



**ANALYSIS OF INTERNAL CONTROL SYSTEMS AGAINST
RECEIVABLES AND CREDIT SALES AT PT. JUI SHIN
INDONESIA MEDAN BRANCH**

RIZAL ISKANDAR

Indonesian College of Professional Management College of Economics

rizalsyauqifasiya@gmail.com

Abstract

The purpose of implementing the internal control system in the sales department is to ensure that all sales and sales results have been recorded correctly and can be billed while the internal control system in the accounts receivable section, aims to generate an immediate and accurate bill on the sales transactions that have been made. PT. Jui Shin Indonesia Medan Branch is one of the companies in Sumatra Island which is engaged in the trading of Ceramic and Granite. The company makes credit sales to face competitors, increase sales and increase profits. This is one of the factors that causes the high level of bad debts. The research method used in this research is descriptive method. Data collection techniques come from observation, interviews and documentation studies.

The results of this study indicate the internal control system of credit sales at PT. Jui Shin Indonesia Medan Branch is quite good because the credit provision has been authorized in advance by the authorities, namely the branch manager so that the sales department cannot at will give credit to customers. Internal debt control system at PT. Jui Shin Indonesia Medan Branch is quite good because there is already a separation of the functions of sales, billing and receipt of collection results, and each transaction has also been supported by complete documentation and has used computerization so that each part will verify the bills paid by the customer.

Keywords: Internal Control Systems, Receivables and Credit Sales.

I. Introduction

For every company, whether producing goods or services, sales are very important. With sales, it is hoped that there will be a profit on the goods sold, so that the company's activities can continue. As the company develops, the number of company activities and employees will also increase, so it needs to be controlled well. The tool used is an internal control system which includes

organizational plans, policies established to safeguard company assets, testing the accuracy of accounting data and also encouraging compliance with established company policies.

An internal control system is very important for a company, with a good internal control system, it will encourage the establishment of management policies. Management is responsible for developing and effectively

implementing the company's internal control structure. The essence of an effectively controlled company lies in the attitude of its management. If top management believes that control is important enough, then other people in the company will sense it and respond carefully to the controls created. There are various transactions within the company, one of which is sales transactions and receivables collection. Sales procedures and receivables collection have a very close relationship.

In sales, there are two general sales methods carried out by companies, namely cash sales and credit sales. Cash sales are sales that occur when goods or services are sold by the company and immediately receive a certain amount of money as cash receipts. Credit sales are a sales transaction carried out by a company with a buyer to send goods that have been ordered and give rise to receivables.

Cash sales do not cause problems, because the company immediately receives back the capital along with the expected profits. Sales on credit generate trade receivables, so it is necessary to record receivables well and accurately, so that collection can be carried out by the company. For this reason, a good internal control system is needed, so that deviations contained in this section can be eliminated.

The aim of implementing an internal control system in the sales department is to ensure that all sales and sales proceeds are recorded correctly and can be billed. And the internal control system in the receivables section aims to produce immediate and accurate invoices for sales transactions that have been carried out. However, on the other hand, if the recording of receivables is inaccurate, the company will experience losses due to loss of income. This threat can be prevented by separating duties between billing and recording receivables. Separation of duties is the most effective way to reduce the risk of unexpected errors occurring. Employees who

have physical access should not be burdened with the responsibility for recording or authorizing transactions.

II. LITERATURE REVIEW

2.1. Internal Control System

According to Sujarweni (2015:69), "The internal control system is a system created to provide security guarantees for the elements within the company".

According to Hery (2015: 158), internal control is a set of policies and procedures to protect company assets or wealth from all forms of misuse, guarantee the availability of accurate company accounting information, and ensure that all legal/legislative provisions (legislation) and management policies have been complied with or carried out properly by all company employees.

According to Usman (2016: 537), "Internal supervision (internal control) is an objective and systematic assessment by internal supervisors of the implementation and control of the organization."

According to Mulyadi (2016:129), the objectives of the internal control system are:

- a) Safeguard organizational assets
- b) Checking the accuracy and reliability of accounting
- c) Drive efficiency, and
- d) Encourage compliance Management policy

According to Ardana and Lukman (2016:77), the operational objective of control Internal, among other things, reflects the ability of the internal control structure to safeguard the assets of an entity/organizational unit, as well as the ability of internal control to achieve a level of operational effectiveness and efficiency. The effectiveness of operations is measured by the level of achievement of a predetermined performance, or result (output, target).

2.2. Receivables Accounting System

According to Sunyoto (2018: 163), the amount of trade receivables is usually around 20% of a company's total assets, so the effectiveness of its management greatly influences the company's profitability and risk. Having accounts receivable does have costs, but the costs involved can be offset by the fact that credit guarantees will usually increase sales.

According to Rahmawaty (2014:32) "trade receivables or trade receivables (Account Receivable) are bills owed to other parties. This bill arises from the sale of goods or services on credit."

According to Hery (2015:74) trade receivables are the amount that will be collected from customers as a result of selling goods or services on credit. Trade receivables are usually expected to be collected within a relatively short period of time, usually within 30 to 60 days. Accounts receivable are classified on the balance sheet as current assets.

According to Syaifullah (2014: 127) "trade receivables are company bills to other parties, resulting from the sale of goods or services on credit."

According to Murhadi (2015:18) trade receivables are bills that a company owes its customers for providing goods and services. If a company makes sales in cash, the statement of financial position will increase the company's cash position. However, if sales are made on credit, then in the financial position report, the trade receivables position will increase. The receivables recorded are after deducting the possibility of uncollectible receivables (allowance for bad debt) which is known as net realizable value.

III. RESEARCH METHODS

Research Location and Time

This research was conducted at PT. Jui Shin Indonesia Medan Branch which is located at Jalan Pulau Pini Kav. 600352, KIM II, Mabar Hilir Village – Medan Deli District, North Sumatra. The research started from September 2018 to April 2019.

Object of research

In preparing this thesis, the scope of the research object determined by the researcher according to the problem to be studied is the internal control system for receivables and credit sales which is one of the factors that influences fraud prevention and its impact on the company's performance system. The company used as the object of research is PT. Jui Shin Indonesia Medan Branch which is located at Jalan Pulau Pini Kav. 600352, KIM II, Mabar Hilir Village – Medan Deli District, North Sumatra.

Data collection techniques are the methods used by researchers in conducting research to obtain the required data. Data collection techniques are as follows:

a) Observation Techniques

This data collection technique using observation is carried out by researchers by making direct observations of the research object. The researcher made direct observations or observations regarding the internal control system for receivables and credit sales at PT. Jui Shin Indonesia Medan Branch.

b) Interview

Interviews are a method used by researchers to conduct research by conducting direct interviews by asking questions to sources (boss or directors) from the company to obtain in-depth information. Researchers conducted direct interviews with PT managers. Jui Shin Indonesia Medan Branch.

c) Literature Study

Literature study is data research using books or documents related to the research topic in theory. Researchers use this library study method by collecting data related to the research topic to add some information.

d) Documentation Study

The data collection technique uses the documentation study method

is defined as an effort to obtain data and information in the form of written notes or stored images relating to the problem being studied. Documents are facts or data stored in various materials in the form of documentation.

e) Internet

The data collection technique from internet sites is a method used by researchers by tracing data from internet sites. Data collection techniques by searching from internet sites are also carried out in accordance with the research topic.

The types of data collected by researchers are as follows:

1. Primary data

Primary data is data collected by researchers directly from the object under study. In general, primary data can be collected by interviews or by direct company surveys. Primary data is also usually referred to as original data or new data that is up to date. The advantages of primary data are that researchers can collect data specific to the problem being studied, there is no doubt about the quality of the data collected, and they can also obtain additional data during the study period.

2. Secondary Data

Secondary data is data obtained or collected by researchers from various existing sources, for example research through other people or searching for data through documents. This data was obtained using literature studies carried out on many books and was obtained

based on notes related to research and this data was also obtained from the internet.

IV. RESEARCH RESULTS AND DISCUSSION

4.1. Research result

The research results obtained by researchers when conducting research at PT. Jui Shin Indonesia Medan branch is as follows:

1. Internal control system for credit sales at PT. Jui Shin Indonesia Medan branch

Credit sales are sales transactions where payment is made after delivery of goods within a time period agreed by both parties. Credit sales to PT. Jui Shin Indonesia Medan branch is a principal activity or transaction of PT. Jui Shin Indonesia Medan branch. This is because the average of each transaction that occurs at PT. Jui Shin Indonesia uses a credit system. Credit sales transactions carried out by PT. Jui Shin Indonesia aims to increase sales volume to achieve targets set by the head office and also as a way to face competitors.

Relevant parts and activities carried out in credit sales procedures at PT. Jui Shin Indonesia Medan branch is as follows:

1. Salesmen and sales staff

a) The salesman is tasked with receiving and recording orders in the order book provided, as well as requesting Purchase Orders from consumers

to carry out the credit approval process by the Branch Manager.

b) After the credit sale is approved, a PO will be given to the sales counter to input the order and print a Delivery Order in 5 copies. Where the 5 copies of travel documents are used as archives in the sales, customer, finance, billing and warehouse departments.

c) The marketing admin is tasked with receiving the waybill from the warehouse after completing the process of releasing goods according to the waybill number to

ensure whether or not there are broken goods that need to be returned or replaced.

d) The marketing admin is also tasked with completing travel documents with proof of shop orders to be submitted to the finance department.

e) And the marketing admin is also responsible for the goods delivery process (if the customer wants their order to be sent).

2. Warehouse section

a) The team head is tasked with receiving the travel documents that have been printed by the sales department, then the team head will direct the warehouse operator and forklift operator to prepare the goods according to the travel documents that have been given, as well as re-checking the goods.

b) Warehouse workers are tasked with handing over (loading) the goods that have been provided to the transport that arrives according to the waybill.

3. Finance section

a) The finance department is tasked with authorizing travel documents that have been printed by the sales counter.

b) The A/R staff is tasked with printing sales invoices and creating receipts to give to customers, so that customers can check their orders again.

c) A/R staff are also tasked with recording receivables and preparing financial reports to be submitted to the head office.

The following is an explanation of the documents used in the credit sales process at PT. Jui Shin Indonesia Medan branch:

1. Customer list form

As a form for filling in new customer data who will make cash or credit transactions (regular transactions). And this customer list form is also useful for determining the credit limit that will be given to the customer.

2. Delivery Order (Delivery Order)

As an instruction given by the sales department to the warehouse department to carry out delivery or delivery of goods accordingly with the data on the road letter.

3. Receipt

As one of the documents addressed to the customer, to check again that the customer has received the goods as ordered and at the agreed price, which will then be continued with the payment process.

4. Purchase Order (PO)

As a document or letter requesting goods from customers which is given to sales staff to carry out sales transactions.

5. Invoice (Sales Invoice)

As a document used to collect customer receivables containing proof of purchase of goods along with the nominal amount of the goods.

6. Order book

As a reference for requests for goods from customers that have been agreed upon by the salesman and the sales will then be processed. The credit sales procedures at PT. Jui Shin Indonesia Medan branch is as follows:

1. The sales department receives orders from customers who come to the office or via telephone and receive Purchase Orders via fax or e-mail.

2. The sales department will process credit approval by filling in a customer list form which will then be signed by the Branch Manager as a sign of approval for credit sales.

3. If the credit is approved, the salesman records the order in the order book provided. If it is not approved, the sales department will advise the customer to purchase in cash.

4. The sales department (Sales Counter) inputs sales and prints a five-fold travel document, then submits it to the finance department for authorization and finally it will

be handed over to the warehouse department to prepare the ordered goods.

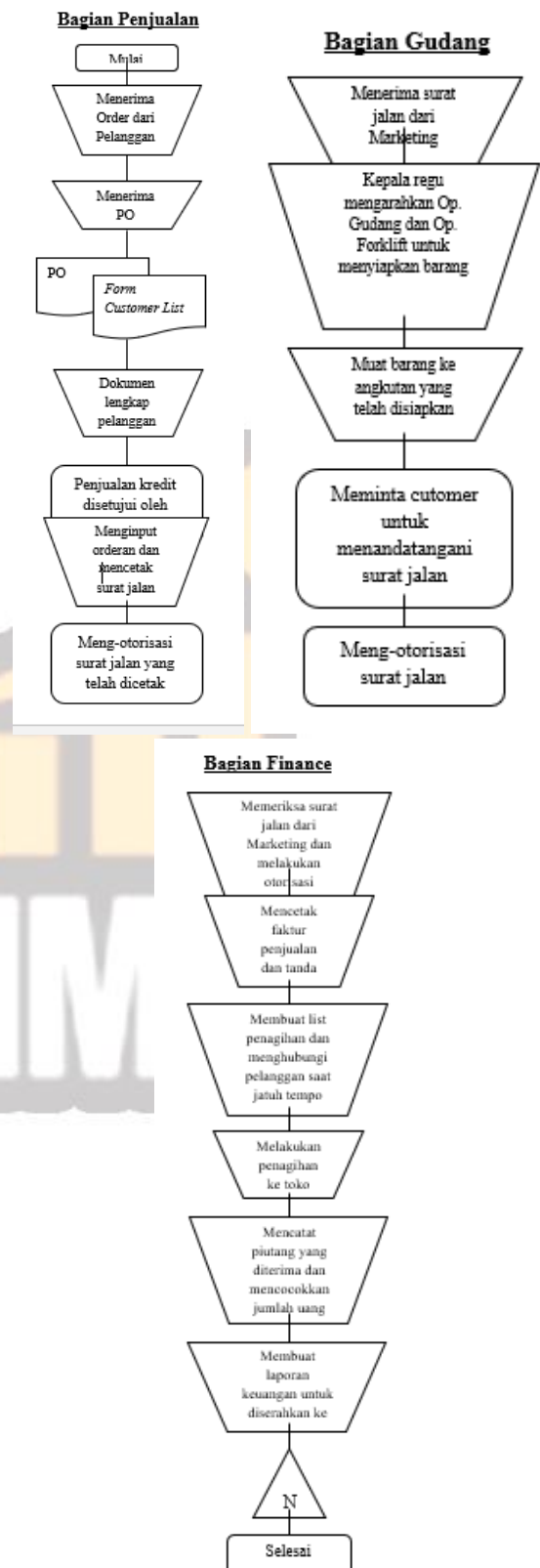
5. A pass is given to the team head who will then direct the warehouse operator and forklift operator to prepare the ordered goods and load the goods onto the transport that will come to pick up the goods or the rental that will deliver the goods.

6. If the goods are shipped, when the goods are unloaded at the customer's location and asked to sign the waybill. The red travel document will be given to the customer, and the other four travel documents will be brought back to the office to be given to the appropriate department.

7. A blue pass will be given to the sales department so that the marketing admin can ensure that the goods have been received by the customer and archived based on the pass number. And the white waybill for the billing process and the yellow one together with the PO that has been given by the customer will be given to the finance department to be archived according to the waybill serial number.

If the goods are not sent, the customer comes to pick up the goods and the sales counter will confirm the PO that comes to sales via telephone. If the order and PO given by the customer match (checking the driver's name, shop and BK number), then the sales counter will input and print a waybill for the goods pickup process. Next, white is for collectors, red is for consignees, yellow is for finance, green is for warehouses and blue is for marketing. After finance receives the invoice, the invoice will then be archived by finance.

The Flowchart of credit sales procedures at PT. Jui Shin Indonesia Medan branch is as follows:



(Source: PT Jui Shin Indonesia Medan branch)

Figure 2. Flowchart of PT Credit Sales Procedures. Jui Shin Indonesia Medan Branch

2. Internal control system for receivables at PT. Jui Shin Indonesia Medan branch

The related sections and activities carried out in the procedure for collecting receivables from customers are as follows:

1. A/R staff

Tasked with overseeing all customer receivables for credit sales that are due. This monitoring is carried out every day to anticipate bills that are past due. If there are receivables that are past due, the A/R staff will give the bill to the collector for collection from the customer.

2. Collector

Tasked with collecting overdue customer bills provided and summarized by A/R staff. Bills that have been received by customers will be issued a receipt. If the bill is paid using cash or demand deposit, the collector will deposit the customer's payment proceeds to SPV finance. If the customer does not want to pay the bill, the collector will return the receipt to the A/R staff, but first the collector will ask the customer when the collector will return to bring the receipt.

3. SPV finance

Functions as receiving the results of collector bills and recording/journalizing the results of these bills.

Discussion

Based on the results of research from interviews and observations in the sales, warehouse and SPV finance departments, it can be seen if:

1. The company is less strict in controlling receivables. This is because even though the company has set a payment period, in reality the majority of customers make payments beyond the period given, namely 14 – 60 days for customers. However, the company does not impose

sanctions for late payments on credit sales, so this can be detrimental to the company.

2. In the event that control over proof of accounts receivable is good, where receivables that have been paid in full, the original invoice will be immediately given to the customer.
3. There is a clear separation of functions between the credit granting function and the receivables collection function. In practice, it is carried out by different people, namely giving credit to the sales department, while for billing is carried out by the collector.
4. In granting receivables limit balances, there is less supervision, this is because the company has given trust to its customers so that any additional receivables balances will be immediately approved.
5. For each sales invoice sent to the customer, a receipt is made by the billing department, this is to avoid invoices that have been received but not deposited to the company.
6. In credit sales it has been authorized by authorized officials. In the credit sales request procedure, the sales department will process the credit approval by filling in the customer list form which will then be processed signed by the Branch Manager as a sign of approval for credit sales.
7. Recording credit sales is carried out properly and correctly because the company has used a computerized system so there is a very small possibility of errors in recording.
8. The sales department carries out a credit analysis before providing credit, but the company does not carry out a comprehensive credit analysis, for

example the status of the customer's shop, whether it is rented or owned, the length of the customer's shop, the customer's capabilities and so on. Credit analysis is carried out only based on information from relations who provide their opinions on the customer's credibility.

V. CONCLUSIONS AND RECOMMENDATIONS

Based on the analysis carried out by researchers on the Internal Control System for Receivables and Credit Sales at PT. Jui Shin Indonesia Medan Branch, the following conclusions can be drawn:

1. Credit sales internal control system on PT. Jui Shin Indonesia Medan Branch is quite good because the granting of credit has been authorized in advance by the authorities, namely the branch manager.
2. Receivables internal control system at PT. Jui Shin Indonesia Medan Branch is quite good because there are separate functions for sales, billing and receipt of billing results, and every transaction is also supported by complete documents and uses computerization.
3. All procedures that have been carried out are in accordance with accounting procedures.

Suggestions that can be given from the results of this research are:

1. Companies need to improve internal control over their credit sales by conducting credit analysis on new customers, this is to minimize slowing receivables turnover.
2. Companies need to improve internal control of receivables by limiting limits on customer receivables so that the company can minimize the existence of uncollectible receivables and strengthen the receivables control system, by placing a special officer to verify the repayment of customer receivables due to a lack of supervision in collecting receivables which can allow fraud to occur which can be detrimental to the company.

BIBLIOGRAPHY

- Ardana, I Cenik and Hendro Lukman. 2016. Accounting Information Systems. Jakarta: Mitra Discourse Media
- Deanta. 2016. Understanding Posts and Figures in Financial Reports for Laypeople. Yogyakarta: Gava Media.
- Giri, Ephraim Ferdinand. 2017. Intermediate Financial Accounting 1 PSAK and IFRS Perspective. Yogyakarta: UPP STIM YKPN.
- Henry. 2015. Financial Statement Analysis Financial Ratio Approach. Yogyakarta: Tri Admojo CAPS.
- Henry. 2015. Introduction to Accounting Comprehensive Edition. Jakarta: PT. Scholastic.
- Harry. 2016. Basic Accounting 1 and 2. Jakarta: PT. Grasindo.
- Mulyadi. 2016. Accounting System. Edition 4. Jakarta: Salemba Empat.
- Murhadi, Werner R. 2015. Financial Report Analysis: Stock Projections and Valuation. Jakarta: Salemba Empat Publishers.
- Mustafa. 2017. Financial Management. Yogyakarta: CV. Andi Offset.
- Nazir, Moh. 2016. Research Methods. Jakarta: Ghalia Indonesia
- Rahman, Arif. 2013. Accounting and Taxation Guide for Business, Trade, Services and Home Industry. Jakarta: Transmedia.
- Rahmawaty, Beautiful. 2014. Practical Book of Accounting Basics. Jakarta: PT. Warriors of Literacy.
- Samryn, LM 2016. Introduction to Accounting. Jakarta: PT. Raja Grafindo Persada.
- Sasongko, Catur, et. al. 2018. Accounting is an Introduction to PSAK. Jakarta: Salemba Empat.
- Sujarweni, V. Wiratna. 2015. Accounting System. Yogyakarta: Pustaka Baru Press.
- Sunyoto, Danang. 2018. Basics of Corporate Financial Management. First Printing. Yogyakarta: CAPS.
- Suparwoto, L. 2018. Advanced Financial Accounting Part 1. Yogyakarta: BPFE.
- Suwarjeni, V. Wiratna. 2014. Complete, Practical and Easy to Understand Research Methodology. Yogyakarta: Pustaka Baru Press.

-
- Syaifullah, Hamli. 2014. Practical Cost & Financial Accounting Book. Jakarta: Laskar Literacy.
- Tampubolon, Manahan P. 2013. Financial Management (Finance Management). Jakarta: Mitra Discourse Media.
- Usman, Husaini. 2016. Management Theory, Practice and Educational Research Edition 4. Jakarta: Bumi Aksara.

