

Islamic Cooperative Financial Reports based on Regulation of Minister of Cooperatives and SMEs Republic of Indonesia No.14/Per/M.UMKM/IX/2015: Case Study of ABC Academic Community Cooperative

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Abstract

Purpose: The aim of this study is to analyze the preparation of KOSIKA ABC's financial reports based on the Ministry of Cooperatives and SMEs, Republic of Indonesia No.14/Per/M.UMKM/IX/2015.

Research Methodology: This paper adopts a case study method with standardization of the final reporting approach to evaluate how accounting is applied in preparing KOSIKA ABC financial reports at the end of the period.

Results: The results of the research show that the financial report presented by KOSIKA ABC, such as the financial position and calculation of overall business results, is acceptable, but the KOSIKA ABC financial report that has been presented is still not in accordance with the components of the financial report according to the said regulation. The conclusion of this research is that the suitability of the KOSIKA ABC financial report to the regulation if, in presentation form, the overall Financial Report is 28.57 %.

Limitations: This case study has several limitations, such as comparative work with other cooperative/s, analysis of several years of financial reports, evaluation of the details of each report, and interview sessions with cooperative operators outside KOSIKA ABC for triangulation purposes.

Contribution: This case study contributes to the awareness among Islamic cooperative practitioners that they must refer to appropriate reporting guidelines for accountability purposes. A similar case study has not touched on the academic community cooperative type, which is another contribution.

Keywords: *Financial Reports, Regulation, Cooperative, Case Study*

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1. Introduction

The development of cooperatives in Indonesia cannot be separated from the role and contribution of cooperatives to the country. KNEKS once discussed the Cooperative Bill. The existence of the Cooperative Bill is necessary to improve Law (UU) number 25 1999 concerning Cooperatives. Apart from the fact that the law is old, in substance it also needs to be improved, for example the law is not yet related to Islamic Cooperatives. The cooperative bill adopts the best practices of successful cooperatives from other parts of the world, for example by introducing single-level governance. So far in Indonesia, what is commonly implemented is level two governance. Therefore, there are several opportunities in the Cooperative Bill for Islamic cooperatives. First, regarding the development of the real sector by Islamic cooperatives, because in the Cooperative Bill cooperatives are no longer grouped

based on the type of cooperative as in Law number 25 of 1992 (production, consumer, marketing and services), but are based on choices in the Standard Classification of Indonesian Business Fields (*Klasifikasi Baku Lapangan Usaha Indonesia/KBLI*). Another opportunity is that this bill supports the existence of a Shariah Supervisory Board (*Dewan Pengawas Syariah/DPS*), one of the organizational features that becomes the characteristic of Islamic cooperatives. This bill supports more flexible and broader funding for cooperatives, including equity, debt and partnership funds. The Cooperatives Bill presents both challenges and opportunities for Islamic cooperatives. This paves the way for Islamic cooperatives to contribute to the real sector, starting from the traditional categorization based on cooperative type to KBLI classification. In addition, it supports the establishment of a DPS and offers flexible funding options, including equity, debt and partnership funds for real sector development. Partnership funds are developed to develop real sector businesses. Apart from that, this Cooperative Bill has several challenges that Islamic cooperatives will face. If it has been passed into law, all cooperatives, including Islamic cooperatives, must make changes to their articles of association, as well as adjust the nomenclature and capital structure of cooperatives. Another challenge is that cooperatives must improve governance, human resources and supervision. Apart from that, once promulgated, the Cooperative Bill will be a challenge for all cooperatives, including Islamic cooperatives. Adjusting the articles of association, adjusting the nomenclature, and restructuring the cooperative's capital are things that must be done. Islamic cooperatives need to improve governance, human resources and supervision. Special restrictions are imposed on Islamic Cooperatives Savings and Financing (*Koperasi Simpan Pinjam dan Pembiayaan Syariah/KSPPS*), limiting their services to members and other cooperatives.

Cooperative financial reports have been referring to a set of accounting standards that provides information about financial status that is useful in developing the business and can be used to make decisions by the management. The Financial Accounting Standards Board (*Dewan Standar Akuntansi Keuangan/DSAK*) introduced an Exposure Draft (ED) for the repeal of *Pernyataan Standar Akuntansi Keuangan/PSAK* No. 27, with a focus on cooperative accounting. The Ministry of Cooperatives and Small and Medium Enterprises issued financial accounting standards for Islamic savings and financing cooperatives to increase accountability in financial reporting. This is based on the impact of the convergence of International Financial Reporting Standards (IFRS), which leads to the need for certain industry financial accounting standards. So that the Ministry of Cooperatives and Small and Medium Enterprises issued financial accounting standards for Islamic financing savings and loan cooperatives to increase the accountability of cooperative financial reporting. Similar effort has also been conducted by Bank Indonesia in collaboration with Institute of Indonesia Chartered Accountants (*Ikatan Akuntan Indonesia/IAI*) to ensure accountability of Islamic boarding schools in Indonesia. Additionally, Febriani & Nurarifah (2023) argue that Islamic boarding schools must practice effective internal controls and instill Islamic values in its administrative and accounting systems. This is useful to avoid fraud in the organization such as accounting manipulation. According to Hidayatullah & Sulhani (2018), manipulation of financial reports is a form of fraud which results in a decline in the quality of financial reports. However, the influence of top management support has impact to the quality of accounting information systems. According to Cahyadi, Mukhlisin & Pramono (2020) there are four dimensions used in top management support such as planning, organizing, directing and supervision. Taking all important points above, this paper therefore aims to analyze the implementation of the preparation of KOSIKA ABC's financial reports based on Minister of Cooperatives and SMEs Republic of Indonesia No.14/Per/M.UMKM/IX/2015.

The following section explores theoretical study on the regulation, followed by section on research methodology. Next, the result section presents the survey summary and measurement as well as analysis. The final section concludes the study and suggests recommendations for future research.

2. Literature Review

As it develops, KSPPS under the auspices of the Ministry of Cooperatives and Small and Medium Enterprises (*Kementerian Koperasi dan Usaha Kecil dan Menengah Republik Indonesia/KKUKM RI*) have legal implications, one of which is the obligation to present financial reports in accordance with KKUKM Ministerial Regulation Number: 14/Per/M.KUKM/ IX/2015 Concerning Accounting Guidelines for KSPPS. These laws and regulations are based on Islamic principles as well as the

development of financial accounting standards which include SAK-General, SAK-ETAP, and PSAK Syariah. However, there are still many KSPPS which in practice are less than accountable in preparing their financial reports (Rabbani, 2022), this is also the case with ABC Academic Community Cooperative (KOSIKA ABC).

Despite positive trends in business profit (*Sisa Hasil Usaha*/SHU) acquisition and annual asset growth, several Islamic cooperatives, including KOSIKA ABC, face challenges in fully implementing the regulation No. 14/Per/M.KUKM/IX/2015. This misalignment may be caused by a mismatch between operational practices and the cooperative's articles of association and the increase in total assets every year, as well as regularly holding annual member meetings (RAT), KOSIKA ABC still has not fully implemented the regulation No.14/Per/M.KUKM/IX/2015. This apparently is not in accordance with the Articles of Association of KOSIKA ABC CHAPTER generally. Existing literature highlights the importance of aligning Islamic cooperative financial reporting practices with regulatory guidelines. However, there is a research gap regarding the specific implementation of financial reporting by KOSIKA ABC based on Regulation no. 14/Per/M.KUKM/IX/2015, which motivates the aim of this research.

3. Research Methodology

The research method adopts case study method. This method is a descriptive with the aim of finding information on how accounting is applied in preparing cooperative financial reports at the end of the period. As this case study merely analyzes the financial report content, it is then different from other research such as the one conducted by Ramadani, Hasanah & Irfany (2023) who employ Analytic Network Process (ANP) method with a strength–weakness–opportunity–threat (SWOT) network structure for setting business strategy. However this case study is in line with the approach used by illabulo accounting practices which include material and non-material elements, such as cultural values and religiosity Thalib, Polapa, Rumampuk & Ma'luna (2023). This data was obtained directly from the results of interviews with chairman, treasurer, accounting staff and manager of KOSIKA ABC. Secondary data is in the form of KOSIKA ABC's financial report for the 2021 financial year. Data is obtained from data collection and then analyzed so that it can be presented in a form that is easy to understand and so that it can answer the problem formulation and provide conclusions. As this is a case study, thus data collection is only conducted in one institution which is at KOSIKA ABC, none of the informants is from outside the organization unlike the research carried out by Thalib (2023) that involve various religious leaders in his interviews and observations. It is also different from the research documented by Taufik & Rusmana (2023) who use Systematic Literature Review method on papers published in Scopus database and Google Scholar, whereas this study only refers to relevant extant studies regarding cooperative practices in any journal publications.

The results that have been processed are then compared in accordance with the Regulation of the Minister of Cooperatives and SMEs of the Republic of Indonesia No.14/PER/M.KUKM/IX/2015 and to analyze the data, researchers carried out the following steps:

- a) Understand the Regulation of the Minister of Cooperatives and SMEs No.14/PER/M.KUKM/IX/2015 which is supported by literature or references that strengthen the research.
- b) Collect data related to research subjects that can understand the background of the research site.
- c) Collect data from companies related to accounting data through accounting policies and entity financial reports.
- d) Compare concepts related to accounting data according to the perception of cooperative actors with the Minister of Cooperatives and SMEs Regulation No.14/PER/M.KUKM/IX/2015 which is the accounting guideline for KSPPS Cooperatives.
- e) Evaluate the application of accounting treatment in preparing cooperative financial reports with the Minister of Cooperatives and SMEs Regulation No.14/PER/M.KUKM/IX/2015.
- f) Describe the results of the research report.
- g) Provide conclusions from the problem formulation and provide suggestions for development in implementing research results.

4. Results and Discussion

4.1 General State of the Organization

ABC Academic Community Cooperative (KOSIKA) is a cooperative founded at the initiation of employees of ABC University. Based on deed no. 01 on March 4 2008, on January 29 2008 it was located in Bogor, a meeting was held to establish the ABC Academic Society Cooperative (KOSIKA) attended by 20 meeting participants as founders of the cooperative. KOSIKA ABC 1 is a multi-business cooperative based on Pancasila and the 1945 Constitution and based on family principles. In 2022 the number of KOSIKA ABC members will be 172 people consisting of ABC Campus employees, lecturers and alumni, ABC Islamic Center and Mosque employees, ABC Global Islamic School (AGIS) employees and teachers, ABC 2 employees, ABC 3 employees. The types of business provided by KOSIKA ABC are Murabahah Financing for all members, Cafe Business in ABC 1 Campus B, Procurement of kitchen materials for ABC 1 Campus A, Management of the Loundry and kitchen at ABC 1 Campus C, Rice Stall Business at Babangan Madang Market and Mudharabah Investment for external parties. KOSIKA ABC has a vision of becoming a synergistic and successful cooperative. In order to support the vision, KOSIKA ABC has a mission to improve the welfare of its members.

4.2 KOSIKA ABC Membership

Law No. 25 of 1992 states that cooperative members are included as users of cooperative services and also as cooperative owners. Members who can register as KOSIKA ABC members are those who have met the membership requirements. The conditions include:

- a) Have full power to take legal action (adult);
- b) Registered as an employee or alumni of ABC group;
- c) Declare to comply and agree with the regulations stipulated in the cooperative's articles of association; and
- d) Has stated the ability to pay cooperative savings (principal savings and mandatory savings).

4.3 KOSIKA ABC Business Activities and Capital

KOSIKA ABC is a type of all-business cooperative because it has more than one type of business, namely Islamic financing, savings units and general trading which aims to improve the welfare of its members and also meet members' needs. Business unit activities at KOSIKA ABC include:

- a) Savings Unit
- b) Murabahah Financing Unit
- c) Trading Unit (Cafe/Nice Stall)
- d) Mudharabah Investment Unit to external parties

KOSIKA ABC's capital comes from principal savings which have been set at IDR 212,000,-, mandatory savings of IDR 30,000,- per month and voluntary savings as for grant funds from ABC Campus Alumni Association amounting to IDR 100,000,000,-. Principal savings can be paid in installments or all at once, while savings must be paid without installments by deducting them directly in the payroll process for each ABC Group unit so that KOSIKA ABC only receives a list of members who have been deducted by the HRD section of each ABC Group unit and reports. proof of deposit transfer to KOSIKA ABC account. Principal savings and mandatory savings can be withdrawn when a member resigns from KOSIKA ABC membership.

For Murabahah financing business unit, KOSIKA ABC uses members' voluntary savings funds using Mudharabah with a profit sharing of 40:60 between members who have voluntary savings and the manager, in this case KOSIKA ABC. A research shows that legal relationship between shahibul maal and mudharib is a balanced relationship, where both parties fulfill the rights and obligations of each party entering into the agreement (Sunardi, Widyaningrum, Jufri & Suryati, 2021). The profit sharing from Murabahah financing is calculated monthly and paid annually when the Annual Members' Meeting (*Rapat Anggota Tahunan/RAT*) is held. Members who undertake Murabahah financing are required to fill out a financing application via the application on the online application by entering details of financing the goods required according to the member's capabilities with a guaranteed salary deduction with the installment amount not exceeding 30% of the salary received. The amount of margin is determined in accordance with the agreement between KOSIKA ABC and members who apply for

financing by directly informing the agreed purchase price and margin and paying in installments according to the member's capabilities. Members who have just registered can apply for Murabahah financing after three months of registering to become a KOSIKA ABC member.

The basis for preparing and presenting financial reports for savings and loan businesses and Islamic financing by cooperatives includes PSAK, Financial Accounting Standards for Entities Without Public Accountability (*Standar Akuntansi Keuangan-Entitas Tanpa Akuntabilitas Publik*/SAK-ETAP) and PSAK Syariah. As for PSAK Syariah, Mukhlisin (2020) argues that it has fulfilled maqashid shariah elements compared to other international financial reporting standards. Therefore, it is wise if an Islamic cooperative adopts PSAK Syariah in its financial reporting. Furthermore, Ridwan, Pagalung, Lutfi & Amin (2023) asserts that a key to achieve the goal of maqashid shariah is by purifying the soul, justice, and raising public welfare. In preparing the reports, KOSIKA ABC certainly has standard guidelines and guidelines that serve as a reference for preparing financial reports. Guidelines in preparing financial reports are needed so that there is uniformity in company financial reports and they are easy to understand by users of financial reports. The basis for preparing cooperative financial reports is based on PSAK 27 concerning Cooperative Accounting. The Indonesian Accounting Association (IAI) revoked PSAK 27 which became effective on January 1 2012. The replacement standard is Minister of Cooperatives and Small and Medium Enterprises Regulation No. 12 of 2015 for Accounting Guidelines for Real Sector Cooperatives, Minister of Cooperatives and Small and Medium Enterprises Regulation No. 13 of 2015 for Accounting Guidelines for Savings and Loans Businesses or Savings and Loans Units and Regulation of the Minister of Cooperatives and Small and Medium Enterprises No. 14 of 2015 for Accounting Guidelines for KSPPS.

Minister of Cooperatives and Small and Medium Enterprises Regulation No. 14 of 2015 for KSPPS reveals that financial reports include Financial Position and Report on Calculation of Business Results, Report on Changes in Equity, Cash Flow Report, Report on Sources and Use of ZIS funds, Report on Sources and Use of Benevolent Funds and Notes to Financial Reports. From the interviews with operational managers of KOSIKA ABC, it is discovered that KOSIKA ABC is not yet registered as an Islamic Cooperative but all its transactions have complied to Islamic principles. KOSIKA ABC's financial reports for several business and operational units are managed directly by the operational section which is directly supervised by the main treasurer of KOSIKA ABC. Financial reporting is prepared based on reports from operational managers by submitting proof of transactions for each business unit. All transactions from all business units are then reported to the bookkeeping department for recording and preparation of financial reports for the annual financial year period.

Based on the results of interviews with operational management, the only ones who can provide financing are KOSIKA ABC members with the installment payment method being by deducting their monthly salary through HRD with payment via the KOSIKA ABC account. For other business units, such as buying and selling in the canteens/cafes, the manager provides daily turnover reports which are then recorded by the bookkeeping department for monthly periods. As for the investment unit, it is directly through the main treasurer section that the bookkeeping department receives a monthly investment profit sharing report which is annualized at the end of the annual period. All daily transactions are input using XYZ Accounting financial application. The guidelines used by KOSIKA ABC follow the Minister of Cooperatives and SME Regulation No. 14 of 2015. The financial reports prepared by KOSIKA ABC follow accounting standards for cooperative reports and the reports are prepared on an accrual basis. Conformity of Preparing Cooperative Financial Reports based on Minister of Cooperatives and SME Regulation no. 14 of 2015 concerning Accounting Guidelines for KSPPS.

KOSIKA financial report is assessed from the Minister of Cooperatives and SMEs Regulation No. 14 of 2015 concerning Accounting Guidelines for KSPPS. The components of KOSIKA ABC's financial reports consist of a Financial Position Report, Business Results Calculation Report or Profit and Loss Calculation Report and Activity Report for each business unit. The implementation of preparing KOSIKA ABC's financial reports is as follows:

a) Financial Position

The financial position is a report that provides information about the financial position of an institution, namely the amount of assets must be equal to the sum of liabilities and equity. Details of the assets owned by KOSIKA ABC have largely implemented financial reports from the Minister of Cooperatives and SMEs Regulation No. 14 of 2015. The details of KOSIKA ABC's obligations are not all in sync with the implementation of financial reports based on Permenkop No. 14 of 2015 and the details of the equity owned by KOSIKA ABC, not all of them have implemented Kemenkop No. 14 of 2015.

b) Business Results Calculation Report

According to PERMENKOP UKM no.14/PER/M.KUKM/IX/2015, the components for calculating business results consist of Main Operating Income, namely income originating from the main activities of cooperative businesses that run Islamic principles with members, including income in the form of profit sharing, Murabahah margin income, Mudharabah profit sharing income, Musyarakah profit sharing income and non-profit sharing income (Salam income, Istishna income, Ijarah reward (Ujrah) income, income from Rahn fees). Main Operating Income Components include:

- Murabahah margin income
- Greetings Income
- Istishna's Income
- Ijarah income
- Mudharabah Profit Sharing Income
- Musyarakah Revenue Sharing

Other operational income is income that originates from other than the main operational income, such as administrative income from financing provided. Profit sharing for depositors are the portion of profit sharing agreed upon between members as depositors and the cooperative which is taken from the main operational income. Non-Operational Income is income that originates from other than main operational business activities, such as bank profit sharing. Remaining Gross Operating Results are all main operating income which has been deducted by expenses or expenses from operational activities, business and other expenses. Operational Expenses are costs incurred in carrying out sales activities of savings and loan services by Islamic cooperatives to members. Operational expense components include:

- Business Expenses, are costs incurred by the cooperative which are directly related to the cooperative's business activities including (a) Promotion costs, (b) administrative and general costs including: (c) Employee salary costs; (d) Office stationery costs; (e) Official travel costs related to savings and loan activities; (f) Wage costs; (g) Depreciation and amortization expenses; (h) Electricity costs; (i) Telephone charges.
- Cooperative Expenses, are costs incurred by the cooperative which are not directly related to the operational activities of the cooperative, but are intended for the development of the cooperative organization including: education and training costs for cooperative human resources, organizational meeting costs, work area development costs, administrator/supervisor honoraria and other costs related to the cooperative. Other Income is income received in connection with the implementation of business activities that are not the main activity of the cooperative business. Among them: profits from asset sales. Other expenses are expenses incurred by the cooperative in connection with the implementation of business activities that are not the main business activity of the cooperative. These include: expenses from collaboration activities with other cooperatives, expenses from cooperation activities with other cooperative member services, activity expenses from collaboration with other business entities, losses from asset sales, investment losses and organizational social responsibilities. Tax Expenses are expenses incurred by cooperatives that implement Islamic principles relating to corporate income. Remaining Operating Results are all main operational income which has been deducted by expenses or expenses from operational activities, business and other expenses after tax. A business results calculation report is a report that provides information regarding calculations in which there is information about income/revenue and expenses/costs. The components included in the calculation of business results are main operating income, other income, remaining business

results, operational expenses, other income, other expenses and tax expenses. In preparing the report for calculating KOSIKA ABC's business results, the components are in accordance with Permenkop no. 14 of 2015, but the name of the report title is still the same as the standard financial report, namely it still uses the name of the profit and loss calculation report.

c) Statement of Changes in Equity

The report on changes in equity is the addition of subtractions to the cooperative's equity components in a certain period. KOSIKA ABC does not present a report on changes in equity at the end of the accounting period and there is no information about changes in equity owned by KOSIKA ABC.

d) Cash flow statement

The Cash Flow Report is a statement of historical changes in cash and cash equivalents of a cooperative which explains separately the changes that occur during one period from operating activities, investment activities and financing activities. In its implementation, KOSIKA ABC does not present cash flow reports at the end of the financial year period, but in the application system there is a cash flow report menu that can be presented if needed. Likewise, the results of interviews with management stated that the cash flow report was prepared using the indirect method and cash flows were grouped on the basis of operating, investment and financing activities. For cash flow, cash equivalent, bank and long-term investment reporting purposes.

e) Notes to Financial Reports

Notes to financial reports are additional information presented in the financial reports which contain descriptive explanations or details of the amounts presented in the financial reports and information on items that do not meet the recognition criteria in the financial reports. But in implementation Yes, KOSIKA ABC has several additional notes to explain accounts that require details, such as the number of members whose credit is bad because it does not appear to be included in the total Murabahah receivables.

In the application of accounting and preparation of financial reports, the process of recognition and measurement (treatment), presentation and disclosure based on each transaction and estimates of accounting events in cooperatives can be explained as follows: recognition is the basis for establishing an item so that it can be included, either by name or number, in the balance sheet. Recognition is the process of establishing a post/account on a balance sheet or business results calculation report that has a value or cost that can be measured, where the economic benefits associated using these assumptions, will flow from or to the cooperative entity. Pervasive concepts and principles (ETAP: 2.30) define measurement as the process of determining the amount of money that an entity uses to measure assets, liabilities, income and expenses in financial statements.

The presentation of income is the figure presented in the income statement taken from the general ledger at the fair value of the sales proceeds. Fair presentation requires an honest presentation of the effects of transactions, events and other conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses. Disclosures relate to information in both financial statements and additional communications including footnotes, events subsequent to the date of the report, management's discussion and analysis, financial and operating forecasts, and supplemental financial reports that include segmental disclosures and supplementary information beyond historical costs (Suwardjono, 2014). In this case, disclosure is the provision of additional information needed to mention the elements of posts/accounts (assumptions) to interested parties as notes in the cooperative's financial report.

4.4 Discussion

4.4.1 Financial Position

KOSIKA ABC has several transaction accounts that should be in the financial statements but do not yet exist or have not been adjusted to the Minister of Cooperatives and SMEs Regulation No. 14 of 2015 concerning accounting guidelines for KSPPS. On the financial position, there are accounts for cash, bank, Murabahah receivables, trade receivables, qard receivables, inventory, Mudharabah investments, fixed assets, accumulated depreciation of fixed assets, liabilities and capital. Because it only serves Islamic financing, in the financial position states only Murabahah receivables and Murabahah inventory. In this case, trade receivables include other businesses such as being a vendor providing kitchen

ingredients for boarding student meals. Meanwhile, starting at the end of this year, KOSIKA ABC will no longer be a kitchen vendor because the contract has been completed. KOSIKA ABC does not yet have current assets in the form of securities. The equipment owned by KOSIKA ABC is not supported by adequate records so that the bookkeeping section records it as goods that are immediately used up. Liabilities contained in financial position consist of other deposits, trade payables, SHU that will be distributed. For investment, Kosika invests in external parties with Mudharabah agreements. With the agreement, Kosika will receive a share of investment profits at the end of each month in accordance with the agreement between KOSIKA ABC and the fund manager. In PERMENKOP UKM No. 14 of 2015 for investment should be included in the temporary syirkah fund report as well as voluntary savings with Mudharabah terms. However, in KOSIKA's financial reports, investment is included in current assets and voluntary savings, there is no separation between voluntary Mudharabah savings and voluntary Wadiah savings which can be withdrawn at any time by members who have voluntary savings. In KOSIKA ABC's financial report for voluntary savings there is only one account including voluntary savings for Mudharabah and voluntary savings for Wadiah. Voluntary savings for Mudharabah contracts at the end of each month are calculated as a 40:60 profit sharing ratio between members and managers, in this case KOSIKA ABC. Share the profits obtained from calculating the Islamic financing margin received in that month's period. However, the distribution is annualized at the end of accounting on December 31st and distributed to members at the Annual Members' Meeting.

4.4.2 Calculation of Business Results

Calculation of Business Results describes the results of cooperative businesses that implement Islamic principles in one accounting period. The final presentation SHU not only measures the amount of business profits but also describes other benefits for members. The calculation of KOSIKA ABC's business results still uses the income position report, so it is still not in accordance with Minister of Cooperatives and SME Regulation No. 14 of 2015 which should be called Business Results Calculation Report. In the current report, total business income is presented plus non-business income such as bank profit sharing minus business costs or expenses. Also deducted are operational costs such as salaries, consumption transportation, telephone electricity bills and licensing fees. Also reduce non-operational costs such as asset depreciation expenses and bank tax services which are calculated during the current financial year period. After these calculations, in the report it is called net profit or in cooperatives it is called residual business results.

Remaining business results is the cooperative's income obtained in one accounting period minus operational costs, depreciation and other costs, including taxes in the relevant accounting period. The remaining business results after deducting reserves are distributed to members and part of it is used for cooperative education purposes. Apart from meeting the needs of reserves, members and education funds, cooperatives can distribute the remaining business profits for other purposes, according to the decision of the member meeting or the provisions of the articles of association, or the provisions that apply to the cooperative concerned, for example for social fund needs, management funds, and so on. In the event that the amount of SHU distribution has been clearly regulated, then the remaining portion of Business Results which is not the right of the cooperative, is recognized as a liability. The portion of the SHU which is the cooperative's right is recognized as a reserve and constitutes the cooperative's equity. If the distribution amount has not been clearly regulated, then the remaining business results are recorded as SHU for the current year and must be explained in the notes to the financial report.

4.4.3 Statement of Changes in Equity

KOSIKA ABC has not yet presented a Changes in Equity Report. The following is an illustration of the equity change report which is adjusted to the Minister of Cooperatives and Small and Medium Enterprises Regulation No. 14/PER/M.KUKM/IX/2015 concerning accounting for KSPPS. Change Report. The statement of changes in equity is a financial report that presents changes in the equity structure during one period. The information presented includes: 1. Sources of funds and changes in them for one reporting period 2. Calculation of business results for one reporting period 3. Income or loss as a result of changes in the value of fixed assets 4. Amount of investment or other participation and equity ownership shown separately 5. other sources such as grants, 6. the influence of accounting policies and corrections according to accounting policies, estimates and errors for each component of

equity 7. Reconciliation between the amounts recorded at the beginning and end of the period for each component of equity which shows changes separately. Equity components consist of: 1. Principal savings 2. Mandatory savings 3. Grants 4. Reserves 5. SHU that are not distributed in the accounting period. KOSIKA ABC is required to make a report on changes in equity so that the equity owned by KOSIKA ABC can be used as material for making accounting decisions and correcting errors that occurred during that period. For the equity report, KOSIKA ABC does not present a report so it uses capital data in the balance sheet, namely capital consists of principal savings, mandatory savings, grant funds, SHU reserves and voluntary savings.

4.4.4 Cash Flow Statement

A cash flow report is a report that describes an organization's cash and cash equivalent transactions, both cash in and cash out so that the net increase/decrease in cash and cash equivalents can be seen. Cash Flow Statements must be prepared in accordance with the requirements of PSAK Syariah and must be presented as an inseparable (integral) part of the financial statements for each period in which the financial statements are presented. Cash flow reports are prepared either for each type of fund or consolidated. Information about cash flow is very useful for users of financial reports as a basis for assessing an organization's ability to generate cash and cash equivalents and assessing the organization's needs for the use of funds. Cash and cash equivalents of cooperative savings businesses that implement Islamic principles consist of: Cash (petty cash, foreign cash), Current/savings accounts at Islamic Banks, Checks/bilyet demand deposits, Deposits with a maximum maturity of 3 (three) months. The cash flow statement provides information about changes in cash and cash equivalents for the period reported in separate components consisting of: cash flows from operating activities, cash flows from investing activities and cash flows from financing and structuring activities using the indirect method. KOSIKA is required to prepare a cash flow report as information on changes in cash or cash equivalents owned by KOSIKA ABC during one period. The reason why cooperatives must present cash flow reports is that the condition of cash in the cooperative can be monitored, this can also help the management in making decisions. Such as checking how much revenue and expenditure occurs in the cooperative because the balance sheet only shows the amount of cash and does not explain the increase and decrease in cash from operations, investment and funding.

4.4.5 Notes to Financial Reports

Notes to financial reports must be presented systematically. Each item in the statement of financial position, report on sources and uses of funds, and cash flow report must be related to the information contained in the notes to the financial statements. Notes to financial reports disclose: Information about the general description of the organization, Information about the basis for preparing financial reports and accounting policies selected and applied to important events and transactions, Information required in PSAK but not presented in the financial position, reports on calculations of business results, reports on changes equity and cash flow statements, Additional information not presented in the balance sheet, business results calculation report, change in equity report and cash flow report but required for fair presentation, Explanation and details of items whose value is material and items of a special nature without considering materiality, explanation of the nature of the main elements and details of items which are the result of combining several similar accounts. KOSIKA ABC does not present the Notes to Financial Statements report because the management think that it is not yet important to present it.

The above analysis shows various degrees of incompliances. It is important to note that all founders and management board should realize the first intention to establish a cooperative is to uplift the welfare of all members. With syariah label, the cooperative is also expected to comply with all syariah rules and regulations. Thus, they should avoid the logic would be shifted from cooperative logic and religion logic to market logic and corporate logic as argued by Mukhlisin and Fadzly (2020) in their paper on conflicting logics in Islamic financial institutions.

5. Conclusion

The conclusions of this case study underscore the importance of the Cooperative Bill in reshaping the cooperative landscape in Indonesia. This legal framework introduces opportunities and challenges for Islamic cooperatives, emphasizing the need for compliance with certain financial reporting standards. KOSIKA ABC case further emphasizes the importance of studying the practical implementation of financial reporting regulations to bridge existing research gaps. Based on the research, it was concluded that the financial reports presented by KOSIKA ABC, namely the Financial Position and Calculation of Overall Business Results, were presented quite well. The balance sheet report includes 3 accounts, namely assets, liabilities and capital, but there are still several transactions that have not been recognized and presented in the balance sheet report. The calculation of profit and loss or calculation of business results includes three accounts, namely income, expenses and profit or remaining business results, but in the presentation there are still differences in naming.

KOSIKA ABC financial report that has been presented is still not in accordance with the financial report components according to the accounting guidelines of Minister of Cooperatives and SMEs Regulation No.14/PER/M.KUKM/IX/2015, namely financial position, calculation of business results, report on changes in equity, cash flow report and notes to financial reports. KOSIKA ABC also does not present a report on the source and use of ZIS funds because it does not present a report on the source and use of benevolence funds because KOSIKA ABC does not receive and distribute ZIS and Benevolent funds. So that in the process of preparing financial reports and implementing accounting, the recognition process has not been implemented because there are no notes to the financial reports. The suitability of KOSIKA ABC's financial reports to Minister of Cooperatives Regulation No.14/PER/M.KUKM/IX/2015 if in presentation form is 28.57%.

This case study suffers limitations that could be further developed in other case studies in the future. Therefore, a new case study could involve comparison with other cooperative/s, analysis on several years of financial reports, and evaluation on the details of each report. Further, further case study could also conduct interview sessions with cooperative operators outside KOSIKA ABC that would be useful for triangulation purposes.

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