IJCE (Indonesian Journal of Community Engagement)
Volume 1, Number 3, 2025 pp. 137-142
ISSN: 3063-9743
Open Access: https://ojs.penerbit-altafcorp.com/index.php/ijce

Improving Financial Literacy and the Accuracy of Financial Statement Preparation Among Accounting Staff and Stakeholders

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A R T I C L E I N F O

Article history:
Received: 17-05-2025
Revised: 28-05-2025
Accepted: 30-05-2025

Kata Kunci:
Literasi, Laporan Keuangan, Stakeholder, Staf Akunting

Keywords:
Literation, Financial statements, Stakeholder, Accounting Staf.

A B S T R A K

Memahami dan menganalisis laporan keuangan adalah keterampilan penting bagi para pemangku kepentingan (stakeholder), terlebih lagi keterampilan mengenai laporan keuangan harus dimiliki oleh manajer dan staf akunting di suatu bisnis atau Perusahaan. Kegiatan pengabdian ini dilakukan sebagai upaya peningkatan pemahaman literasi laporan keuangan kepada para staf akuntansi dan stakeholder. Kegiatan ini dilakukan dengan metode diskusi penyampaian materi mengenai pemahaman literasi keuangan dan penyusunan laporan keuangan. Kegiatan pengabdian ini diikuti oleh 30 orang staf akunting dan stakeholder di berbagai instansi pemerintah di Sumatera Selatan. peningkatan pemahaman tentang pentingnya penyusunan laporan keuangan bagi staf akunting dan stakeholder sangatlah krusial, karena menyangkut akuntabilitas, transparansi, dan pengambilan keputusan yang tepat.Dari kegiatan pengabdian ini, para peserta memahami pentingnya memahami informasi laporan keuangan secara tepat dan mendalam, dikarenakan akan berpengaruh terhadap pengambilan Keputusan ke depannya. Secara keseluruhan, pemahaman terhadap informasi laporan keuangan dan cara penyusunannya memungkinkan stakeholder untuk lebih efektif berpartisipasi dalam pengelolaan, pengawasan, dan pengambilan keputusan yang berkaitan dengan Perusahaan.

A B S T R A C T

Understanding and analyzing financial statements is an essential skill for stakeholders, particularly for managers and accounting staff in a business or company. This community service activity was carried out as an effort to improve financial literacy comprehension among accounting staff and stakeholders. The activity was conducted through a discussion-based method that delivered material on financial literacy and the preparation of financial statements. This program was attended by 30 accounting staff and stakeholders. Improving the understanding of the importance of financial statement preparation among accounting staff and stakeholders is highly crucial, as it relates to accountability, transparency, and informed decision-making. As a result of this activity, participants gained a deeper understanding of the importance of accurately and thoroughly interpreting financial statement information, as it significantly impacts future decision-making. Overall, a solid grasp of financial statement information and its preparation enables stakeholders to participate more effectively in the management, supervision, and decision-making processes related to the company.

1. INTRODUCTION

In the business world, a deep understanding of financial statements is essential for making accurate and strategic decisions. Financial statements serve as tools for accurate and timely business decision-making, as well as a means of accountability to management by illustrating the company's condition. They are particularly valuable for evaluating business performance and assisting owners in addressing challenges in running their operations, especially for micro, small, and medium enterprises (MSMEs) (IAI, 2016). Financial statements provide critical information for assessing company performance, understanding financial position, and planning for the future. Understanding and analyzing financial statements is a vital skill for stakeholders, particularly managers and accounting staff within a business or company. For stakeholders, financial statement literacy facilitates better decision-making, helps identify opportunities and threats, and enables more confident future planning. Studying the key components of financial statements and applying ratio analysis, trend analysis, and comparative analysis

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can offer valuable insights to improve performance and profitability. Ratio and trend analysis help stakeholders not only to assess performance but also to predict future financial conditions (Rahmawati, 2023). Digital transformation in accounting has increased the demand for enhanced financial literacy among business actors, especially in SMEs (Herawati & Ramadhani, 2021)

For accounting staff, financial statement comprehension is crucial because they are responsible for providing financial information required by management, stakeholders, and external parties, organizing structured and well-documented data to support managerial decision-making, ensuring corporate legal compliance through financial accounting, maintaining integrity and transparency, improving the quality of financial reports; and understanding fundamental accounting concepts, which also aids in budgeting, evaluating potential investments, and assessing financial performance.A lack of financial statement understanding among finance staff may result from several factors, including insufficient accounting knowledge, inadequate training provided by relevant authorities, and limited understanding of financial analysis. A lack of adequate training and knowledge among accounting staff continues to hinder the quality of financial reports (Nurhayati, Arfan, & Abdullah, 2020). Other factors that may affect the quality of financial statements include the absence of a proper financial accounting information system, weak internal control systems, limited human resource competencies, and the underdeveloped role of internal audit functions. Errors in financial statements can negatively affect the decision-making process, undermine the company's credibility, and hinder the ability to gain trust from donors, investors, or customers. The integration of accounting information systems plays a vital role in ensuring the accuracy and timeliness of financial reporting (Fadhilah & Anggraini, 2023)

One of the essential qualities of information presented in financial statements is its ease of comprehension by users. To achieve this, users are assumed to possess sufficient knowledge of economic and business activities, accounting, and a willingness to study the information with reasonable diligence. However, complex information that should be included in the financial statements should not be excluded solely because it may be difficult for certain users to understand (Roviyantie, 2011). The quality of financial statements significantly influences accountability. High-quality financial reporting enhances transparency and stakeholder trust, especially in publicly accountable entities Accounting comprehension is an individual's ability to recognize and understand accounting (Hapsari & Fitriani, 2021).

According to Yuliani et al. (2010), the low quality of financial reports may stem from inadequate understanding of accounting in the preparation of financial statements, suboptimal implementation of regional financial accounting information systems, or the weak role of internal audits. Going forward, regional governments need to make improvements to enhance the quality of their financial reporting. The level of accounting understanding can be measured by how well a person grasps the processes of recording financial transactions, classification, summarization, reporting, and interpretation of financial data. Therefore, a person who has accounting comprehension is someone who is proficient and thoroughly understands the accounting process (Purwanti & Wasman, 2014). According to Mahmudi (2010), accounting comprehension is the extent to which one is able to understand accounting both as a body of knowledge and as a process, starting from the recording of transactions to the preparation of financial statements.

Training to improve financial literacy and the preparation of financial statements for accounting staff and stakeholders is essential. By enhancing knowledge and skills in this area, accounting staff can better understand the importance of preparing accurate financial statements in accordance with applicable accounting standards. For stakeholders, financial literacy is crucial for making informed decisions, particularly regarding future investments. The aim of this community service initiative is to provide assistance and training to enhance financial literacy in relation to the businesses currently being operated.

2. METHOD

Service participants are provided with motivation, knowledge, and insights regarding the proper and accurate preparation of financial statements. They are presented with examples to enhance their understanding of the importance of preparing accurate and well-structured financial statements. Participants are guided on how to apply proper and accurate financial statement preparation in practice. They are also given the opportunity to discuss issues related to the importance of accurate and proper financial reporting. This community service activity was carried out with the aim of improving the understanding of the importance of accurate financial statement preparation among accounting staff and stakeholders. The activity was conducted through a lecture-based method, in which the material was delivered by the speaker, Mr. Fardinant Adhitama, S.E., M.Si, Ak, followed by a question-and-answer session and a demonstration of company financial statement preparation in accordance with financial accounting standards. Participants were provided with instructional materials on financial statement preparation based on financial accounting standards, followed by a hands-on exercise in preparing company financial statements for accounting staff. The session concluded with a presentation on how to read and analyze financial statements for company performance evaluation, specifically intended for stakeholders. Interactive training methods and simulations have been proven effective in improving financial report accuracy among staff (Setiawan & Wulandari, 2022).

3. RESULT AND DISCUSSION

In general, financial statements refer to documents that present a summary of financial information regarding a company's performance over a specific period. This information is later presented to and utilized by the company's stakeholders, including investors, creditors, regulators, and internal management. The preparation of financial statements encompasses various types according to their functions in detailing comprehensive performance, such as income statements, balance sheets, cash flow statements, and statements of changes in equity. Each type of statement provides a comprehensive overview, including the organization's financial position, operational results, and cash flows. In this community service activity, materials were delivered regarding the importance of financial statements, not only for the company or organization itself but also for its stakeholders. The session was delivered by Mr. Fardinant Adhitama, S.E., M.Si, Ak, CA

Figure 1. Presentation of Material by the Speaker: Fardinant Adhitama, S.E., M.Si, Ak, CA

The material emphasized that financial statements are not merely reports displaying meaningless figures. Rather, financial statements function as a roadmap that guides the company toward achieving its shared business goals. Alongside this, companies must adhere to reporting standards to uphold credibility and integrity. By maintaining meticulous financial records and complying with accounting principles, businesses can instill trust in stakeholders and safeguard against potential legal and reputational risks. The primary purpose of financial statements is to provide crucial insights into a company's financial health and performance over a given period. Equipped with this information, decision-makers can make informed choices regarding resource allocation, investment strategies, and operational improvements. If financial statements are properly optimized, they can help steer the company toward its long-term goals by enabling effective capital allocation. Moreover, financial statements serve as a medium for transparent communication with stakeholders, fostering trust, accountability, and credibility. Investors, creditors, regulators, and employees rely on financial statements to assess company performance, evaluate risk profiles, and make judgments regarding its prospects.

This community service activity was attended by approximately 30 participants, consisting of accounting staff and stakeholders from various governmental and private institutions. Through this activity, participants gained a better understanding of the importance of interpreting financial information accurately and in depth, as it significantly influences future decision-making. Financial statements provide a clear overview of a company's financial health. Stakeholders, such as investors, creditors, and managers, utilize this information to make well-informed decisions—such as whether to invest, lend funds, or adjust business strategies. Financial statements encompass information on profits and losses, cash flows, and financial position, which helps stakeholders evaluate the extent to which a company has achieved its objectives and identify any risks or opportunities that need attention.

Figure 2. Presentation of Material to Accounting Staff

Understanding how to prepare financial statements helps stakeholders evaluate whether the reports are consistent with the applicable accounting standards (such as PSAK in Indonesia or IFRS). This ensures transparency in resource management and enhances corporate accountability to stakeholders. By understanding financial statements, stakeholders can identify potential risks, such as liquidity issues or high debt levels, and plan more effective mitigation strategies. For instance, financial managers can plan for more efficient cash flow management to avoid liquidity crises. A solid understanding of financial statements and their preparation processes increases stakeholder confidence in the company. Stakeholders who trust the reliability and integrity of financial reports are more likely to remain supportive of the organization. Financial statements serve as a strategic communication tool in aligning stakeholders' expectations and managerial performance (Siregar & Akbar, 2020).

Figure 3. Discussion Session with Participants

Companies must prepare financial statements in accordance with prevailing regulations, such as accounting standards set by regulatory authorities (e.g., OJK or Bapepam in Indonesia). Compliance with accounting standards such as IFRS or PSAK is a critical benchmark for audit readiness (Yuliana & Prasetyo, 2021). Stakeholders need to understand this to ensure that the company fulfills its obligations in compliance with applicable laws and standards. It is crucial for accounting staff to understand financial statement information and how to prepare such reports, for several key reasons. Accounting staff are directly responsible for preparing and verifying financial statements. Knowing how to properly prepare financial statements is essential to ensure that the reports are accurate, complete, and compliant with applicable accounting standards (such as PSAK in Indonesia or IFRS internationally). Errors in the preparation of financial statements can adversely impact business decisions and may even lead to legal issues. Financial reports that do not comply with accounting standards and regulatory requirements can expose companies to legal problems or sanctions from regulatory bodies (e.g., OJK in Indonesia). Accounting staff who understand accounting principles and compliance obligations can help companies avoid such risks and ensure that reports are prepared according to existing regulations.

Financial statements are not only used for external reporting but also serve internal management in making strategic decisions. Accounting staff who understand financial reports can provide accurate and relevant information to support management in budgeting, investment decisions, and strategic business planning. A solid understanding of financial reporting processes helps accounting staff maintain transparency and integrity throughout the reporting cycle. This is vital to building trust between the company and both internal and external stakeholders, including investors, auditors, and regulatory authorities. Financial statements reflect the company's financial position, including assets, liabilities, and equity. Accounting staff who understand this information can assist in better cash flow management, identify liquidity issues, and plan for future funding needs to support business continuity. A transparent reporting culture significantly increases stakeholder engagement and investment intention (Putri & Hidayat, 2022).

Figure 4. Demonstration of Financial Statement Preparation

The process of preparing financial statements requires technical skills and knowledge. Inaccurate financial reporting may lead to legal sanctions, reputational damage, and loss of investor confidence (Iskandar & Supriyadi, 2023). Accounting staff proficient in accounting principles and financial report structures can complete reports timely and efficiently, minimizing the risk of reporting delays that could negatively affect the company. Financial statements are not only tools for reporting but also instruments for analyzing company performance. Accounting staff who know how to read and evaluate financial statements can provide deeper insights to management regarding areas needing improvement or enhancement in operations, such as cost management, profit margins, or debt control. Internal and external audits heavily depend on the quality of financial statements. Accounting staff who understand how to prepare accurate financial statements facilitate audit processes and contribute to auditors' confidence in the reliability of the company's reports.

4. CONSLUSION

This community service initiative has demonstrated the critical importance of improving financial literacy and enhancing the accuracy of financial statement preparation among accounting personnel and stakeholders. Through targeted training and hands-on practice aligned with financial accounting standards, participants developed a deeper understanding of how to interpret and prepare financial reports accurately. Such understanding is vital not only for internal managerial decision-making but also for maintaining external transparency, compliance with regulations, and stakeholder trust. The findings underscore that a well-informed accounting staff plays a pivotal role in improving the quality of financial reporting, reducing the risk of misstatements, and supporting organizational accountability. Likewise, increased financial literacy among stakeholders enables more effective participation in governance, oversight, and strategic planning. Overall, the success of this program reinforces the need for continuous capacity building in financial reporting practices, especially in an era of rapid economic and technological change.

5. ACKNOWLEDGE

This community service activity was funded by the Faculty of Economics, Universitas Sriwijaya. Therefore, the Community Service Team would like to express its sincere gratitude to the Faculty of Economics, Universitas Sriwijaya, for facilitating this program. We also extend our appreciation to all participants of the activity, as well as to the team members who successfully carried out the program to completion.

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