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INNOVATION OF FINANCIAL ACCOUNTING PRACTICES THROUGH THE DESIGN OF SAK-BASED FINANCIAL ACCOUNTING APPLICATIONS

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ABSTRACT

Applied Innovation Research (PTI) aims to create a SAK-based financial application design for MSMEs and SMEs in financial management and production activities. The design will be applied in student practicum for financial accounting courses at Medan State Polytechnic, a Vocational State University. The goal is to create a simple design for financial accounting applications that will be used by MSMEs and classroom learning activities. The main goal is to develop students and MSMEs' technology skills, even if they lack good abilities. The PTI project partners with other universities with IT-capable human resources to collaborate on utilizing existing competencies in accounting and Information Technology science. The goal is to create a digitalized, accessible, and user-friendly financial accounting application that will benefit both students and SMEs.

Keywords: *Financial accounting, design, innovation*

INTRODUCTION

Accounting is a science that is very closely related to technology and information so that it has a good ability to always adapt to various changes. The rapid competition encourages MSME activities to utilize imformation technology to run their business. Therefore, MSMEs in the country must also be able to transform to a digital economy (Alsalmi et al., 2023).

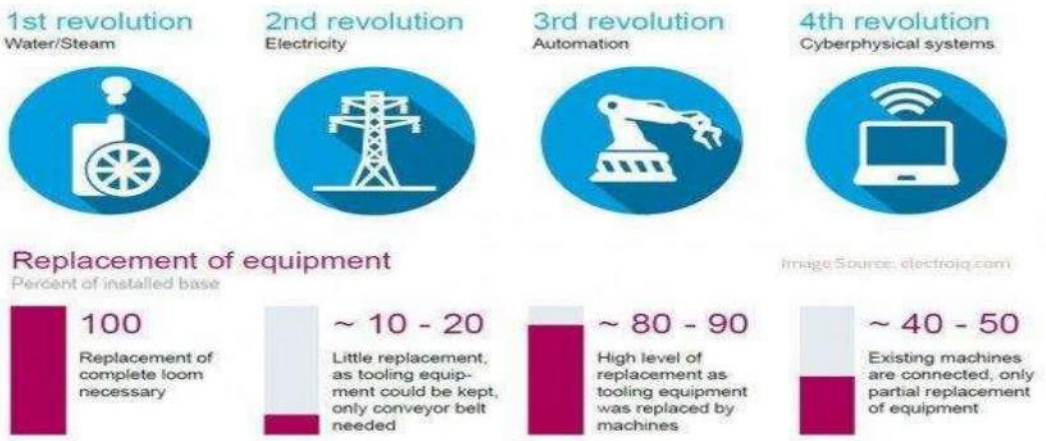
Bookkeeping is basically the process of storing accurate data about transactions in and out of a business. Bookkeeping will help business actors to find out the development of the business that is being run, besides that they can also control business operational costs, know the amount of debt, control assets, and calculate taxes. The weakness of MSMEs in preparing financial statements is due to low education, lack of understanding of Financial Accounting Standards (SAK), and training in preparing financial statements (Yuli &; Sigit, 2018) (Kokina & Blanchette, 2019). The low preparation of financial statements is caused by the absence of regulations that require the preparation of financial statements for MSMEs (Sixpria et al., 2013). Financial accounting standards that are used as guidelines in the preparation of financial statements must be applied consistently (Gunawan et al., 2023) (Dewa et al., 2022).

Along with the development of information technology has a significant impact on the accounting recording process in a company (Windayani et al., 2018) (Sukmawati, 2020). The development of information technology and science will help business people to improve the quality of existing systems in an organization to be more effective and efficient and the results of information in a company are clouded for the smooth running of business processes and improve the quality of decisions taken by management (Medennikov, 2021). Even today accounting software is not only used on computers, but can also be used on smartphones (Dewa et al., 2022), especially Android-based smartphones that have many features to make it easier

for users to manage company finances. In addition, the use of a digitized Accounting Information System can save time and costs compared to a manual system because it is able to minimize errors in recording transactions in a company (Pashkevich et al., 2023).

In the big dictionary Indonesian digitalization is the process of giving or using digital systems (Arnese-Feffin et al., 2022), digitalization can be interpreted as a process of transformation from analog to digital forms (Hung et al., 2023). The general purpose of digitalization is to carry out cost efficiency and improve the company's business operational processes (Ghorbani, 2019).

Accounting information system is a system that aims to collect and process data and report information related to financial transactions (Pratami, 2022). Another definition of accounting information system is a system that aims to organize forms, records, and reports that are coordinated to produce financial information needed in making decisions of management and company leaders and can facilitate company management. The application of accounting information systems will produce digital documents, so that the implementation of accounting digitalization has been carried out by business activities (Knudsen, 2022) (Knudsen, 2020). Digitalization of accounting can be interpreted as the process of transforming economic activities in organizations electronically by implementing accounting information systems in it (Rauramo, 2021). Digital accounting does not have a standard definition but only refers to accounting changes due to conputation and network technology.



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The rapid pace of technological change is remodeling accounting practices and changing the nature of work for accountants and their roles. According to (Hunton, 2015) (Zhang et al., 2022), a number of new threats and opportunities arise related to the accounting profession in the future. Accounting jobs now have to deal with a variety of computer programs, information processing, and decision-making problems that were not previously part of an accountant's job. Information technology (IT) has a major impact on all aspects of accounting. According to Al-Htaybat &; von AlbertiAlhataybat (2017), accounting practices will greatly benefit by combining technological developments more coherently and comprehensively (Saputri & Fauziyyah, 2023), because faithful accounting elements can be improved.

The role of accountants is not only to design accounting reports, but also as an advisor in business decision-making plans by providing analysis of the company's financial condition to

be used as decision-making considerations (Warren et al., 2015). The process of recording and making financial statements can now be done automatically because there is no possibility of human error. Warren et al., (2015) concluded that big data will change all aspects of accounting practices and professions significantly.

With all the ease of technology that develops in the accounting profession, an accountant must be able to master and control technology. Various soft skills need to be possessed by accountants so that the accountant profession is not rushed by economic digitalization. In particular, accountant knowledge is intended as an important element that can least be replaced by relying entirely on data analysis (Kyriacou, 2016) (Al-Htaybat &; von Alberti-Alhtaybat, 2017).

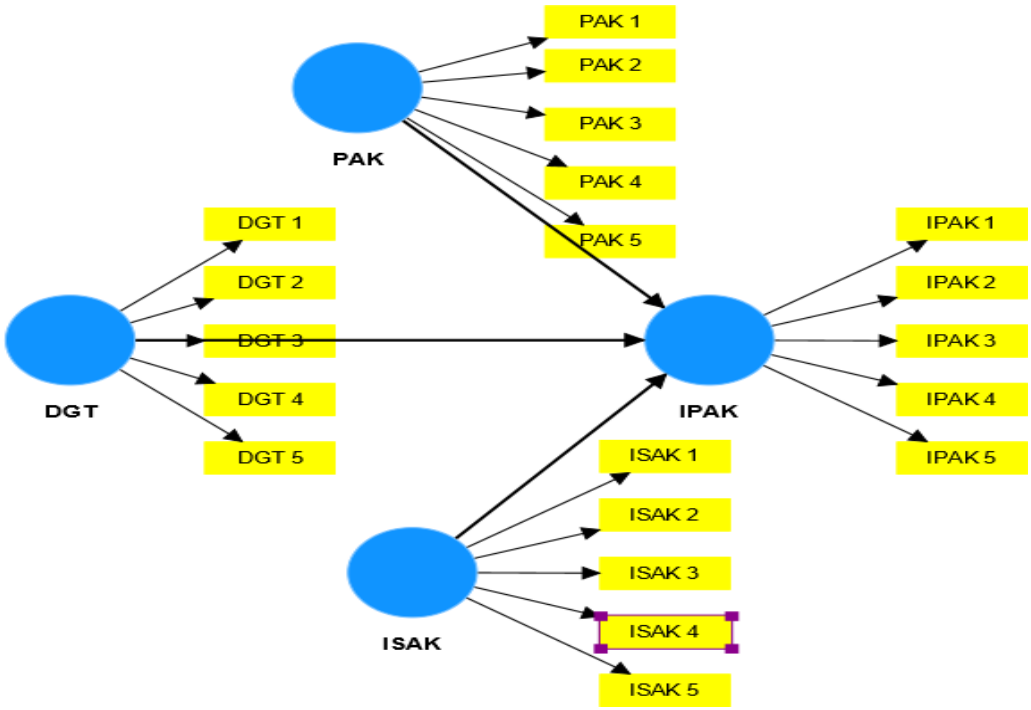
Based on the theory of innovation diffusion, Innovation Diffusion consists of two word equivalents, namely diffusion and innovation. Roges 1995 in Sciffman and Kanuk (2010) defines diffusion as *(the process by which an innovation is communicated through certain channels overtime among the members of a social system),* the process by which an innovation is communicated through certain channels within a certain period of time among the members of a social system in addition, diffusion can also be considered as a type of social change that is a process of change that occurs in the structure and functions of the social system.

METHOD

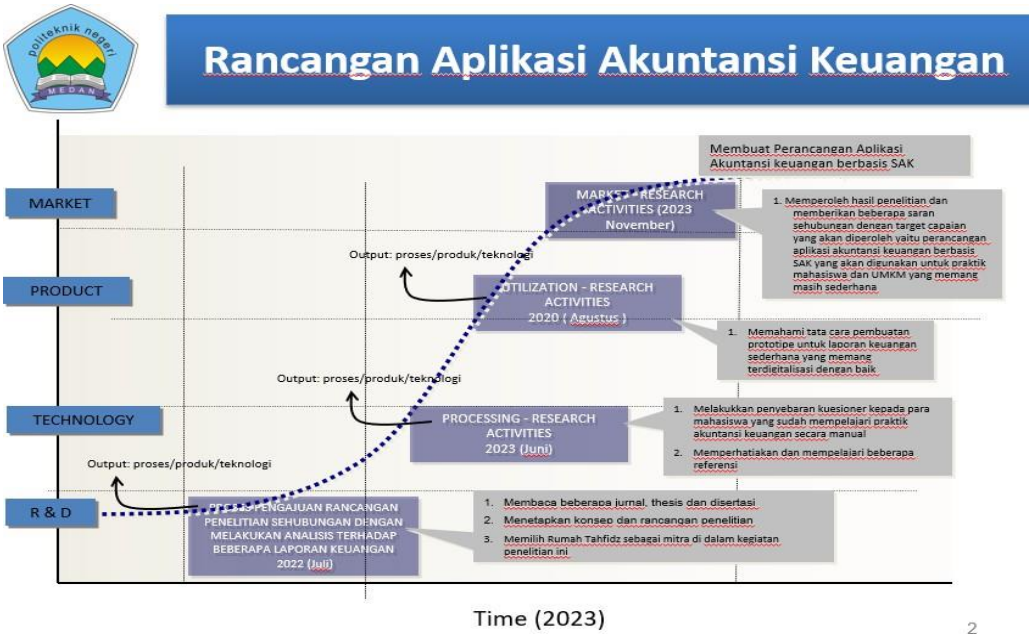
Data collection and analysis are carried out among the first using inferential statistics which means that in the testing process will use the inner model and the outer model of the SmartPLS application (Sugiyono, 2009). Then, in testing the model there are also several other data analysis techniques. In outer model testing, there is a convergent validity test whose criteria are measurements using the average value of the percentage of the variance score compared to the value of the variable or this is more often referred to as the *value of Average Variance Extracted* (AVE*)* Hair et all et al (2006) in Susanto (2011). Then the second is to use reliability testing to see the degree of confidence whether the data being tested is indeed Reliable or not.

This is also implemented through the acquisition of the Cronbach Alpha value which if the value is closer to 1 then it means that the value is more consistent. Then there is structural model testing which is described with the value of the coefficient of determination, and this can be done by obtaining the results of *bootstrapping* testing where there will be several values that are considered further through the test. As for testing the hypothesis that has been illustrated at the beginning, it will be done by looking at the T table value and the calculated T value which will later be compared based on SmartPLS calculations. Furthermore, what needs to be considered is the existence of moderation variables that will later be tested, to see whether these variables are indeed worthy of being used as moderation variables or not in this study.

The models used in this study are as follows:



The research design in this study is as follows:



RESULTS AND DISCUSSION

The results of this study show that the SAK-based financial accounting application developed is able to increase efficiency and accuracy in managing company financial data. The application allows users to easily access and record financial transactions in accordance with the principles of SAK, thus minimizing the risk of recording errors. In addition, the application of this application also contributes positively to the quality of the company's financial statements. The resulting financial statements are more in accordance with applicable standards, thus providing greater confidence for stakeholders, such as investors, creditors, and

other related parties. The discussion involves an in-depth analysis of the impact of these innovations on financial accounting practices in general. Researchers also discussed the limitations and potential for further development of this application. In addition, aspects of compliance with SAK regulations are also the focus of discussion, emphasizing the importance of this application in supporting companies to comply with applicable accounting standards. Overall, this research contributes positively to the development of financial accounting practices through innovative applications in the form of SAK-based applications. The implementation of this application is expected to be a reference for other companies that want to improve the quality and compliance of their financial accounting.

The development of Financial Accounting Standards (SAK) is an important foundation in improving the transparency, consistency, and reliability of an entity's financial reporting. The use of technology in financial accounting practices is a crucial element that supports the effectiveness and efficiency of IFR implementation. With the development of IFRS, business entities have clearer guidelines regarding the preparation of financial statements in accordance with applicable standards. The use of technology, such as the latest accounting software, allows entities to automate the financial reporting process, ensure compliance with IFRS, and reduce the risk of human error. The importance of technology in financial accounting practices is also reflected in its ability to improve the accessibility and readability of financial information. Technology-based accounting systems enable more efficient data storage, fast data analysis, and better visualization, facilitating informational and accurate decision making.

In addition, the technology also supports the implementation of concepts such as blockchain in financial accounting practices. The use of blockchain technology can improve data integrity, transaction security, and ensure better traceability in the financial value chain. In an era where business changes are happening rapidly, the use of technology also allows for more flexible adaptation to changes in accounting regulations. Accounting systems that can be updated easily according to SAK changes allow entities to stay ahead of meeting the latest accounting requirements. Overall, the use of technology in financial accounting practices is not only operational efficiency, but also a determining factor in achieving compliance and conformity with the development of IFRS. This not only improves the quality of financial statements, but also optimizes the contribution of financial accounting in supporting the company's strategic decision making.

CONCLUSION

By ending this research, it can be concluded that the innovation of financial accounting practices through the development of applications based on Financial Accounting Standards (SAK) has a significant positive impact. The implementation of technology in accounting practices not only improves operational efficiency, but also strengthens the accuracy, compliance, and readability of financial information. The results show that students involved in the development and application of these innovations receive strong support from the campus and lecturers, creating a learning environment that supports a deep understanding of digitized financial accounting practices.

The suggestions of the researcher are:

1) Further Development: In the context of innovation, it is advisable to continue to develop and improve SAK-based financial accounting applications. Exploring the potential

integration of new technologies and innovative concepts can increase the competitiveness of such applications.

2) Increased Student Engagement: The campus can further activate students in the development of innovative financial accounting practices. Workshops, seminars, or collaborative projects with industry can be a means to increase student engagement and creativity.
3) Responsive Curriculum Preparation: Lecturers and academic managers can design a curriculum that is responsive to the latest developments in financial accounting practice. Further integration of digital and technological concepts can ensure that students have skills relevant to industry needs.
4) Collaboration with Industry: The campus can further intensify cooperation with industry in developing curriculum and research projects. This will not only ensure the availability of up-to-date resources and knowledge, but also help students to recognize and overcome real-world practical challenges.
5) Dissemination of Research Results: Disseminating research results to stakeholders, both internal and external, can trigger a wider dialogue and exchange of ideas. Seminars, conferences, or publications can be an effective platform to share research findings and stimulate conversation within the industry.

By adopting these suggestions, it is hoped that the innovative development of financial accounting practices will continue to evolve and make a positive contribution in preparing students to face the ever-changing and digitalized business era.

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