

Enhancing understanding of contract functions in accounting

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Abstract

This community service program aimed to enhance the understanding of the function of contracts in accounting among undergraduate students and the general public. The activity was conducted online via Zoom, in collaboration with a notary from Magelang City to provide professional insights into legal aspects of agreements in accounting practices. The implementation consisted of several stages: initial observation to determine relevant topics and speakers, program preparation including promotional activities and registration, and the main event involving presentations, discussions, and distribution of certificates. The materials covered the definition of agreements, the legal requirements of valid contracts, types of agreements related to business transactions, and their relevance to accounting tasks such as billing letters, tax invoices, and contract documents. The results showed high levels of participation and enthusiasm, with participants actively engaging in discussions and expressing interest in further similar events. This activity successfully contributed to increasing participants' knowledge and emphasized the importance of legal understanding in accounting. It is recommended that similar community engagement activities be held more frequently to support the realization of the *Tridharma* of higher education.

Keywords: accounting, contract function, community service, legal literacy

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1. Introduction

Contracts play a vital role in social relationships, as they serve as a legal safeguard for the parties involved and act as concrete evidence that an agreement has been properly established. This is especially crucial in business or commercial transactions, where one of the common causes of failure is the absence of a written contract to govern all aspects of the transaction or business activity. A contract is a legal act undertaken between one or more legal subjects who agree to bind themselves to one another regarding a specific matter, particularly in the context of property and financial obligations.

Contracts offer several important benefits, such as minimizing potential risks, serving as a framework for collaboration, facilitating business development from an economic perspective, providing legal evidence in the event of disputes, and ensuring legal certainty by clearly defining the interests, rights, and obligations of each party involved. Thus, the existence of a contract serves not only as a legal guarantee but also as a vital tool in business operations.

According to Article 1320 of the Indonesian Civil Code (KUH Perdata), a valid contract must fulfill four legal conditions: mutual consent of the parties, legal capacity of the parties, a specific subject matter,

and a lawful cause. Furthermore, Daris (2001) classifies contracts into various types based on their characteristics and legal nature, including bilateral and unilateral contracts, gratuitous and onerous contracts, nominated and innominated contracts, obligatory and real contracts, as well as consensual, evidentiary, aleatory, public, and mixed contracts.

In relation to accounting, contracts are inherently significant. Accounting is a systematic process that begins with recording, classifying, and processing financial transactions and ends with the presentation of financial information, which is used by professionals to support informed decision-making. Given this, the principles and procedures within accounting are closely related to the existence and terms of business contracts.

In the execution of their duties, accountants must carefully examine the completeness and accuracy of supporting documents related to payments, ensuring that all records are correct and in accordance with established policies. Their responsibilities also include documenting financial transactions, reconciling accounts and financial statements, monitoring the efficiency of accounting systems, advising companies on financial issues, preparing and reviewing invoices, compiling end-of-year financial statements, and submitting the company's annual tax returns (SPT). These tasks highlight the crucial intersection between accounting and contractual obligations in ensuring both legal and financial accountability within an organization.

2. Research Design and Method

The activity to enhance understanding of the function of contracts in accounting for students and the general public was conducted online via Zoom. The implementation of this community service program was carried out in several stages. The first stage was observation, aimed at analyzing the relevance of the topic and identifying appropriate speakers. This initial assessment was crucial in ensuring that the material delivered would meet the participants' needs and learning goals.

The second stage involved preparation, which included designing the program and disseminating the event flyer through various social media platforms to attract participants. An open registration process was also launched to gather attendees in advance of the seminar.

The third stage was the main event, which was held in a single day. The session began with an opening and welcoming remarks delivered by the Chairperson of STIE Pancasetia, Dr. H. Nurus Sjamsi, S.E., M.M., who emphasized the objectives and importance of the activity. This was followed by a presentation on the importance of understanding the function of contracts in accounting, delivered in collaboration with a notary from the city of Magelang. The presentation session was interactive, allowing participants to engage in a question-and-answer segment to clarify concepts and seek further insights. Additionally, attendance was recorded through a digital attendance form. At the end of the session, certificates were awarded to the organizing team, and the event was formally closed.

3. Results and Discussion

Result

The community service activity entitled "Enhancing Understanding of the Function of Contracts in Accounting" was successfully conducted via Zoom in collaboration with a notary from the city of Magelang. The event was well-organized and received enthusiastic participation from both students and the general public. The activity began with a preparatory observation phase to analyze the relevance of the topic and identify suitable speakers. Promotional efforts included the distribution of event flyers through social media and the opening of participant registration.

The main event commenced with a welcome speech and an outline of the objectives by Dr. H. Nurus Sjamsi, S.E., M.M., the Chairman of STIE Pancasetia. The core of the session involved a presentation that

emphasized the importance of understanding contractual functions within accounting practices, especially in business transactions. The material was delivered in collaboration with a notary, who provided expert insights into the legal foundations of contracts.

Participants actively engaged in a Q&A session, asking questions about the adjustment of contracts with billing letters, key elements of valid agreements, examples of different types of contracts, procedures for asset or land transactions in corporate contexts, and the process of drafting amendments (addenda) to existing agreements. Attendance was recorded using a Google Form link (<https://forms.gle/d5aZK1BVd3wcsMpN7>), and participants who completed the session received certificates via email along with a copy of the presentation materials. The event concluded with the awarding of certificates to the organizing team, all involved parties, and a virtual group photo session.

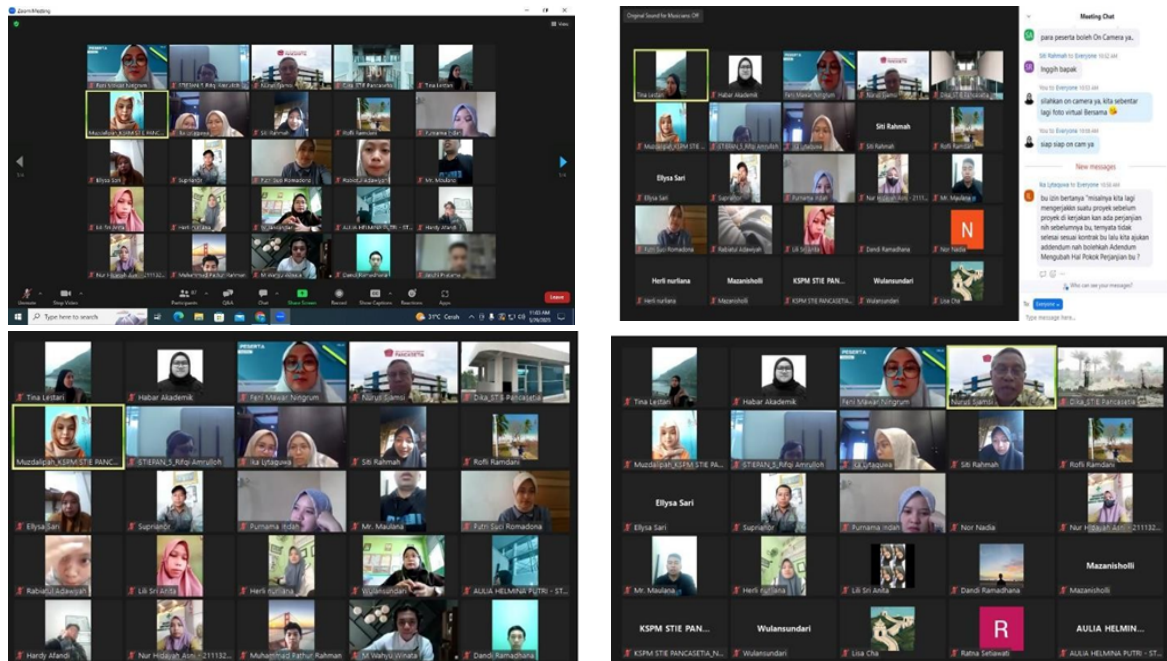


Figure 1. Implementation of Community Service Activities

Discussion

This community engagement activity demonstrated the importance of integrating legal literacy into accounting education, especially regarding the function of contracts in business contexts. The presence of a practicing notary from Magelang added substantial practical value to the seminar, providing participants with real-world examples of how contracts are formed, executed, and enforced within the field of accounting.

The materials presented covered essential topics, including the definition of a contract, the legal requirements for a valid agreement, and the different types of agreements commonly used in business transactions. The discussion further explored the connection between accounting documentation—such as invoices, contract copies, offer letters, and tax invoices—and the legal validity of those documents under Indonesian contract law.

The questions raised during the Q&A session reflected the participants' curiosity and eagerness to deepen their knowledge, particularly on the practical application of contracts in accounting work. Topics such as contract customization, land and asset purchase procedures for businesses, and the legal steps involved in contract amendments were particularly engaging.

Overall, the participants expressed high levels of satisfaction with the event, noting that it enriched

their understanding of both legal and accounting aspects of business agreements. The collaboration between academia and professional practitioners in this event served as a strong model for future educational outreach programs.

4. Conclusions

This activity proved to be highly successful, as evidenced by the strong enthusiasm and active participation from the attendees. The high number of participants and the dynamic interaction during the Q&A session highlighted the relevance and importance of the topic discussed—understanding the function of contracts in accounting. The collaboration with a professional notary enriched the seminar by bridging academic concepts with practical legal insights.

As a recommendation, it is encouraged that similar seminars and community service programs be held more frequently. Such initiatives play a vital role in supporting the development and dissemination of knowledge, while also contributing to the realization of the *Tridharma* of Higher Education, particularly in the area of community engagement and lifelong learning.

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