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Evaluation of Long-Term Liabilities at MSME Mooka Kopi and Their Impact on Financial Performance

Wahyuni, Amelia Rezki Septiani Amin, Suci Awaliyah, Suci Ramadhani, Muhammad Akshah Halik and Muh. Alfai
Accounting Department, Faculty of Economics and Business, Universitas Muhammadiyah Makassar
Email: wahyuni@unismuh.ac.id amelia.rezky@unismuh.ac.id suciawlyh18@gmail.com suciramadhani21@gmail.com akshahhalik16@gmail.com alfaimuhammad7@gmail.com

Abstract: Micro, Small, and Medium Enterprises (MSMEs) frequently rely on long-term liabilities to finance business expansion; however, inadequate financial literacy and weak debt management often reduce financial performance and increase solvency risk. This community service project aimed to evaluate the management of long-term liabilities at Mooka Kopi MSME in Makassar, Indonesia, and to strengthen the owner's capacity to assess their impact on financial performance through structured accounting practices. The program employed a participatory assistance approach involving field observations, interviews, financial document reviews, debt classification, amortization simulations, journal preparation, and solvency ratio analysis based on the Indonesian Financial Accounting Standards for Private Entities (SAK EP). The evaluation focused on long-term notes payable and mortgage financing used to support business expansion. The findings indicate that systematic debt evaluation improved the accuracy of liability recording and enhanced the owner's understanding of interest allocation, principal repayment, and financial statement preparation. Solvency analysis revealed a Debt-to-Asset Ratio of 41.82%, a Debt-to-Equity Ratio of 71.87%, and a Long-Term Debt-to-Equity Ratio of 60.18%, suggesting that the enterprise maintained a relatively healthy capital structure despite utilizing external financing. Furthermore, the assistance program improved financial decision-making by enabling the business owner to monitor repayment obligations and assess the sustainability of future investments. This initiative demonstrates that practical accounting assistance combined with financial ratio analysis can strengthen financial governance, improve transparency, and enhance the long-term sustainability of MSMEs by promoting informed debt management and evidence-based business decisions.

Keywords: long-term liabilities; MSMEs; financial performance; solvency analysis; community service.

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) constitute a fundamental pillar of Indonesia's economic structure, contributing substantially to employment creation, income generation, local economic activity, and household welfare. Their relatively flexible organizational structures and strong connections with local communities enable MSMEs to adapt to changing market conditions and sustain economic activities even amid external pressures and market uncertainty (Aliyah, 2022). Beyond their quantitative contribution to the national economy, MSMEs also play an important role in strengthening economic inclusion and reducing income disparities across regions (Kholifah & Andini, 2024).

However, increasing market competition and business expansion have created new financial management challenges for MSMEs. Business owners are no longer required to focus solely on marketing and daily operational activities but must also develop adequate financial capacity to support sustainable growth. During expansion, the need for working capital and investment financing may exceed internally generated funds. Consequently, external financing, including long-term liabilities, may become an important alternative for acquiring productive assets such as machinery, buildings, equipment, and operational infrastructure without placing excessive pressure on short-term operating cash flows.

Although long-term financing can support business expansion, its utilization also creates substantial financial and managerial implications. Long-term liabilities generally involve extended repayment periods, periodic interest obligations, principal repayments, and contractual requirements that must be carefully managed. These financing arrangements may include bank loans, long-term notes payable, and mortgage-based financing. The accounting treatment of such liabilities also requires appropriate recognition, measurement, classification, and amortization of interest, premiums, or discounts to ensure that financial information remains reliable and decision-useful (Riggs, 2024). Therefore, financing decisions should be supported by systematic and data-driven financial analysis because inaccurate assessments of repayment capacity may increase liquidity pressures, reduce profitability, and expose businesses to financial distress (Nobiawan et al., 2025).

A major challenge, however, is the persistent gap between the principles of sound financial management and the actual financial management practices of many MSMEs. Limited financial literacy and the absence of structured financial records remain important barriers to effective financial decision-making (Djuri et al., 2024). In practice, some MSME owners obtain long-term financing without adequately calculating periodic interest expenses, preparing debt-amortization schedules, or assessing the long-term implications of repayment obligations. This problem is further complicated by the practice of combining business and personal funds, which reduces the transparency and reliability of financial information (Nobiawan et al., 2025). As a result, business owners may perceive that their enterprises generate substantial cash profits while overlooking accumulated interest and principal obligations that will affect future cash flows and financial sustainability (Jrma, 2024b).

The absence of periodic evaluation of long-term liabilities can consequently undermine the objective assessment of MSME financial performance (Anggita et al., 2025). Without systematic recording and monitoring of debt positions, business owners may have difficulty determining their actual leverage and solvency levels. A capital structure that is excessively dependent on long-term debt without being supported by proportional growth in operating profits may weaken creditworthiness and reduce the ability of MSMEs to obtain additional financing from formal financial institutions (Syahroni et al., 2023). This situation can create a financing constraint in which businesses that require additional capital are unable to access new funding because their existing debt burden is considered excessive or inadequately managed.

These challenges are also relevant to Mooka Kopi, an MSME operating in the coffee processing and coffee-shop retail sector in Talasalapang, Makassar. As a growing business operating in an increasingly competitive market, Mooka Kopi faces the need to strengthen its operational capacity and maintain or improve its fixed assets. Business development and operational expansion may require additional financing, making long-term liabilities one of the potential sources of capital for supporting business activities. Nevertheless, the utilization of long-term financing requires continuous monitoring to ensure that fixed debt obligations do not place excessive pressure on net profit margins, liquidity, and overall financial performance (Afriansyah et al., 2021).

The situation becomes more critical when financial records are incomplete, inconsistent, or insufficiently evaluated. Weak internal financial documentation may increase the risk of inaccurate assessments of an enterprise's financial condition (Anggita et al., 2025). If long-term liabilities and their associated interest amortization are not properly calculated and recorded in accordance with generally accepted accounting principles, the resulting financial information may not accurately represent the actual financial position and performance of the business. Reliable financial information is particularly important for MSMEs because it provides a foundation for operational budgeting, cost control, financing decisions, and business expansion planning (Djuri et al., 2024).

From a community engagement perspective, this condition demonstrates the importance of strengthening financial literacy and accounting capabilities among MSME owners. Higher-quality financial records and improved understanding of long-term liabilities can enable business owners to evaluate financing costs, assess repayment capacity, identify potential financial risks, and make more rational business decisions. Accordingly, universities have an important role in translating accounting knowledge into practical solutions through community service activities that address the actual financial management problems encountered by MSMEs (Afriansyah et al., 2021).

Based on these considerations, this Community Service Program was initiated by the Group 2 team of the Introduction to Accounting 2 course at Universitas Muhammadiyah Makassar to provide practical financial-management assistance to Mooka Kopi. The program adopts an intensive and participatory approach focusing on the evaluation of long-term liabilities, financial education, and the practical application of accounting concepts related to long-term debt. The intervention covers the classification of long-term liabilities, including long-term notes payable, bonds, and mortgages, as well as the preparation of debt-payment and interest-expense simulations, particularly for nominal coupon obligations (Kurniawan et al., 2024).

The primary objective of the program is to strengthen the financial literacy, accounting competence, and decision-making capacity of Mooka Kopi's business managers in managing long-term financing in a systematic, transparent, and accountable manner (Syahroni et al., 2023). Through a hands-on learning and mentoring process, participants are expected to improve their ability to prepare and interpret financial information, identify the financial implications of long-term liabilities, and evaluate the extent to which debt obligations affect business performance and liquidity.

Ultimately, the program is expected to contribute to the development of a more structured and accountable financial management system at Mooka Kopi. Improved understanding and monitoring of long-term liabilities can support more accurate financial reporting, strengthen internal financial control, reduce financing-related risks, and facilitate evidence-based business decisions (Kurniawan et al., 2024). In the longer term, these improvements may enhance the enterprise's financial resilience, operational efficiency, competitiveness, and capacity for sustainable business expansion. Thus, the program not only addresses an immediate accounting and financial-management problem but also seeks to establish stronger financial foundations for the long-term sustainability of Mooka Kopi as a growing MSME in Makassar.

2. Research Method

2.1 Research Design

This community service study employed a participatory action-based approach combined with a descriptive case study design. The approach was selected because the primary objective was not merely to describe the financial condition of the partner but also to identify problems in the management of long-term liabilities and provide direct, practical interventions to improve the partner's accounting and financial management practices.

The activity was conducted at Mooka Kopi, an MSME operating in the coffee processing and coffee-shop retail sector in Makassar, South Sulawesi, Indonesia. The intervention focused specifically on the management, recording, evaluation, and financial implications of long-term liabilities. The methodological framework consisted of several interconnected stages: preliminary observation and interviews, financial data collection, classification and verification of liabilities, debt and interest simulation, solvency analysis, and presentation of recommendations to the business owner. The overall implementation was conducted during June 2026, with the core field activities taking place from 15 to 25 June 2026.

The participatory design enabled the business owner to be directly involved throughout the evaluation process. Rather than positioning the MSME merely as an object of assessment, the activity positioned the owner as an active participant in identifying financial problems, validating financial information, understanding debt obligations, and formulating appropriate improvement strategies. This approach was considered appropriate because financial management practices in MSMEs are closely associated with the owner's knowledge, decision-making behavior, and ability to interpret financial information.

2.2 Research Setting and Partner

The study was conducted at Mooka Kopi, Jl. Talasalapang No. 14, Gn. Sari, Kec. Rappocini, Makassar, South Sulawesi, Indonesia. The partner was selected because the business was experiencing operational growth and relied on long-term financing to support business activities and asset investment. At the initial stage, the partner's financial records were predominantly managed using Microsoft Excel and had not yet been fully integrated with systematic financial performance analysis. The assessment concentrated on long-term financing instruments and their implications for the business's financial position. Particular attention was given to outstanding debt, principal repayment obligations, interest expenses, and the relationship between debt structure and solvency. The intervention was designed to generate financial information that could be directly used by the owner for operational and future investment decisions.

2.3 Data Sources and Data Collection

The study used primary and documentary financial data obtained directly from the partner. Primary data were collected through semi-structured interviews and direct observations involving the business owner. These activities were conducted to obtain information concerning the business profile, capital structure, financing arrangements, repayment practices, and difficulties encountered in managing long-term liabilities. Documentary data consisted of financial records and supporting documents related to long-term financing, including credit agreements, outstanding debt records, principal repayment information, cash outflows associated with debt servicing, and interest expense records. The collected information was subsequently consolidated into a structured Microsoft Excel worksheet to facilitate verification, classification, calculation, and analysis. Data collection was conducted progressively to ensure that the financial information used in the analysis could be traced to available supporting documents. Where discrepancies, incomplete transaction records, or duplicated entries were identified, the data were reviewed against the available transaction evidence before being incorporated into the final analysis.

2.4 Intervention Procedures

The community service intervention was implemented through seven sequential stages.

Stage 1: Preliminary Observation and Interview. The first stage involved direct observation and interviews with the business owner to understand the business profile, financing structure, existing long-term liabilities, repayment arrangements, and financial management practices. This stage also served to identify the partner's principal accounting and financial-management problems.

Stage 2: Orientation and Program Initiation. The second stage introduced the objectives, scope, procedures, and expected outcomes of the intervention. The research team explained the importance of systematic long-term liability management and highlighted the potential financial consequences of poorly managed debt, including excessive interest burdens, reduced profitability, and weakened repayment capacity.

Stage 3: Financial Data Collection and Consolidation. The third stage involved collecting and consolidating information on long-term debt, principal repayment, interest expenses, and financing-related cash outflows. The information was organized into a structured Excel-based database to provide a consistent basis for subsequent analysis.

Stage 4: Classification and Mapping of Liabilities. The fourth stage focused on classifying financial obligations according to their characteristics and maturity. Current liabilities were separated from long-term obligations, while principal amounts, interest components, and other relevant financing costs were mapped to their respective accounting categories. This process was intended to improve the accuracy of liability recognition and facilitate subsequent financial analysis.
Stage 5: Verification and Debt Amortization Simulation. The fifth stage involved verifying the recorded balances and preparing debt-payment and amortization simulations. The analysis considered the outstanding principal, repayment schedule, and periodic interest allocation. Straight-line and effective-interest approaches were considered where relevant to the characteristics of the liability. Any incomplete or duplicated transaction records were reviewed and adjusted based on the available supporting documentation.
Stage 6: Financial Performance and Solvency Analysis. The sixth stage involved evaluating the implications of long-term liabilities for the financial condition of Mooka Kopi. The analysis emphasized solvency and leverage indicators to assess the extent to which the business relied on debt financing and its ability to meet financial obligations. The analysis also considered the relationship between debt obligations, profitability, and operational liquidity.
Stage 7: Feedback, Recommendations, and Evaluation. The final stage involved presenting the analytical findings to the business owner. The research team explained the existing liability structure, the results of the solvency analysis, and recommended improvements in debt management and financial recording. An interactive discussion was conducted to ensure that the recommendations were understood and could be implemented within the partner's operational context.

2.5 Analytical Techniques

The financial analysis focused primarily on solvency and leverage indicators because the central issue of the intervention concerned the sustainability of long-term debt. The Debt-to-Asset Ratio (DAR) was used to determine the proportion of total assets financed through liabilities:

$$DAR = \frac{Total\ Liabilities}{Total\ Assets} \times 100\%$$

The Debt-to-Equity Ratio (DER) was used to assess the relative proportion of debt financing compared with owners' equity:

$$DER = \frac{Total\ Liabilities}{Total\ Equity} \times 100\%$$

In addition, the Long-Term Debt-to-Equity Ratio (LTDER) was used to evaluate the extent to which owners' equity was associated with long-term debt financing:

$$LTDER = \frac{Long\text{-}Term\ Liabilities}{Total\ Equity} \times 100\%$$

These indicators were interpreted descriptively rather than as the basis for statistical hypothesis testing. The analysis was intended to provide the business owner with an understandable assessment of the degree of financial leverage and the potential implications of long-term debt for financial sustainability. The analytical process also incorporated debt-amortization simulations to identify the allocation of principal and interest over the repayment period. This procedure enabled the team to assess the periodic financial burden generated by long-term financing and to demonstrate how debt servicing could affect the business's operating cash flow.

2.6 Validity and Reliability of Financial Information

To improve the credibility of the analysis, financial information obtained from interviews was cross-checked against available financial documents and transaction records. The verification process involved comparing reported debt balances, repayment schedules, interest expenses, and cash outflows with supporting documentation. Where inconsistencies were identified, the data were reviewed collaboratively with the business owner before the final calculations were performed. This triangulation between interviews, direct observation, and documentary evidence reduced the possibility of relying exclusively on self-reported financial information. The approach was particularly important given the initial finding that the partner's financial records were maintained in a relatively simple Excel-based system and had not been fully integrated with financial performance analysis.

2.7 Ethical and Participatory Considerations

The intervention was conducted through direct collaboration with the owner of Mooka Kopi. Financial information was used exclusively for the purposes of evaluation, educational assistance, and improvement of the partner's financial management practices. The business owner was involved in validating the information used in the analysis and in discussing the interpretation of the findings. The participatory process was also intended to ensure that the recommendations were practical and aligned with the operational capacity of the partner. Rather than imposing standardized financial-management practices, the intervention emphasized the development of accounting procedures that could realistically be maintained by the MSME after completion of the community service program.

2.8 Methodological Output

The methodological process produced several practical outputs: (1) a structured database of long-term liabilities; (2) a classification of debt according to its characteristics and maturity; (3) debt-payment and amortization simulations; (4) solvency and leverage analysis; (5) an evaluation of the implications of long-term liabilities for financial performance; and (6) practical recommendations for improving debt management and financial reporting. Through this methodological framework, the activity integrated accounting analysis with participatory capacity building. The approach therefore served both an evaluative and an intervention function, enabling Mooka Kopi to obtain a clearer understanding of its long-term financial obligations while simultaneously strengthening the owner's capacity to use financial information as a basis for future business decisions.

3. Results and Discussion

3.1 Initial Condition of Long-Term Liability Management at Mooka Kopi

The initial assessment identified that the management of long-term liabilities at Mooka Kopi required improvement, particularly in the areas of financial recording, debt classification, interest allocation, and integration between liability records and financial performance analysis. The preliminary observation and interview process indicated that the calculation and recording of long-term liabilities were still conducted relatively simply using Microsoft Excel and had not been fully integrated with a comprehensive financial performance evaluation system. This condition is important because the existence of long-term financing does not automatically indicate a weak financial position. Debt can function as a strategic financing instrument when it is allocated to productive assets and accompanied by adequate repayment capacity. However, the absence of systematic monitoring may prevent business owners from accurately determining the actual financial burden associated with debt. In the case of Mooka Kopi, the intervention therefore focused not only on identifying the amount of outstanding liabilities but also on understanding the relationship between principal repayment, interest expenses, cash outflows, and the broader financial position of the enterprise.

The initial problem was also associated with the separation and consolidation of financial information. Before the intervention, information concerning credit obligations, debt balances, repayment activities, and financing-related cash outflows was not yet organized into an integrated analytical framework. The community service team subsequently consolidated the available financial information into a structured database using Microsoft Excel. This process provided a more systematic basis for evaluating the partner's financing structure. From an accounting perspective, this finding demonstrates that the quality of financial decision-making depends not only on the availability of financial resources but also on the quality of financial information. A business owner may have access to financing and generate sufficient operating revenue, but inadequate classification and monitoring of liabilities can make it difficult to determine the actual cost and risk of external financing. Consequently, improving the quality of liability information represents an important first step toward strengthening financial governance at the MSME level.

3.2 Classification and Evaluation of Long-Term Liabilities

The next stage involved classifying the financial obligations of Mooka Kopi according to their characteristics and maturity. Current liabilities were separated from long-term obligations, while the principal and interest components of financing were mapped into appropriate accounting categories. This classification was necessary because the economic implications of short-term and long-term obligations differ substantially. The classification process also enabled the team to identify the financial burden generated by long-term financing more clearly. In particular, the evaluation considered the outstanding principal, periodic repayment obligations, and nominal interest or coupon-related expenses. This approach shifted the analysis from simply recording debt balances toward understanding the economic consequences of debt financing for the business.

The subsequent verification process involved comparing recorded liabilities with available supporting documents and reviewing potential inconsistencies in transaction records. The team also prepared amortization simulations to illustrate the allocation of principal and interest throughout the repayment period. Where relevant, both straight-line and effective-interest approaches were considered.

The practical importance of this process lies in its ability to make future debt obligations more visible to the business owner. An aggregate debt balance alone does not adequately explain how financing affects future cash flows. An amortization schedule, by contrast, allows the owner to identify when principal and interest payments will occur and to anticipate the corresponding cash requirements. This is particularly relevant for MSMEs whose operating cash flows may fluctuate significantly across periods.

3.3 Solvency and Leverage Analysis

The financial evaluation produced three principal indicators: the Debt-to-Asset Ratio (DAR), Debt-to-Equity Ratio (DER), and Long-Term Debt-to-Equity Ratio (LTDER). The results were 41.82% for DAR, 71.87% for DER, and 60.18% for LTDER.

Table 1. Solvency and Leverage Indicators of Mooka Kopi

Indicator	Result	Interpretation
Debt-to-Asset Ratio (DAR)	41.82%	Approximately 41.82% of the enterprise's assets were financed through liabilities.
Debt-to-Equity Ratio (DER)	71.87%	Total liabilities represented 71.87% of owners' equity.
Long-Term Debt-to-Equity Ratio (LTDER)	60.18%	Long-term liabilities represented 60.18% of owners' equity.

The DAR of 41.82% indicates that liabilities constituted a substantial, but not dominant, source of asset financing. In other words, less than half of the assets were financed through liabilities based on the evaluated financial position. This finding is relevant because it suggests that Mooka Kopi had not relied exclusively on external financing to support its asset base. The presence of debt should therefore be interpreted within the broader structure of assets and owners' capital rather than treated as an inherently negative financial condition.

The DER of 71.87% provides another perspective on the capital structure. The ratio indicates that total liabilities were equivalent to approximately 71.87% of owners' equity. This confirms that external financing played an important role in supporting the business, while equity remained a substantial component of the capital structure. The result is consistent with the assessment reported in the project, which characterized the enterprise as maintaining a relatively healthy capital structure despite utilizing external financing. The LTDER of 60.18% is particularly important because the central focus of the intervention was long-term liabilities. The ratio indicates that long-term debt represented 60.18% of owners' equity. This finding confirms that long-term financing constituted a meaningful component of the enterprise's capital structure and therefore required continuous monitoring. A long-term liability structure of this magnitude can support business expansion when the financed assets generate adequate economic benefits, but it also creates fixed future obligations that must be incorporated into cash-flow planning.

Taken together, the three indicators provide a more comprehensive picture than any single ratio could provide. The DAR demonstrates the extent to which assets are financed by liabilities, while DER reflects the relationship between external obligations and owners' equity. LTDER then isolates the long-term component of that financing structure. The combined results suggest that Mooka Kopi was exposed to a meaningful level of financial leverage but had not reached a condition that the project characterized as structurally unhealthy.

3.4 Implications of Long-Term Liabilities for Financial Performance

The evaluation indicates that the principal financial implication of long-term liabilities for Mooka Kopi was not simply the existence of debt but the need to manage the associated fixed financial commitments systematically. Long-term financing generates obligations that extend beyond the current operating cycle, including principal repayment and interest expenses. Consequently, the sustainability of such financing depends on the ability of the business to generate sufficient cash flows to meet those obligations without compromising daily operations. The project specifically analyzed the implications of debt obligations for profitability and operational liquidity. Although the available data do not provide sufficient information to quantify the exact change in profitability or liquidity before and after the intervention, the evaluation established an important managerial relationship: debt servicing must be incorporated into financial planning rather than treated as an isolated accounting transaction.

For Mooka Kopi, this means that future investment decisions should consider not only the expected return from additional assets but also the incremental repayment burden generated by additional financing. If additional debt is used to finance productive investments, the expected economic benefits should be evaluated against the associated principal and interest obligations. Such an approach can reduce the possibility of expansion decisions being based solely on revenue expectations while overlooking financing costs. The analysis therefore provides a foundation for data-driven financial decision-making. By identifying the existing leverage structure and mapping the repayment obligations, the owner can evaluate whether additional borrowing is compatible with the enterprise's financial capacity. This is particularly relevant for MSMEs because financial resources are often more limited than those of larger enterprises, making financing errors potentially more consequential.

3.5 Improvement in Financial Recording and Accounting Understanding

One of the important outcomes of the intervention was the improvement in the accuracy and organization of long-term liability recording. The project reported that systematic debt evaluation improved the accuracy of liability recording and strengthened the owner's understanding of interest allocation, principal repayment, and financial statement preparation. This improvement was achieved through a practical process rather than classroom-based instruction alone. The business owner was involved in identifying financial information, reviewing debt documentation, classifying liabilities, and examining amortization calculations. The participatory nature of the process enabled accounting concepts to be connected directly to the actual financial transactions of Mooka Kopi. The intervention consequently addressed two related problems simultaneously. First, it improved the technical quality of financial information by organizing and verifying debt-related records. Second, it increased the owner's capacity to interpret the information and use it for decision-making. This combination is particularly important in the MSME context because the effectiveness of accounting systems ultimately depends on whether business owners are able and willing to use the resulting information.

The improvement in understanding also concerns the distinction between principal and interest. Without an amortization framework, business owners may perceive the entire periodic payment as a single expense. Through the simulation process, the owner was able to distinguish the repayment of principal from the cost of financing represented by interest. This distinction improves the interpretation of cash flows and financial performance and provides a more accurate basis for evaluating the actual cost of debt.

3.6 Contribution of Participatory Assistance to Financial Decision-Making

The findings demonstrate that participatory financial assistance can provide practical value beyond the preparation of financial statements. The final stage of the program involved presenting the results to the business owner, explaining the structure of long-term liabilities, interpreting solvency ratios, and providing recommendations for improving capital management and creditworthiness. The interactive discussion was important because the intervention was designed as a capacity-building process rather than a one-time financial audit. The owner received not only an assessment of the current financial position but also an understanding of how to monitor debt obligations in subsequent periods. This creates the possibility of sustaining the benefits of the program after the community service team has completed its activities.

From a broader perspective, the findings suggest that accounting assistance for MSMEs should integrate three dimensions: recording, analysis, and decision-making. Recording without analysis merely produces financial data. Analysis without managerial understanding may not influence business behavior. Conversely, decision-making without reliable financial information increases the possibility of financial errors. The Mooka Kopi intervention attempted to connect these three dimensions through a single participatory process.

3.7 Discussion of Financial Sustainability

The results indicate that Mooka Kopi's long-term liability structure can be considered manageable within the financial condition evaluated by the program, although continuous monitoring remains necessary. The reported DAR of 41.82%, DER of 71.87%, and LTDER of 60.18% indicate the existence of meaningful external financing exposure while also showing that the enterprise retained a substantial equity-based financing component. The key issue is therefore not the elimination of long-term liabilities but the establishment of an appropriate governance mechanism for managing them. Debt can contribute positively to business growth when it finances productive investments and when repayment obligations remain consistent with the enterprise's capacity to generate cash flows. Conversely, debt can become a source of financial vulnerability when financing decisions are made without adequate assessment of repayment capacity.

For Mooka Kopi, the implementation of structured debt monitoring provides a mechanism for addressing this issue. Regular updating of debt balances, separation of principal and interest, preparation of amortization schedules, and periodic calculation of solvency ratios can provide early indications of changes in financial risk. Such monitoring can also support more disciplined decisions concerning future borrowing and business expansion. The intervention therefore contributes to financial sustainability in two ways. At the operational level, it improves the quality of financial records and increases the visibility of future debt obligations. At the strategic level, it strengthens the owner's ability to evaluate whether additional financing is economically and financially feasible. This combination is essential for ensuring that business expansion does not generate an excessive financial burden.

3.8 Overall Discussion and Practical Implications

The findings demonstrate that the evaluation of long-term liabilities should be treated as an integral component of MSME financial governance rather than merely an accounting compliance activity. The case of Mooka Kopi shows that a relatively simple accounting intervention—consisting of data consolidation, liability classification, amortization simulation, and solvency analysis—can produce useful information for managerial decision-making. The three solvency indicators provide a baseline for future monitoring. The current DAR of 41.82%, DER of 71.87%, and LTDER of 60.18% can be periodically recalculated to identify whether the business is becoming increasingly dependent on debt financing. An increasing trend in these indicators should prompt management to reassess additional borrowing, repayment capacity, and the expected return from debt-financed investments.

The practical implication is that Mooka Kopi should maintain a periodic liability-monitoring system that records outstanding principal, interest obligations, repayment dates, and the corresponding impact on cash flows. Financial ratios should also be evaluated periodically rather than only when financing is required. This would enable the business owner to detect changes in leverage at an earlier stage and make financing decisions based on current financial evidence. At the institutional level, the findings support the role of universities in providing applied accounting assistance to MSMEs. The intervention illustrates how academic knowledge can be translated into practical financial-management solutions through direct engagement with business partners. The program's combination of financial evaluation and owner-oriented education provides a model that can potentially be adapted to other MSMEs facing similar challenges in debt management.

Overall, the Mooka Kopi case demonstrates that effective long-term liability management requires more than accurate debt recording; it requires continuous evaluation, financial interpretation, and managerial action. The intervention improved the structure of financial information, strengthened the owner's understanding of debt obligations, and provided a quantitative basis for evaluating solvency. These outcomes reinforce the importance of integrating accounting literacy, financial-ratio analysis, and participatory assistance into MSME capacity-building programs. The reported financial position suggests that Mooka Kopi maintained a relatively healthy capital structure despite the use of external financing, while the strengthened accounting practices provide a foundation for more transparent, accountable, and sustainable financial decision-making in the future.

4. Conclusion

4.1 Main Findings

The community service program demonstrated that systematic evaluation of long-term liabilities can strengthen financial management practices among MSMEs. At Mooka Kopi, the intervention identified the importance of improving the recording, classification, verification, and monitoring of long-term financing obligations. The financial evaluation produced a Debt-to-Asset Ratio

(DAR) of 41.82%, a Debt-to-Equity Ratio (DER) of 71.87%, and a Long-Term Debt-to-Equity Ratio (LTDER) of 60.18%. These results indicate that external financing constituted a meaningful component of the business's capital structure, while the overall capital structure was assessed as relatively healthy despite the use of long-term financing.

4.2 Contribution to MSME Financial Management

The intervention contributed to improving the quality and usefulness of financial information at Mooka Kopi. Through financial-document review, liability classification, debt verification, and amortization simulations, the business owner gained a clearer understanding of the distinction between principal repayment and interest expenses. The activity also improved the organization of liability records and strengthened the owner's ability to interpret financial information for business decisions. These outcomes indicate that practical accounting assistance can bridge the gap between accounting concepts and their application in day-to-day MSME financial management.

4.3 Managerial Implications

The findings have important implications for MSME financial decision-making. Long-term liabilities should not be evaluated solely on the basis of their nominal balances but should be assessed in relation to assets, equity, repayment obligations, and the business's capacity to maintain operational cash flows. The DAR, DER, and LTDER indicators provide a practical baseline that can be monitored periodically to identify changes in financial leverage. For Mooka Kopi, maintaining an updated debt database, preparing regular amortization schedules, and periodically evaluating solvency indicators can support more disciplined financing decisions and reduce the risk of excessive dependence on external capital.

4.4 Limitations and Future Directions

This study is based on a single MSME case and was implemented within the context of a community service intervention. Therefore, its findings should not be generalized directly to all MSMEs because differences in business scale, industry characteristics, capital structure, financial literacy, and financing arrangements may produce different outcomes. In addition, the available evaluation primarily emphasizes long-term liabilities and solvency indicators, while more comprehensive measures of profitability and liquidity were not quantified in sufficient detail to establish causal relationships. Future community service programs could extend the evaluation period and incorporate longitudinal financial monitoring to examine changes in financial performance following the intervention. Further programs could also involve a larger number of MSMEs and incorporate additional indicators, including profitability, liquidity, cash-flow adequacy, working-capital efficiency, and debt-service capacity. Such an approach would provide a more comprehensive assessment of the relationship between financial literacy, debt management, and MSME sustainability.

4.5 Sustainability and Broader Impact

The long-term value of the intervention depends on the continued application of the accounting practices introduced during the program. Mooka Kopi is expected to continue maintaining structured records of long-term liabilities, monitoring repayment schedules, separating principal and interest components, and periodically evaluating its financial ratios. The final stage of the program included the presentation of findings and practical recommendations to the business owner, creating a foundation for continued implementation after the completion of the community service activity. More broadly, the Mooka Kopi case demonstrates the potential of university–MSME collaboration to translate accounting knowledge into practical solutions for local enterprises. Integrating financial education with direct analysis of actual business records can strengthen financial transparency, accountability, and evidence-based decision-making. Therefore, similar participatory accounting-assistance programs may serve as a practical mechanism for strengthening MSME financial resilience and supporting sustainable business development, particularly among enterprises that rely on external financing for operational expansion.

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