

THE APPLICATION OF FINANCIAL ACCOUNTING STANDARDS IN NON-PROFIT ORGANIZATIONS

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Abstract

Implementing Financial Accounting Standards (SAK) in non-profit organizations is crucial for establishing financial accountability, ensuring continuity, transparency, and fostering public trust in fund management and overall organizational performance. The objective of this study is to investigate the difficulties and barriers encountered when implementing Financial Accounting Standards (SAK) in non-profit organizations and propose potential remedies. This study employs the Systematic Literature Review methodology to examine the findings of relevant research. The research findings demonstrate the intricate nature of implementing SAK (Systematic Accounting Knowledge) in non-profit organizations. This includes challenges such as a scarcity of human resources, a lack of understanding about SAK, reliance on conventional financial recording methods, and difficulties in adopting internet reporting technology. Possible solutions to these challenges encompass a comprehensive strategy that entails enhancing stakeholder comprehension, cultivating human capital with the requisite accounting expertise, and optimizing the implementation of information technology. This study highlights the importance of adopting SAK as a basis for establishing trust and efficiently carrying out social and financial obligations in non-profit organizations.

Keywords: *Accountability, Financial Accounting Standards, Non-Profit Organizations.*

1. INTRODUCTION

Nonprofit organizations play a crucial role in promoting and developing various sectors, including social welfare, education, health, environment, and more (Wahyuni, 2017). While their primary objective is to benefit society without pursuing financial gain, ensuring sustainability and maintaining financial accountability are still crucial aspects of fulfilling their mission. Therefore, the implementation of Financial Accounting Standards (SAK) in non-profit organizations has become an inevitable necessity. The implementation of SAK offers a reliable and clear structure for the presentation of financial reports. This can enhance the trust of stakeholders, optimize resource management, and streamline the acquisition of additional resources (Amelia et al., 2021). The significance of implementing SAK in non-profit organizations, as previously elucidated, resides in the fact that these organizations oversee funds derived from diverse sources, such as donations, grants, and government funds. Donors, whether they are individuals or entities, have confidence that the funds they donate will be utilized effectively and in alignment with the objectives of the organization (Wahyuni, 2017). Hence, ensuring financial transparency and accountability is imperative to instill donors with a sense of assurance that their funds are being utilized in alignment with their intended purposes. This not only fosters confidence, but also facilitates the sustainability of financial support and enables nonprofits to optimize the beneficial influence they can exert in society. Implementing a System of Accountability and Key Performance Indicators (SAK) enables donors to assess the efficiency of their financial contributions, thereby fostering long-term support.

In addition, nonprofit organizations frequently engage in intricate and diverse projects. By implementing SAK, they are able to consistently measure their financial and operational performance, thereby facilitating improved decision making and risk management (Maulina, 2018). Nonprofit organizations can utilize SAK to facilitate the comparison of their financial outcomes across different

years, comprehend the effects of policies, and pinpoint areas that require enhancement. Understanding the utilization and impact of limited resources is crucial in nonprofit projects due to their inherent resource constraints. Moreover, SAK offers a structured system that enables nonprofit organizations to assess the efficiency of their programs, gauge the attainment of their objectives, and allocate resources more judiciously. This enables them to address evolving community needs and promote sustainable development in their projects.

In addition to internal advantages, the adoption of SAK in non-profit organizations also promotes external transparency (Ajizah & Marlina, 2021). Stakeholders, such as governments, foundations, and the general public, require reliable information in order to assess the impact and effectiveness of nonprofit programs. By adhering to the Standard Accounting Code (SAK), non-profit organizations can generate financial statements that are verifiable and can be benchmarked against other similar organizations. This enables a more precise evaluation of their performance. The implementation of SAK plays a crucial role in establishing trust and fostering collaboration with stakeholders, particularly for nonprofit organizations aiming to secure grants, government funding, or broader public support. This is achieved through the creation of external transparency. Moreover, when stakeholders are provided with transparent financial data, they can gain a deeper comprehension of the allocation of public funds, and nonprofit entities can fulfill their accountability obligations more efficiently. Implementing SAK is crucial for fostering positive relationships with the community and external stakeholders, while also establishing a solid groundwork for sustained growth and support.

In the age of globalization and accelerated communication, it is crucial for non-profit organizations to have the capacity to function on an international scale. Implementing SAK enables individuals to communicate using a financial language that is universally comprehensible (Melia, 2022a). By doing this, they can enhance their ability to cooperate with other nonprofit organizations, acquire global resources, and broaden the scope of their mission. SAK establishes a comprehensive structure that serves as a universal means of communication among nonprofit organizations worldwide, facilitating the seamless exchange of information, experiences, and resources. In this manner, nonprofit organizations can establish more robust collaborations, incorporate superior methodologies from around the world, and effectively address more significant global obstacles. Furthermore, the implementation of SAK can bolster the endeavors of non-profit organizations to secure grants or funding from overseas, as international donors typically seek out organizations capable of delivering consistent and dependable financial reports. Nonprofit organizations can enhance their influence beyond national boundaries and make a more efficient contribution to intricate global challenges by embracing globally acknowledged standards. Incorporating Financial Accounting Standards in non-profit organizations is crucial as it promotes financial viability, responsibility, and openness. This serves not only the organization's internal interests, but also aims to fulfill the expectations and requirements of donors, stakeholders, and the general public. By adopting the System of Accountability and Knowledge (SAK), non-profit organizations can uphold and enhance public confidence while executing their objectives with greater efficiency.

2. RESEARCH METHODS

The utilization of a qualitative methodology in research plays a crucial role in comprehending the manner in which non-profit organizations implement Financial Accounting Standards (SAK) within their specific circumstances. When implementing SAK in non-profit organizations, a systematic qualitative approach, known as a Systematic Literature Review, is used to analyze, synthesize, and interpret relevant previous studies. This methodology is employed to address research inquiries that center on comprehending the procedure, determinants, and consequences of implementing SAK in non-profit organizations. The utilization of a qualitative approach in a systematic literature review enables researchers to delve more deeply into qualitative aspects that cannot be quantitatively measured (Anggito & Setiawan, 2018; Sugiyono, 2017). Within this framework, conducting research using the SAK methodology can encompass various social, cultural, and contextual elements that influence accounting

decisions and practices within non-profit organizations. A qualitative methodology enables researchers to meticulously identify and analyze these variables.

A qualitative systematic literature review can assist in identifying the range of SAK implementation practices in non-profit organizations. Nonprofit organizations exhibit diverse missions, sizes, and resources, resulting in varying applications of SAK. Researchers can employ a qualitative approach to elucidate variations in practice and examine the factors that contribute to these disparities. Furthermore, by conducting a qualitative systematic literature review, researchers can gain insight into the effects of implementing SAK on non-profit organizations. This entails comprehending how the execution of SAK impacts accountability, transparency, and interactions with external stakeholders, such as government, donors, and the general public. In the context of this research, a qualitative approach enables researchers to thoroughly investigate and comprehend it, as this impact frequently encompasses dimensions that are not easily quantifiable.

3. RESULTS AND DISCUSSION

Implementation of Financial Accounting Standards in Non-Profit Organizations

Non-profit organizations have a responsibility to disclose and report how they use funds to related parties. However, the difficulty of implementing Statement of Financial Accounting Standards (PSAK) No. 45 in this situation means that financial reporting efforts have not been fully optimized (Ajizah & Marlina, 2021). The ongoing adoption of PSAK 45 in non-profit organizations presents a range of challenges related to factors such as the intricate nature of organizational operations, constrained resources, and ambiguity in the regulatory landscape. Although accounting's primary duty is to ensure fund accountability, it is crucial to consistently enhance and adjust the implementation process to guarantee the precision and significance of the submitted financial information. This is necessary to comply with evolving accounting standards and establish trust among relevant parties. Within a wider framework, certain non-profit organizations continue to utilize cash recording and single entry methods, which pose further difficulties in the implementation of Statement of Financial Accounting Standards (PSAK) No. 45. The scarcity of skilled accountants and the absence of extensive expertise in financial report preparation are significant challenges that hinder the adoption of an accrual-based accounting system (Chaled, 2015). Nonprofit organizations may face challenges in maintaining accountability and transparency if they do not fully adapt to modern methods despite the clear guidelines provided by PSAK 45 for recognizing, measuring, and disclosing financial transactions. Gaining a thorough comprehension of this intricacy is crucial, necessitating focused endeavors to enhance the capacity of human resources and facilitate a heightened conceptual understanding of employing more advanced recording techniques that align with relevant accounting principles.

The implementation of Statement of Financial Accounting Standards (PSAK) No. 45 in non-profit organizations has significant implications for both the technical aspects of accounting and the overall performance of the organization (Maulina, 2018). This accounting framework regulates the disclosure of financial transactions. The impact of non-profit organizations on the well-being of the communities or interests they serve is assessed based on the level of effective implementation of PSAK 45. Management accounting plays a crucial role in controlling and organizing management, influencing the perception of the organization in society. Hence, the implementation of PSAK 45 is not solely a technical requirement, but serves as the foundation for establishing unambiguous and open financial responsibility, consequently enhancing the public's perception and confidence in the non-profit organization. The research conducted by Repi et al. (2015), Diviana et al. (2020), Ryanto & Ramadhani (2021), Sahri (2021), and Widiani (2019) explored the implementation of Financial Accounting Standards (SAK) in non-profit foundations. These studies uncovered valuable insights that enhanced our understanding of the intricacies of financial reporting. They emphasize multiple methodologies, commencing with the constraints associated with the production of financial statements at STIKES Muhammadiyah Manado, which are currently restricted to trial balances. It advocates for the necessity of generating financial position reports, activity reports, cash flow reports, and accompanying notes to enhance the comprehensiveness of the financial reports. In 2017, Kitabisa Foundation, ICW, and Rumah Zakat showed adherence to PSAK 45. However, certain areas, such as the presentation of Fixed Assets

and account information, still need further improvement. Conversely, the Diniyyah Putri Education Foundation demonstrates the complete capability of applying PSAK 45 in its financial reports, despite employing a straightforward recording method. Despite having systematic cash records, universities still need to enhance their preparation of financial reports in line with the guidelines of PSAK 45 Non-Profit Entities. This represents a step forward in achieving greater financial transparency within non-profit organizations. These findings emphasize the intricacies and distinct difficulties in applying accounting standards to foundations, providing valuable perspectives for enhancing management accounting and financial reporting.

The findings of research conducted by Gultom & Poputra (2016), Primayani et al. (2014), and Siswantika et al. (2021) shed light on the expanding understanding of the dynamics of financial reporting in social institutions, as influenced by the implementation of Financial Accounting Standards (SAK). Medan Haji General Hospital is currently investigating various reports, such as trial balances, operational reports, changes in equity reports, budget realization reports, and notes to reports. However, they have not yet presented financial position reports and cash flow reports, and their approach does not fully comply with PSAK 45. The Non-Government Organization (NGO) KYPA is currently facing difficulties in implementing PSAK 45 for financial reporting, which underscores the challenges of adapting accounting standards to the unique context of social institutions. However, the GMIM Synod Office has a shortage of staff when it comes to preparing financial reports. They only record reports on the actual spending and income budgets, which do not fully comply with PSAK 45. This analysis presents a comprehensive and insightful overview of the endeavors undertaken by different social institutions to attain the highest possible level of compliance with accounting standards. It highlights their progress in enhancing financial transparency and accountability despite the constraints of limited resources.

Concluding this investigation reveals that the adoption of Financial Accounting Standards (SAK) No. 45 in non-profit organizations and social institutions presents intricate and distinctive difficulties. While accounting responsibility for fund accountability remains essential, the goal of achieving optimal financial reporting has not been fully achieved. The implementation steps are complicated by factors such as the intricacy of organizational activities, resource constraints, and the unpredictability of the regulatory environment. In certain contexts, traditional methods such as cash recording and single entry are still viable alternatives. However, transitioning to accrual methods necessitates additional endeavors. Research conducted by multiple foundations and social institutions reveals differences in the implementation of SAK, emphasizing the significant influence of accounting management on an organization's public perception. Hence, in order to guarantee the precision, pertinence, and openness of financial data, as well as to fulfill the requirements of constantly evolving accounting norms, persistent endeavors to enhance, adjust, and augment conceptual comprehension are necessary. Therefore, incorporating SAK in non-profit organizations and social institutions is not solely a technical endeavor, but also a strategic measure to establish trust and effectively meet social and financial obligations.

Challenges and Obstacles in Implementing Financial Accounting Standards in Non-Profit Organizations

The adoption of Financial Accounting Standards (SAK) in non-profit organizations is a complex process that involves various difficulties and hurdles, as evidenced by the findings of academic research. This financial transformation not only facilitates organizations in achieving a greater level of accountability and transparency, but also introduces a range of intricacies that necessitate a comprehensive comprehension. Academic research plays a crucial role in understanding how SAK implementation works in non-profit organizations. Researchers have discovered multiple findings that highlight the challenges and obstacles involved in optimizing financial reporting according to relevant standards. These findings contribute to a rich and intricate narrative, necessitating effective problem-solving techniques. Melia's (2022b) research provides a comprehensive analysis of the difficulties associated with the adoption of Financial Accounting Standards (SAK) in non-profit organizations. The two primary facets disclosed generate substantial intricacy. The primary obstacle in the preparation of financial reports is the scarcity of human resources. The significance of competent human resources is

crucial in this context, as accounting that adheres to standards necessitates expertise and profound comprehension. Furthermore, the utilization of cash recording and single entry techniques by certain non-profit organizations hinders the attainment of the intended degree of precision and openness. The adoption of these methods can impede an organization's capacity to offer transparent and responsible financial information, resulting in obstacles that must be addressed when implementing SAK in the non-profit sector.

Aditiya (2021) conducted research that emphasizes the notable difficulties in implementing Financial Accounting Standards (SAK), specifically PSAK No. 45, for non-profit organizations. The research findings indicate a deficiency in managers' information and knowledge regarding these accounting standards. The impact extends beyond the conformity of financial reporting to applicable standards, highlighting the necessity for additional endeavors to enhance stakeholders' comprehension of the intricacy of these standards. In addition to this, the scarcity of human resources in implementing PSAK No. 45 and the inherent intricacy of these standards introduce a degree of challenge that necessitates carefully devised strategic solutions. This challenge demonstrates that the implementation of SAK involves not only the application of rules, but also the need to enhance knowledge capacity and human resources in order to achieve the objective of precise financial reporting that aligns with established standards. Wulandari's (2020) research on the Zakat Management Organization (OPZ) identified several barriers that hinder the use of internet reporting for disclosing financial and non-financial information. The challenges encountered encompass a dearth of skilled personnel, exorbitant expenses associated with website development, technical hurdles in overseeing digital platforms, and the presence of regulations that engender variability in information presentation. The findings of this study not only demonstrate the practical difficulties in implementing digital transformation in the accounting sector, but also highlight the strategic intricacies that need to be addressed in order to attain the desired level of preparedness and effectiveness in this era of digitalization.

The study conducted by Muhammadiyah et al. (2019) outlines the distinct difficulties encountered by the Al-Ihsan Muhammadiyah Orphanage in Banjarmasin City when adopting Financial Accounting Standards (SAK). The primary difficulty stems from the limited adoption of PSAK No. 45 on financial statements, resulting in a disparity between the actual accounting practices being used and the desired standards. The treasurer's unfamiliarity with the guidelines for preparing financial reports according to these standards exacerbates the organization's challenges in attaining the desired level of financial accountability. This challenge underscores the necessity of adopting a more comprehensive learning approach to practical accounting standards, emphasizing the pressing need to enhance the comprehension and capabilities of relevant stakeholders in order to attain optimal adherence to SAK. In general, the adoption of Financial Accounting Standards (SAK) in non-profit organizations presents difficulties across multiple important aspects. The primary hindrance lies in the scarcity of human resources, which hampers the organization's capacity to produce precise and timely financial reports. In addition, there is a deficiency in comprehension regarding accounting standards, particularly PSAK No. 45, and the intricacy of the standards themselves further complicates the execution of proper accounting procedures. Technological challenges, particularly in the areas of internet reporting and digital transformation, pose significant obstacles due to the considerable costs associated with website development and technical barriers. Adherence to relevant standards is essential, given that certain organizations still employ cash recording and single recording methods. To address these challenges, a comprehensive strategy is needed. This strategy should involve enhancing stakeholder comprehension, cultivating personnel with proficient accounting abilities, and adopting advanced information technology to facilitate improved accounting procedures that adhere to relevant regulations

4. CONCLUSION

The research findings reveal that the process of implementing Financial Accounting Standards (SAK) in non-profit organizations is intricate and demanding. The complex landscape of limited human resources, lack of knowledge, reliance on traditional methods like cash recording, and technological obstacles in implementing internet reporting necessitate comprehensive solutions. The solutions to these challenges entail enhancing stakeholder comprehension, cultivating human capital, and implementing

more streamlined information technology. The ongoing adoption of PSAK 45 poses several challenges, such as the intricacy of organizational operations, resource constraints, and regulatory ambiguity. To surmount these challenges, persistent endeavors to enhance, adapt, and augment conceptual comprehension are pivotal in guaranteeing the precision, pertinence, and openness of financial data. Implementing SAK in non-profit organizations is both a technical endeavor and a crucial strategic measure to establish trust and effectively meet social and financial obligations.

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