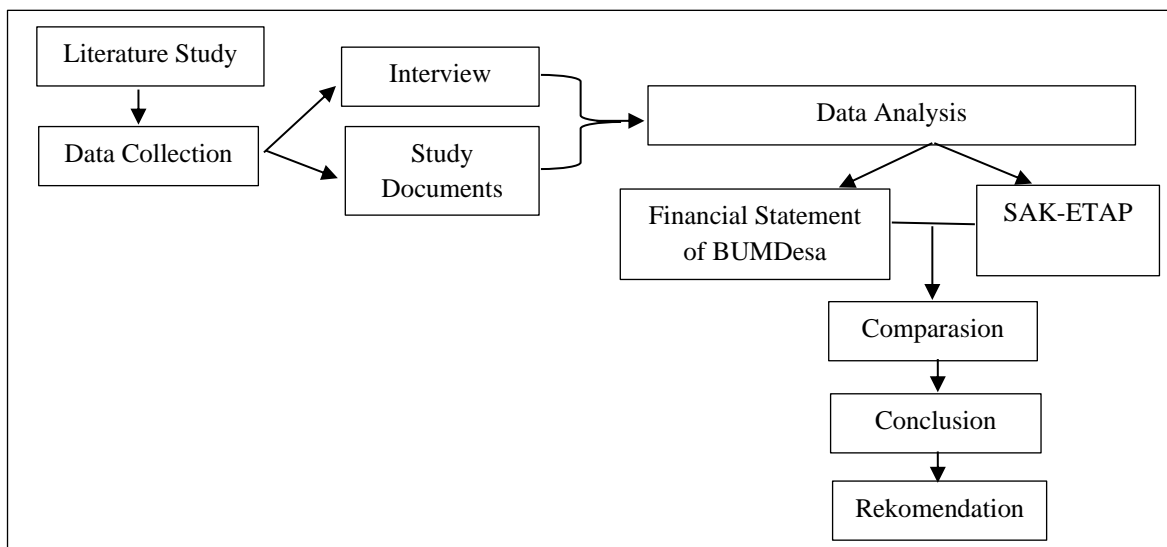
#### 3.2. Research Instrument

Information was obtained by interviewing informants and checking BUMDesa financial report documents. The research employs the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP) as the measurement framework. Do the financial reports generated by BUMDesa comply with the SAK ETAP requirements, which encompass balance sheets, profit and loss statements, capital changes reports, and cash flow statements? Measurements are conducted by considering the size of the BUMDesa, the management's educational qualifications, and the dissemination of information and socialization of SAK ETAP.

### 3.3. Procedure for Data Collection and Analysis

The study methodology commences by comprehensively examining pertinent literature about community phenomena. Data was collected by observing and interviewing research subjects, specifically the BUMDesa Director and Treasurer, who provided information regarding the financial management and reporting methods employed by BUMDesa thus far. In addition, a meticulous review of financial documents provided by BUMDesa managers was carried out, followed by a thorough data analysis utilizing a comparative descriptive methodology. The process involved in this task included analyzing the BUMDesa financial statements and implementing necessary revisions to align them with the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP). Ultimately, conclusions are derived from the discoveries. The measurement is carried out by assessing the size of the BUMDesa, the management's educational qualifications, and the extent of information distribution and socialization of SAK ETAP. This study will analyze the preparation of financial statements for BUMDesa by considering using the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP). The data collection and analysis processes for this investigation are illustrated in Figure 1 as depicted below:

Figure 1. Research Flow Chart



## 4. Findings and Discussion

### 4.1. The Role of Accounting in BUMDesa

Based on the results of document observations, interviews with research objects, and the results of research analysis, it was found that the role of accounting in BUMDesa has not been fully included. It is proven that the BUMDesa manager or BUMDesa treasurer is not someone who comes from an accounting educational background or is an expert in economics. They were recruited based on their closeness to the village government, which

had free time and was committed to developing BUMDesa. They have attended several seminars and accounting training but have not fully understood the adaptation of accounting literacy. The existence of BUMDesa's internal accountability or accountability towards the village government is only limited to reports on balances owned by BUMDesa, which are not yet in the form of reports on BUMDesa's complete activities. The accountability conveyed is still closed within the internal management and village representative bodies and has not yet reached the stage of reporting BUMDesa accountability at large Village meetings.

#### 4.2. Implementation of SAK ETAP in BUMDesa

Based on the document observation and research analysis results, information was obtained that the BUMDesa study cash-in and cash-out reports were the only ones used to provide financial position reports to the village government. They cannot fulfill the SAK ETAP requirements because they lack accounting literacy, accounting, and financial awareness. In general, there is no comparison between SAK ETAP and the BUMDesa examined because the BUMDesa examined in this study does not produce financial reports. According to the account categorization, all components of income obtained by BUMDesa "Pule Sejahtera" are classified as business income and are not divided into non-business income. There is no estimated depreciation value for BUMDesa equipment and other fixed assets, which are used as a replacement allocation at the end of their useful life. As a result, when assets were discontinued, BUMDesa managers were confused about registering their investments. Because there is no estimated depreciation of fixed assets, only general and administrative expenses are recorded in the expense classification, and depreciation expense does not appear in the account classification. Profit/loss information is not displayed; BUMDesa "Pule Sejahtera" believes that if the final balance improves, BUMDesa will be fine. As a result, they lack the evaluation materials needed to improve the performance of their BUMDesa. According to regulations, the BUMDesa "Pule Sejahtera" evaluated in this research does not involve the role of accounting.

### 5. Conclusions and Recommendations

The study's findings suggest that accounting is crucial for the success of BUMDesa in ensuring financial accountability. Many BUMDesa organizations must develop ways to promote the understanding of accounting and financial literacy and provide mentoring to adopt accounting practices that effectively support financial accountability. The use of SAK ETAP is ideal for preparing BUMDesa financial statements since it enables the compilation of clear and concise financial information that is easily understandable by readers. The financial statements prepared by the rules of BUMDesa consist of the following: Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement, and Notes to Financial Statements (CALK).

This research significantly impacts BUMDesa by enhancing knowledge and comprehension of accounting and financial literacy and highlighting the crucial function of accounting in effectively managing a corporate company's finances. BUMDesa now possesses explicit

assessment resources to build forthcoming development strategies. The financial direction becomes evident, and methods of accountability can be established and shared with the public and stakeholders to avoid any influence from political interests.

The BUMDesa study took various examples of BUMDesa in one of the sub-districts in Indonesia whose names did not wish to be mentioned. It is envisaged that in the future, deeper investigations can be carried out precisely at BUMDesa. That optimal help can be provided so that the research results can alter the study object to a better state and align with applicable standards.

## **6. Limitations of the Study**

This study is limited to BUMDesa in districts that are still not developed and are not comprehensive in Indonesia, so the results will be different if it is carried out on BUMDesa in areas with advanced development categories.

## **7. Suggestions for Future Research**

Based on the limitations of the research, it is essential for further research to expand the research area, for example, BUMDesa throughout Indonesia, and from the perspective of more informants regarding the data needed. Researching the many BUMDesa in Indonesia is essential because the BUMDesa form only exists in Indonesia. BUMDesa is included in the priority category of the Ministry of Villages to improve its performance in overcoming economic problems in Indonesia, especially in villages. BUMDesa is of particular concern because there is a large number of participation funds from villages for BUMDesa. However, from the data, it is known that management and reporting are not optimal.

## **Disclosure Statement**

The authors reported no potential conflict of interest.

## **Funding**

No funding was involved in this research.

## **Acknowledgment**

Thank you to fellow researchers BUMDesa Oule Sejahtera, who cooperated during the data collection period, to fellow researchers who have helped complete this research, and To the InCEBT team for allowing us to present the research and leading to this publication. Hopefully, this research can provide benefits from an academic and practical perspective.

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