

**EVALUATION OF THE IMPLEMENTATION OF
INTERNAL CONTROL IN SALES AND CASH
RECEIPT ACCOUNTING SYSTEM**

(CASE STUDY AT PG KEBON AGUNG MALANG)

UNDERGRADUATE THESIS

**Submitted as Prerequisite of the Bachelor of Business Administration Degree
Faculty of Administrative Science Brawijaya University**

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MALANG**

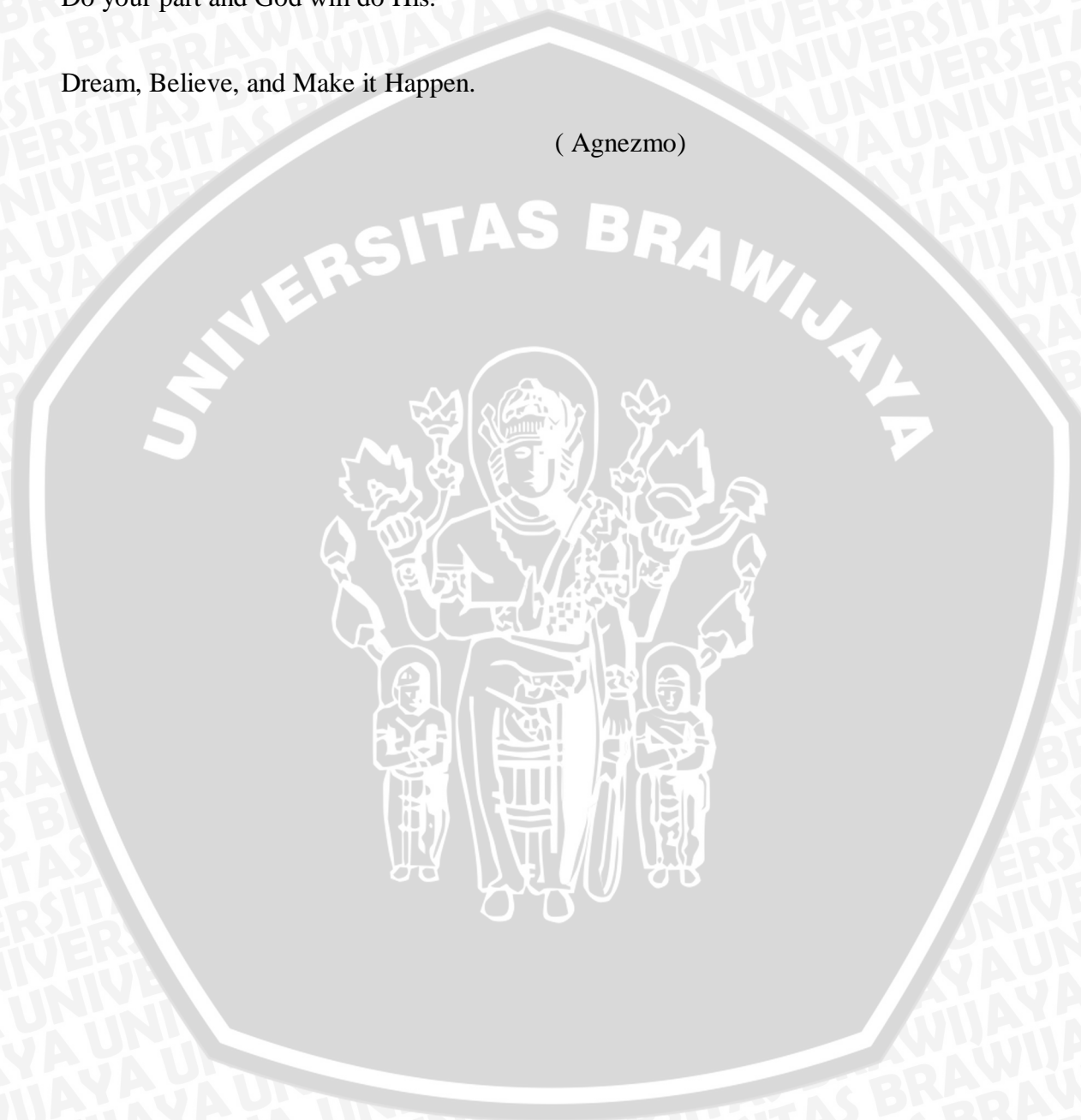
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MOTTO

Do your part and God will do His.

Dream, Believe, and Make it Happen.

(Agnezmo)



UNDERGRADUATE THESIS APPROVAL

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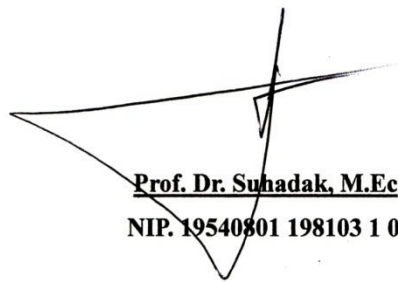
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DECLARATION OF AUTHORSHIP

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ABSTRACTION

Santa Berta Maharani, 2013, *Evaluation of The Implementation of Internal Control in Sales and Cash Receipt Accounting System* (Case Study at PG Kebon Agung Malang), Prof. Dr. Suhadak, M.Ec, Dr. Kertahadi, M.com, 84 pages + xix.

Sales activity is a part of accounting system that gives a big contribution to cash receipt. Sales transaction should be done by some related functions, they are sales function, cash function, warehouse function, shipping function, and accounting function. Those functions have to stand alone and there should be no overlapping. Cash receipt has an important role in a company since it is the lifeblood of the company. Various problems related to sales and cash receipt system are the separation of jobs and functional responsibilities in organization chart and the recording of cash receipt into forms used, and cash receipt system that still needs an improvement so that it can minimize and prevent the corruption done by irresponsible parties.

To support the sales and cash receipt procedure, it needed a well adequate internal control structure and required companies that are competent. The purpose of internal control is to reduce the occurrence of error, misuse and corruption as well as can be encouraging the effectiveness of sales and cash receipt procedure.

In this research formulation the problem is implementation of sales and cash receipt accounting system, implementation of sales and cash receipt accounting system in supporting internal control, the obstacle and solution of sales and cash receipt procedure in PG Kebon Agung Malang. Type of research is qualitative research with descriptive approach. Focus in this research is organizational structure, procedure of sales and cash receipt , internal control over sales and cash receipt accounting system.

The result of the research shows that the implementation of the sales and cash receipt accounting system in supporting internal control is good enough there is a clear separation of jobs of each department/function so there is no overlapping task. The weakness of this company is the absence of Shipping Department makes the buyer (auction winner) have to take their sugar by themselves to the Warehouse Department. For the future PG Kebon Agung needs an shipping department to deliver the sugar to the buyer (auction winner) to make them easier in bringing a big amount of sugar

PREFACE

By saying grace on the presence to Jesus Christ who has given the blessing and grace to always provide health and ease in carrying out all duties and obligations. With an abundance of blessings and graces, has completed a thesis entitled "Evaluation of The Implementation of Internal Control in Sales and Cash Receipt Accounting System". (Case Study at PG Kebon Agung Malang). The benefit of writing this Undergraduate Thesis is as a means to increase the knowledge.

The thesis is the group final task proposed to meet the requirements in obtaining a Bachelor Degree of Business Administration Science at Faculty of Administration Science Brawijaya University Malang. Preparation of this report is obtained based in the thesis activities undertaken by the authors, contains as overview of the company such as company history.

The authors realize that the preparation of undergraduate thesis would not be realized without help and encouragement from various parties. Therefore, on this occasion the authors would like to express their gratitude to the honourable:

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The authors realize that this undergraduate thesis is still far from perfect. So the authors need suggestions and constructive criticisms to the perfection of this report. Hopefully this undergraduate thesis can be beneficial and contribute significantly to those who need.

Malang, 2013

Author

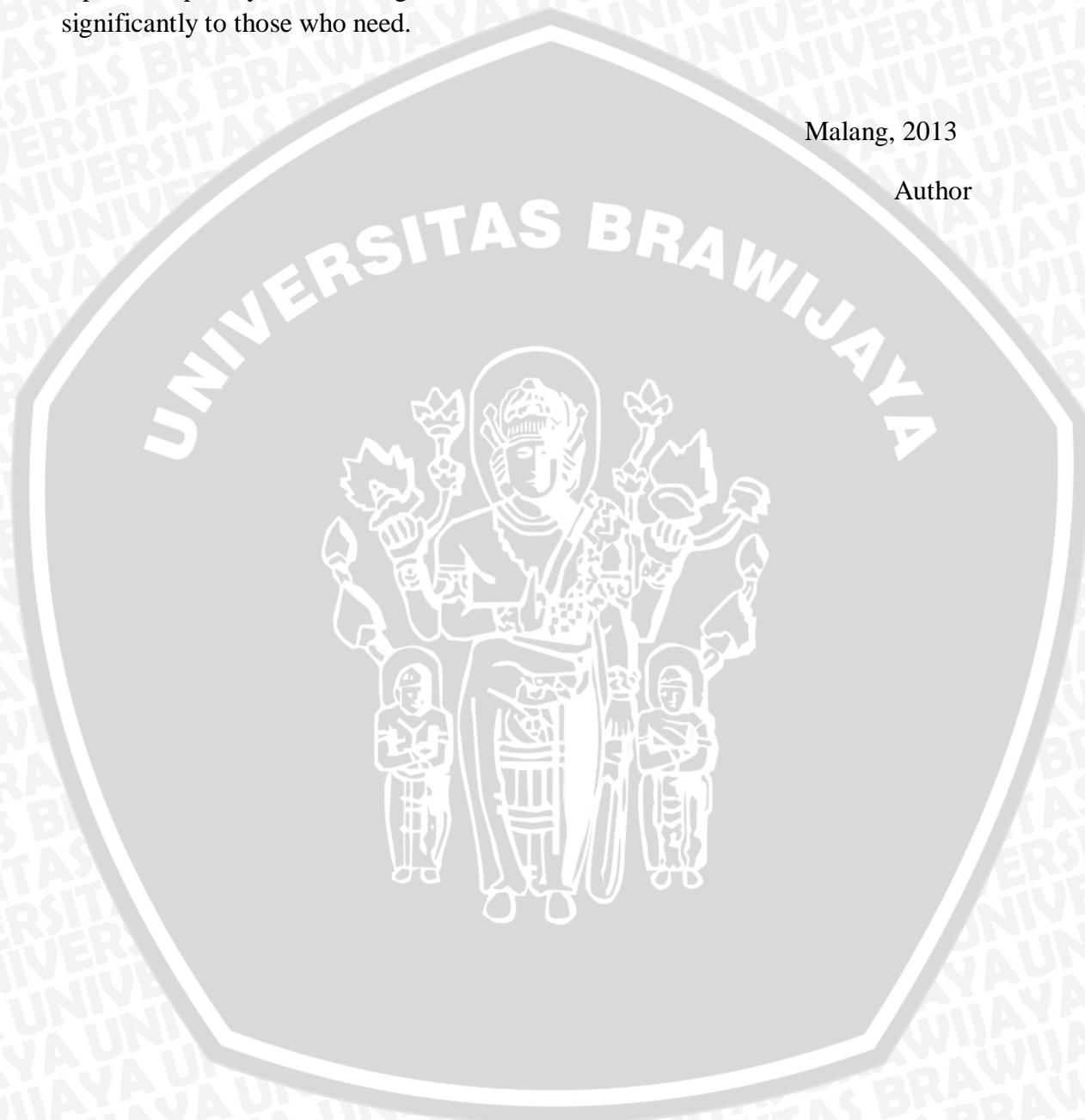


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REFERENCE



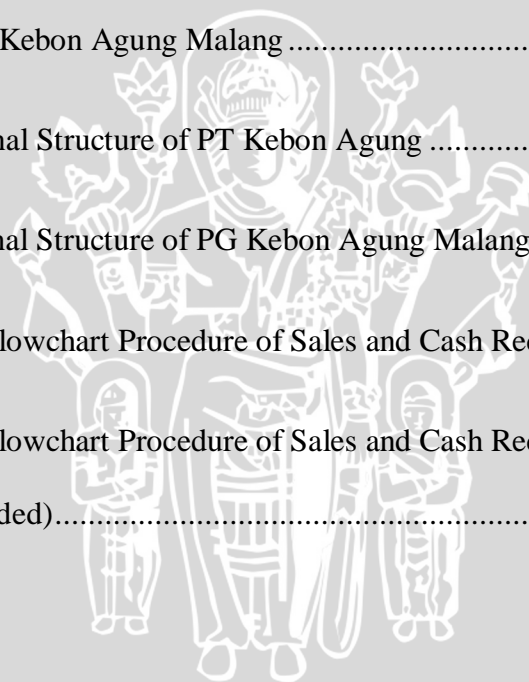
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CHAPTER I

INTRODUCTION

A. Background

Generally, a company built by someone or a group of people has a goal. The main goal is to get maximum profit from management of resources that exist. The economy of Indonesia has developed much and it affects the emergence of new businesses. This condition makes every company keep, develop, and improve their operational activities to get maximum profit among other competitors. To face the competition, a company needs a good, efficient, effective, and economic management in reaching its goal.

A good management in a company can be seen from its accounting system that should be accurate and on time in handling operational activities.

Accounting system is methods and records used to accurately report an entity's transactions and to maintain accountability for its assets and liabilities (Porter and Norton, 2010:330)

The information given by accounting system is very important for the viability of the company. A good accounting system is needed to produce a complete and reliable information.

Sales activity is a part of accounting system that gives a big contribution to cash receipt. Sales transaction should be done by some

related functions, they are sales function, cash function, warehouse function, shipping function, and accounting function. Those functions have to stand alone and there should be no overlapping. Cash receipt has an important role in a company since it is the lifeblood of the company. Various problems related to sales and cash receipt system are the separation of jobs and functional responsibilities in organization chart and the recording of cash receipt into forms used, and cash receipt system that still needs an improvement so that it can minimize and prevent the corruption done by irresponsible parties.

From that explanation, it can be known that the application of sales and cash receipt accounting system is very important since it can be used as a tool to know the value and control the company in reaching its goal. Besides, this system can provide financial information that management needs to make it easier in taking a decision.

A good internal control is needed to guarantee the realization of an efficient and effective sales and cash receipt system

Internal controls are the policies and procedures that protect assets from misuse, ensure that business information is accurate, and ensure that laws and regulations are being followed. (Warren and Duchac, 2012:231)

The implementation of internal control system in a company is very important since it has a big contribution in the continuity of the company. Every company's leader has to understand the importance of that internal

control system. Activities in a developing company are larger where some jobs and authorities are delegated to others, so that the leader finds difficulty to control the company directly. The company needs an adequate internal control that needs to be planned in sales and cash receipt accounting system in such a manner so that there will be no space to do fraud, by considering the cost, strength, and weakness of that control.

One of the applications of sales and cash receipt accounting systems procedures is done in PG Kebon Agung Malang. It is a national private company that runs their business in a sugar industry, in which the activities are sales and cash receipt. In those two activities are susceptible to deceitfulness since PG Kebon Agung is a quite big company. If the transaction of sales and cash receipt is not done in through the right procedure, it will create space and chance to do corruption.

The sales procedure in PG Kebon Agung Malang is different from most companies in general. PG Kebon Agung sells the product by making an auction. The auction is determined by the board of director positioned in Surabaya. It is held in kibbling season (for 7 months) during 13 periods in which each period consists of 15 days. Even though it is held in Surabaya, but the buyer (auction winner) takes the sugar in Malang. Therefore, a good internal control and cooperation among the employers in Surabaya and Malang are needed in sales procedure of PG Kebon Agung.

A good sales and cash receipt accounting systems procedures will increase the establishment of sufficient internal control so that it can prevent deceitfulness and corruption, hope that PG Kebon Agung Malang can reach its goal. Based on the background above, the researcher chose the title **“EVALUATION OF THE IMPLEMENTATION OF INTERNAL CONTROL IN SALES AND CASH RECEIPT ACCOUNTING SYSTEM” (Case Study at PG Kebon Agung Malang)**

B. Formulation Problem

Based on the background issues that have been mentioned above, the formulation of problem in this research are as follows:

1. How is the implementation of sales and cash receipt accounting system applied by PG Kebon Agung Malang?
2. How is the implementation of the accounting system in supporting the internal control of sales and cash receipt in PG Kebon Agung Malang?

C. Research Objectives

Based on existing problems, the objectives to be achieved in this research are as follows :

1. To describe the implementation of sales and cash receipt accounting system that has been applied by PG Kebon Agung.

2. To evaluate the implementation of the accounting system that has been applied by PG Kebon Agung Malang in supporting internal control of sales and cash receipt.

D. Research Contribution

The contribution of research are as follows :

1. Theoretical

- a. For The Author

It is expected that this research will give a chance for the writer to know the real practice faced and how far the theories have been got can be applied based on the reality exists in a company.

- b. For Other Parties

As one of the knowledge resources for the researcher who will conduct a similar research in the matter of implementation of internal control system in supporting sales and cash receipt procedures.

2. Practical

For the company, this research can be used as the consideration in taking concrete steps and acts toward the problem faced, especially which is related to the evaluation of the implementation internal control system to supporting sales and cash receipt procedures.

E. Systematic Presentation

To make the understanding about evaluation of the implementation internal control system to supporting sales and cash receipt procedures easier, the author provides a brief overall description of the systematic discussion as follows:

CHAPTER I : INTRODUCTION

This chapter describes the background description of research problems, formulation of problems, research objectives, research contributions, and systematic implementation.

CHAPTER II : REVIEW OF RELATED LITERATURE

This chapter describes the theories and the opinion from the experts related to the research problems. It consists of accounting system and procedures, internal control system concept, forms in accounting system, the concept of sales and cash receipt procedures, and the concept of internal control system over cash receipt procedure.

CHAPTER III : RESEARCH METHOD

This chapter describes the types of research, research focus, research sites, data sources, data collection techniques, research instrument and data analysis used in the discussion.

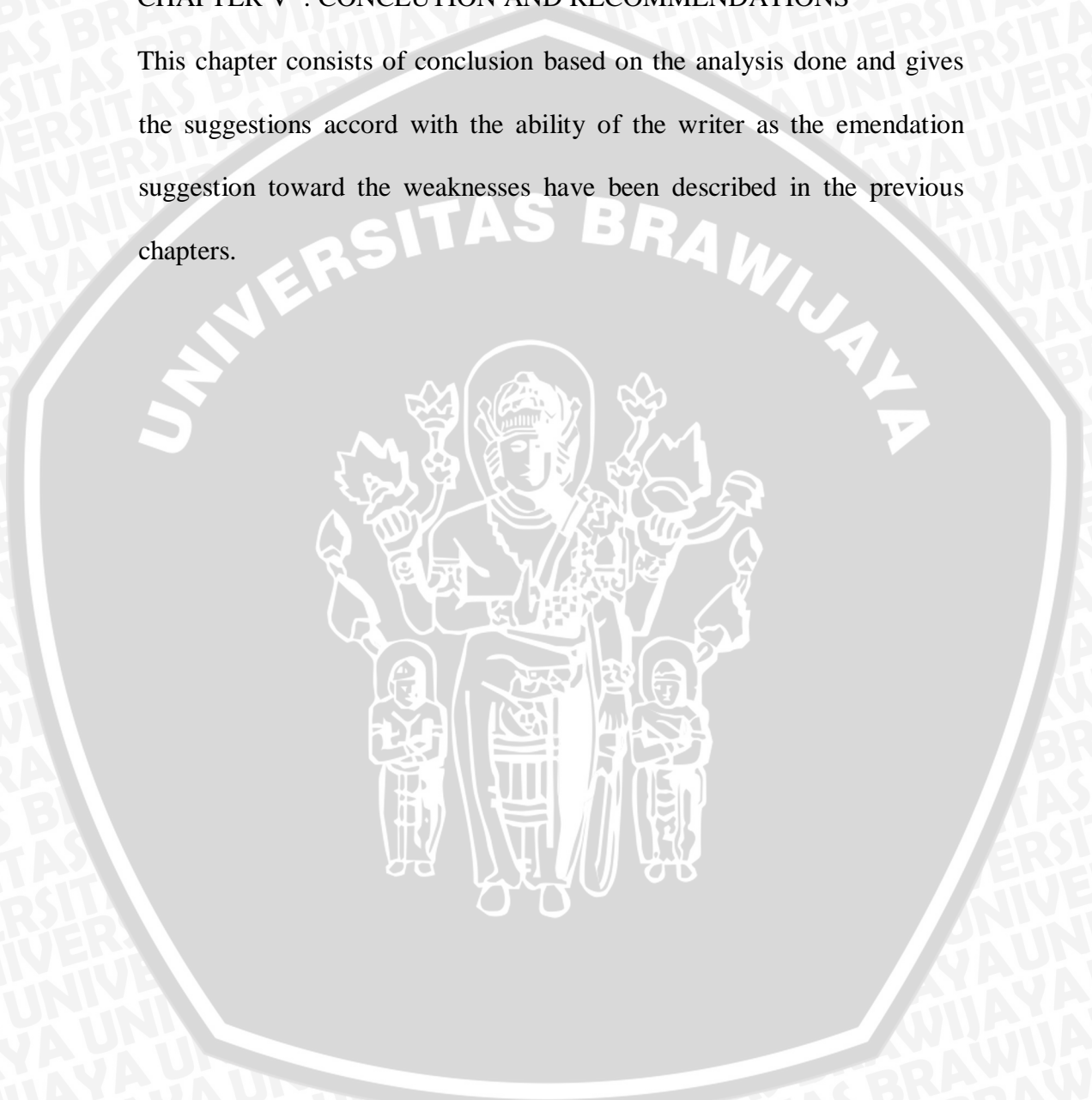
CHAPTER IV : RESULTS AND DISCUSSION

In this chapter, there will be served the general description of PG Kebon Agung Malang such as history of the company, organizational structure, objectives of the company, location and products, evaluation of the

implementation internal control system, sales and cash receipt procedures, the document used.

CHAPTER V : CONCLUSION AND RECOMMENDATIONS

This chapter consists of conclusion based on the analysis done and gives the suggestions accord with the ability of the writer as the emendation suggestion toward the weaknesses have been described in the previous chapters.



CHAPTER II

REVIEW OF RELATED LITERATURE

A. Previous Research

Name	Year	Title	Method	Result
Anggi Lusti Muskowati	2010	“Evaluation on Sales and Cash Receipt System and Procedure in Supporting Internal Control (A Case Study at Unit Cooperation Village of DAU Milk and Milk-cow Treatment Unit Malang)”	It is a descriptive qualitative research that presents the data of Unit Cooperation Village by giving general descriptions systematically.	The result shows that sales and cash receipt system and procedure at UCV of DAU in Milk and Milk-cow Treatment Unit have some weaknesses in the use of organization chart, sales and cash receipt system and its flowcharts, also the use of forms.
Faridah	2011	“Evaluation on Sales and Cash Receipt System and Procedure in Supporting Internal Control (A Case Study at Rosalia Indah Group Malang Branch)”	It is a descriptive research with a case study approach.	The result shows that the organization chart did not clearly show the separation of functions and responsibilities. The selling function still had a weakness. It also has a role as cashier function and accounting function.

<p>Laty Mulyani Setyawatie</p>	<p>2012</p>	<p>Analysis on the Application of Sales and Cash Receipt Accounting System in Supporting Internal Control (A Case Study at CV. Royal Jaya Malang)</p>	<p>It is a descriptive research with a case study approach.</p>	<p>The result shows that there were overlapping in Warehouse and Shipping Functions. The sales system done by sales admin were not really effective. The Cashier Function and Financial Function did not make the form of Cash Receipt Evidence.</p>
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Some previous researchers used merchandising and service companies that use common sales system as their references. However, this present study will discuss the sales system done by a sugar company which uses auction and it is different from other companies.

B. Accounting System and Procedures

1. Definition of system and procedures

Before discussing about the definition of accounting system, we need to know the differences between system and procedure. There are lots of experts' opinion about the differences between system and procedure. According to Hall (2008:5) "a system is a group of two or more interrelated components or subsystems that serve a common purpose". Another definition according to Oz (2009:11) "a system is



an array of components that work together to achieve a common goal, or multiple goals, by accepting input, processing it, and producing output in an organized manner". Post and Anderson (2003:5 and 602) stated the definition of procedures are "instructions that help people use the systems. They include items such as user manuals, documentation, and procedures to ensure that backups are made regularly. System is a collection of interrelated objects that work toward some goal". Another definition according to Ferreira, Erasmus, and Groenewald (2009:22) "procedures are series of related and consecutive steps that must be followed to enable someone to perform a specific task".

2. Definition of Accounting System

There are opinions related to the definitions of accounting system. According to Porter and Norton (2010:330) "accounting system is methods and records used to accurately report an entity's transactions and to maintain accountability for its assets and liabilities". According to Reeve, Warren, and Duchac (2012:230) an accounting system is "the methods and procedures for collecting, classifying, summarizing and reporting a business's financial and operating information". According to Nikolai, Bazley, and Jones (2010:76) "an accounting system is the means by which a company records and stores the financial and managerial information from its transactions so that it can retrieve and report the information in an accounting statement".

Based on those definition, it can be concluded that accounting system is a method that used for collecting, summarizing, classifying, and reporting the financial information accurately to maintain accountability for its assets and liabilities

3. The Importance of Accounting System

According to Post and Anderson (2003:183), there are several importance of accounting system:

1. Accounting systems are important because they extend throughout the company and because they focus on money.
2. They are used to collect data and evaluate performance.
3. Accounting systems also enable managers to combine the many divisions into an integrated picture of the entire company.
4. Accounting systems also provide controls over the data to ensure accuracy and to prevent fraud.
5. The primary purpose of accounting is to collect the financial data of the firm, ensure that it is accurate, and create standard reports. It is hard to capture all of the elements of an accounting system in one illustration.

4. Preparation Steps of the Accounting System

According to Reeve, Warren, and Duchac (2008:204-205), accounting system evolve through a three-step process as a business grows and changes:

- a. The first step in this process is analysis.
Which is consists of:
 - 1) Identifying the needs of those who use the business's financial information,
 - 2) Determining how the system should provide this information.
- b. In the second step, the system is designed so that it will meet the user's needs.
This system included a chart of accounts, a two column journal, and a general ledger.
- c. Finally the system is implemented and used.

Once a system has been implemented, feedback, or input, from the users of the information can be used to analyze and improve the system.

5. Processing Methods

According to Reeve, Warren, and Duchac (2008:205-219), processing methods are the means by which the system collects, summarizes, and reports accounting information. These methods may be either manual or computerized.

a. Manual Accounting System

Understanding a manual accounting system assists in recognizing the relationships between accounting data and accounting reports. Such manual accounting systems are simple to use and easy to understand. Manually kept records may serve a business reasonably well when the amount of data collected, stored, and used is relatively small. For large business, such manual processing is too costly and time consuming. General ledger, subsidiary ledger, journals and special journals are used in manual accounting system.

b. Computerized Accounting System

Computerized accounting systems have become more widely used as the cost of hardware and software has declined. In addition, computerized accounting systems have three main advantages over manual systems. First, computerized systems simplify the record-keeping process. Transactions are recorded in electronic forms and, at the same time, posted electronically to general and subsidiary ledger accounts. Second, computerized systems are generally more accurate than manual systems. Third, computerized systems provide management current account balance information to support decision making, since account balances are posted as the transactions occur.

C. Internal Control System

1. Definition of Internal Control System

One of important efforts in creating discipline in a company to avoid the misuse of authority is an effective internal control.

According to Horngren, Harrisom, and Bamber (2002:267), “internal control is organizational plan and all the related measures adopted by an entity to safeguard assets, encourage adherence to company policies, promote operational efficiency and ensure accurate and reliable accounting records”. Another definition according to Reeve, Warren, and Duchac (2012:231), “internal controls are the policies and procedures that protect assets from misuse, ensure that business information is accurate, and ensure that laws and regulations are being followed”. Another definition according to Heintz and Robert (2008:267), “internal control is a system developed by a company to provide reasonable assurance of achieving (1) effective and efficient operations, (2) reliable financing reporting, and (3) compliance with laws and regulations”.

Based on those definition, it can be concluded that internal control system is a system developed by the company to keep the assets from the misuse, motivate the adherence toward the policy and regulation of the company, increase the operational efficiency, and make sure that the financial statement is accurate and reliable.

2. An effective Internal Control System

Internal control system will be effective if the implementation is appropriate for the standard given in that company. According to Reeve, Warren, and Duchac (2012: 394) “Effective internal controls

help businesses guide their operations and prevent theft and other abuses”.

Internal control system is very important for every company since it can prevent the corruption done by the worker who misuses their authorities in the company. According to Horngren, Harrison, and Bamber (2005: 325-328), the characteristic of effective internal control system are:

a. Competent, reliable, and ethical personnel

Employees should be competent, reliable, and ethical. Paying top salaries to attract high-quality employees, training them to do the job, and supervising their work builds a competent staff.

b. Assigned responsibilities. In a business with good internal controls, no important duty is overlooked. Each employee has certain responsibilities. A model of assignment of responsibilities appears in Picture 1. This company has a vice president of accounting and finance. Two other officers, the treasurer and the controller, report to that vice president. The treasurer is responsible for cash management. The **controller** is the chief accounting officer.

c. Separation of duties. Smart management divides responsibility between two or more people. *Separation of duties* limits fraud and promotes the accuracy of the accounting records. Separation of duties is illustrated in Picture 1, with the controller approving payments and the treasurer signing checks. Separation of duties can be divided into two parts :

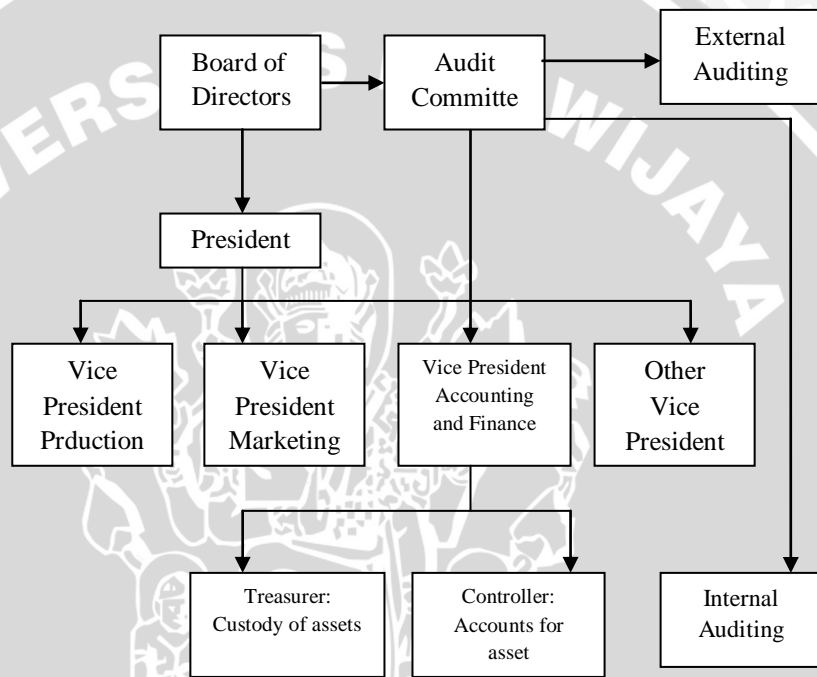
1. ***Separation of operations from accounting.*** Accounting should be completely separate from the operating departments, such as production and marketing. What should happen is sales personnel were to account for the company’s revenue? Sales figures would ne inflated, and top managers wouldn’t know how much the company actually sold. This is why accounting and marketing (sales) are separate in Picture 1.

2. Separation of the custody of assets from accounting. Accountants must not handle cash and cashier must not have access to the accounting records. If one employee has both cash-handling and accounting duties, that person can steal cash and conceal the theft by making a bogus entry on the books. We see this separation of duties in Picture 1. The treasurer handles cash, and the controller accounts for the cash. Neither person has both responsibilities. At Merrill Lynch, Darlyne

Lopez had access to cash and to the company's accounting records. With both duties, she was able to apply one customer's cash deposit to another's account. The result was a \$600,000 loss to the company.

Picture 1

An Organization Chart Showing Assignment of Responsibilities and Separation of Duties.



Source : Horngren, Harrison, Bamber. (2005:325)

- d. Internal and external audits. To validate their accounting records, most companies have a periodic audit. An audit is an examination of the company's financial statements and the accounting system. To evaluate the company's accounting system, auditors examine the internal controls.

Audits can be internal or external. *Internal auditors* are employees of the business. They ensure that employees are following company policies and operations are running efficiently.

External auditors are completely independent of the business. They are hired to determine that the company's financial statements agree with generally accepted accounting principles. Both internal and external auditors are independent of the operations they examine, and both suggest improvements that help the business run efficiently.

- e. Document and records. *Business documents and records* provide the details of business transactions. Documents include invoices and purchase orders, and records include the journals and ledgers. Documents should be prenumbered. A gap in the numbered sequence draws attention.
- f. Electronic devices and computer controls. Accounting systems are relying less on documents and more on digital storage devices. Computers shift the internal controls to the people who write the programs. Programmers then become the focus of internal controls because they can write programs that transfer company assets to themselves.
- g. Other controls. Businesses keep cash and important documents in *fireproof vaults*. *Burglar alarms* protect buildings and other property.

Retailers receive most of their cash from customers on the spot. To safeguard cash, they use *point-of-sale terminals* that serve as a cash register and also record each transaction. Several times each day, a supervisor deposits the cash in the bank.

Employees who handle cash are in a tempting position. Many businesses purchase *fidelity bonds* on cashiers. The bonds is an insurance policy that reimburses the company for any losses due to employee theft. Before issuing a fidelity bond, the insurance company investigates the employee's record.

3. Objectives of Internal Control

According to Reeve, Warren, and Duchac (2012: 394-395) the objectives of internal control are to provide reasonable assurance that :

- (1) **Assets are safeguarded and used for business purposes.** Internal control can safeguard assets by preventing theft, fraud, misuse, or misplacement. One of the most serious breaches of internal control is employee fraud. **Employee fraud** is the intentional act of deceiving an employer for personal gain. Such deception may range from purposely overstating expenses on a travel expenses report to embezzling millions of dollars through complex schemes.
- (2) **Business information is accurate.** Accurate information is necessary for operating a business successfully. The safeguarding of assets and accurate information often go hand-in-hand. The reason is that employees attempting to defraud a business will also need to adjust the accounting records in order to hide the fraud.
- (3) **Employees comply with laws and regulations.** Businesses must comply with applicable laws, regulations, and financial reporting standards. Examples of such standards and laws include

environmental regulations, contract terms, safety regulations, and generally accepted accounting principles (GAAP).

According to Horngren, Harrison, and Bamber (2005:324), the four objectives of internal control are:

1. **Safeguard assets.** A company must safeguard its assets; otherwise it's throwing away resources. **Merrill Lynch** failed to safeguard customer cash, and Lopez blew the money on clothing, jewelry, and cars. In the end Merrill Lynch had to replace the missing \$600,000- at total waste of company resources.
2. **Encourage employees to follow company policy.** Everyone in an organization needs to work toward the same goals. The international accounting firm of Arthur Andersen collapsed soon after a few members of the firm refused to follow its professional standards. They went against company policy and then certified financial statements that held large errors. Andersen fell apart.
3. **Promote operational efficiency.** Companies cannot afford to waste resources. WorldCom, a leading telephone-service provider, lent \$366 million to its CEO. Is that an efficient use of WorldCom resources? Not to the company's enraged owners. WorldCom should have spent the money on new technology and better service for customers.
4. **Ensure accurate, reliable accounting records.** Good record are essential. Without reliable records, a manager cannot tell what investments to make or how much to charge for products. Banks cannot determine whether to make a loan. Enron Corporation collapsed when investors decided they couldn't rely on Enron's financial statements.

According to Turner, and Weickgenannt (2009: 90) . The objectives of an internal control system are as follows:

- 1) Safeguard assets (from fraud or errors).
 - 2) Maintain the accuracy and integrity of the accounting data.
 - 3) Promote operational efficiency.
 - 4) Ensure compliance with management directives.
4. Elements of Internal Control

Reeve, Warren, and Duchac (2012:395-400) stated that elements of internal controls are:

a. The control environment

A business's control environment is the overall attitude of management and employees about the importance of controls. One of the factors that influence the control environment is management's philosophy and operating style. A management that overemphasizes operating goals and deviates from control policies may indirectly encourage employees to ignore controls.

b. Risk assessment

All organizations face risks. Examples of risk include changes in customer requirements, competitive threats, regulatory changes, changes in economic factors such as interest rates, and employee violations of company policies and procedures. Management should assess these risks and take necessary actions to control them, so that the objectives of internal control can be achieved.

c. Control procedures

Control procedures are established to provide reasonable assurance that business goals will be achieved, including the prevention of fraud.

- **Competent Personnel, Rotating Duties, and Mandatory Vacations.** The successful operation of an accounting system requires procedures to ensure that people are able to perform the duties to which they are assigned. Hence, it is necessary that all accounting employees be adequately trained and supervised in performing their jobs. It may also be advisable to rotate duties of clerical personnel and mandate vacations for nonclerical personnel. These policies encourage employees to adhere to prescribed procedures. In addition, existing errors or fraud may be detected.
- **Separating Responsibilities for Related Operations.** To decrease the possibility of inefficiency, errors, and fraud, the responsibility for related operations should be divided among two or more persons. For example, the responsibilities for purchasing, receiving, and paying for computer supplies should be divided among three persons or departments. If the same person orders supplies, verifies the receipt of the supplier, the following abuses are possible:
 1. Orders may be placed on the basis of friendship with a supplier, rather than on price, quality, and other objective factors.

2. The quantity and quality of supplies received may not be verified, thus causing payment for supplies not received or poor quality supplies.
 3. Supplies may be stolen by the employee.
 4. The validity and accuracy of invoices may be verified carelessly, thus causing the payment of false or inaccurate invoices.
 - Separating Operations, Custody of Assets, and Accounting. Control policies should establish the responsibilities for various business activities. To reduce the possibility of errors and fraud, the responsibilities for operations, custody of assets, and accounting should be separated. The accounting records then serve as an independent check on the individuals who have custody of the assets and who engage in the business operations.
 - Proof and Security Measures. Proofs and security measures should be used to safe guard assets and ensure reliable accounting data. This control procedure applies to many different techniques, such as authorization, approval, and reconciliation procedures.
 - d. Monitoring

Monitoring the internal control system locates weaknesses and improves control effectiveness. The internal control system can be monitored through either ongoing efforts by management or by separate evaluations. Ongoing monitoring efforts may include observing both employee behaviour and warning signs from the accounting system.
 - e. Information and communication

Information and communication are essential elements of internal control. Information about the control environment, risk assessment, control procedures, and monitoring is needed by management to guide operations and ensure compliance with reporting, legal, and regulatory requirements. Management can also use external information to assess events and conditions that impact decision making and external reporting.
5. The Limitation of Internal Control

Certainly Internal Control System also has limitations and can not fully guarantee that if a company already has an internal control system will not commit fraud. According to Warren, Reeve, and Duchac (2012:363) “ Internal control systems can provide only

reasonable assurance for safeguarding assets, processing accurate information, and compliance with laws and regulations. In other words, internal controls are not a guarantee”. Segregation of duties can be effective in preventing collusion, but no system of internal control can ensure that it will not happen (Porter and Norton, 2011:334).

D. Sales Procedure

1. Definition of Sales Procedure

In selling a product of a company, there must be procedures which have been done appropriate for the standard given by that company.

Definition of sales order procedure according to Hall (2011: 154)

“sales order procedures include the tasks involved in receiving and processing a customer order, filling the order and shipping products to the customer, billing the customer at the proper time, and correctly accounting for the transaction”.

2. Related Function of Sales Procedures

The related function of Sales Procedures according to Hall (2011: 170,171 and 174) are:

a. Sales Department

The sales department records the essential details on sales order. This information will later trigger many tasks

b. Credit Department

To provide independence to the credit authorization process, the credit department is organizationally and physically segregated from the sales department.

c. Warehouse

The warehouse clerk receives the stock release copy of the sales order and uses this to locate the inventory.

d. Shipping Department

The shipping function verifies that the goods sent from the warehouse are correct in type and quantity. Before the goods are sent to the customer, the stock release document and the packing slip are reconciled.

e. Billing Department

The billing function reconciles the original sales order with the shipping notice to ensure that customers are billed for only the quantities shipped.

f. Accounting Receivable, Inventory Control, and General Ledger Department.

Prior to posting to control accounts, the general ledger function reconciles journal vouchers and summary reports prepared independently in different function areas. The inventory control summarizes changes in the inventory subsidiary ledger, the cash receipts function summarizes the cash receipts journal, and accounts receivable summarizes the AR subsidiary ledger.

3. Document Used

According to Hall (2011: 156-160) the document used in Sales

Procedures are:

a. Sales Order

The sales order captures vital information such as the customer's name, address, and account number; the name, number, and description of the item sold ; and the quantities and unit prices of each item sold.

b. Bill of Lading

The bill of lading is a formal contract between the seller and the shipping company (carrier) to transport the goods to the customer.

c. Journal Voucher

Each journal voucher represents a general journal entry and indicates the general ledger accounts affected. Summaries of transactions, adjusting entries, and closing entries are all entered into the general ledger via this method. When properly approved, journal vouchers are an effective control against unauthorized entries to the general ledger. The journal voucher system eliminates the need for a formal general journal, which is replaced by a journal voucher file.

d. Inventory Subsidiary Ledger

The inventory control function updates inventory subsidiary ledger accounts from information contained in the stock release document. In a perpetual inventory system, every inventory item has its own record in the ledger containing, at a minimum.

e. Account Receivable Subsidiary Ledger

Customer records in the accounts receivable (AR) subsidiary ledger are updated from information the sales order (ledger copy) provides. Every customer has an account record in the AR subsidiary ledger containing, at minimum, the following data: customer name; customer address; current balance; available credit; transaction dates; invoice numbers; and credits for payments, returns, and allowances.

4. Flowchart of Sales Order Procedures

The system flowchart in Picture 2 shows the procedures and the documents typical to a manual sales order system. The Explanation of the flowchart are:

a. Sales department

The sales process begins with a customer contacting the sales department by telephone, mail, or in person. The sales department records the essential details on a sales order. This information will later trigger many tasks, but for the moment is filed pending credit approval.

b. Credit Department Approval

To provide independence to the credit authorization process, the credit department is organizationally and physically segregated from the sales department. When credit is approved, the sales department clerk pulls the various copies of the sales orders from the pending file and releases them to the billing, warehouse, and shipping departments. The customer order and credit approval are then placed in the open order file.

c. Warehouse Procedure

The next step is to ship the merchandise, which should be done as soon after credit approval as possible. The warehouse clerk receives the stock release copy of the sales order and uses this to locate the inventory. The inventory and stock release are then sent to the shipping department. Finally, the warehouse clerk records the inventory reduction in the stock records.

d. The Shipping Department

The shipping clerk reconciles the products received from the warehouse with the shipping notice copy of the sales order received earlier. As discussed previously, this reconciliation is an important control point, which ensures that the firm sends the correct products and quantities to the customer. When the order is correct, a bill of lading is prepared, and the products

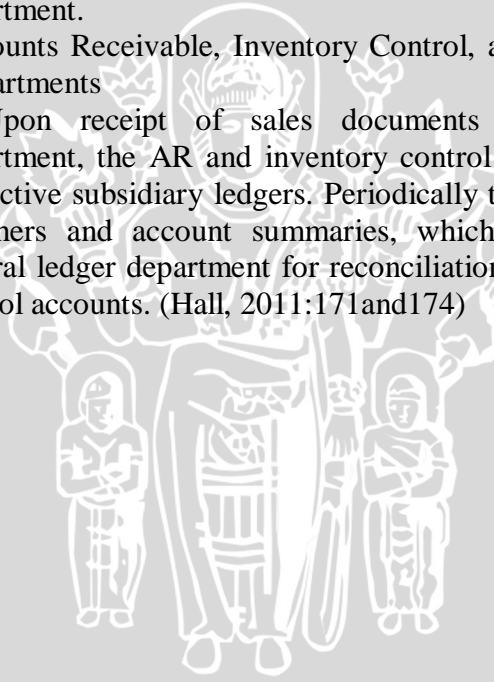
are packaged and shipped via common carrier to the customer. The clerk then enters the transaction into the shipping log and sends the shipping notice and stock release to the billing department.

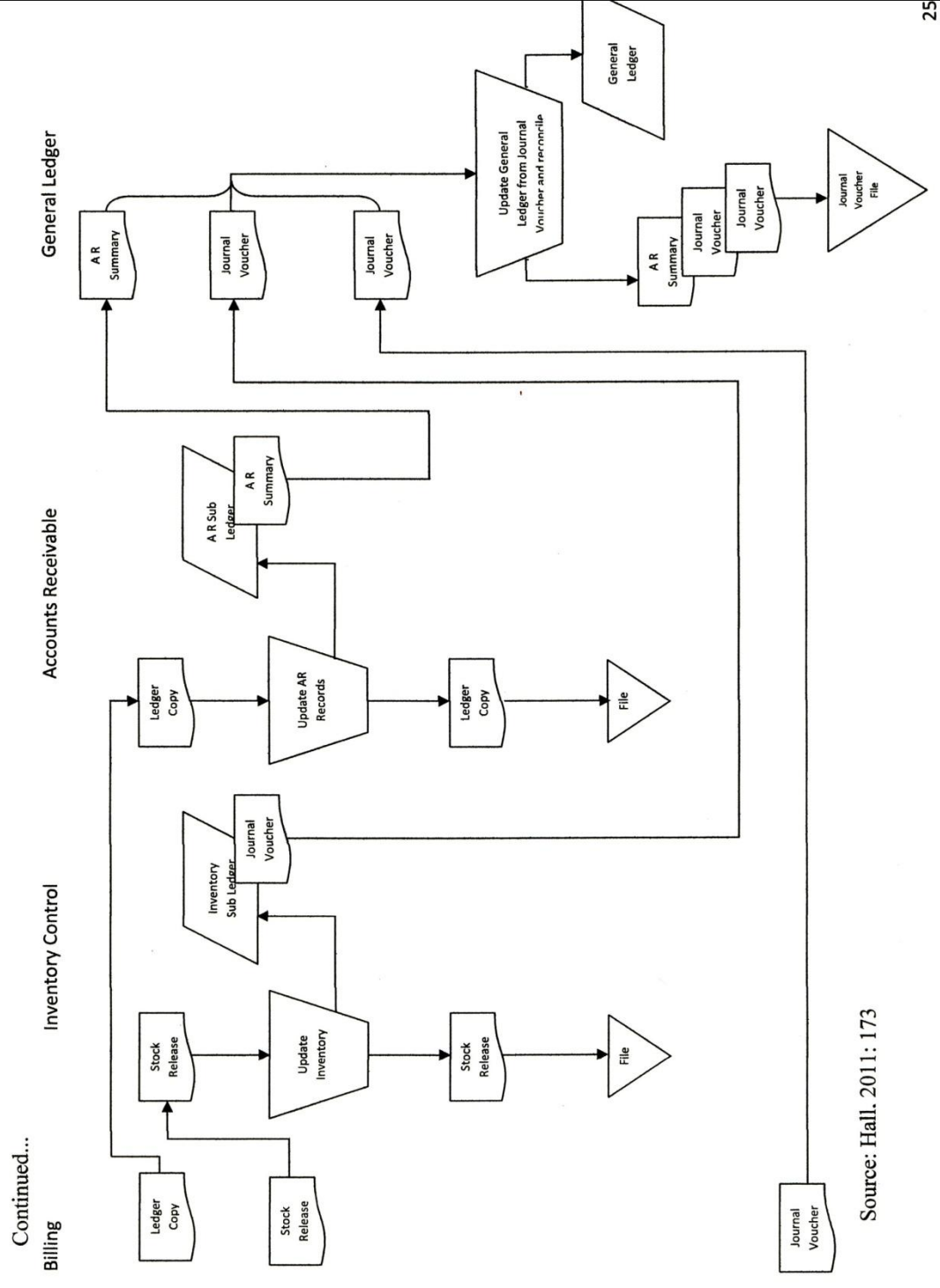
e. The Billing Department

The shipping notice is proof that the product has been shipped and is the trigger document that initiates the billing process. Upon receipt of the shipping notice and stock release, the billing clerk compiles the relevant facts about the transaction (product prices, handling charges, freight, taxes, and discount terms) and bills the customer. The billing clerk then enters the transaction into the sales journal and distributes documents to the AR and inventory control departments. Periodically, the clerk summarizes all transactions into a journal voucher and sends this to the general ledger department.

f. Accounts Receivable, Inventory Control, and General Ledger Departments

Upon receipt of sales documents from the billing department, the AR and inventory control clerks update their respective subsidiary ledgers. Periodically they prepare journal vouchers and account summaries, which they send to the general ledger department for reconciliation and posting to the control accounts. (Hall, 2011:171and174)





Source: Hall, 2011: 173

E. Cash Receipt Procedure

1. Definition of Cash

Cash is the most liquid of the current assets and is listed first.

According to Horngren, Harrison, and Bamber (2002:39), "the cash account is a record of the cash effects of a business's transactions.

Cash includes money and any medium of exchange that a bank accepts at face value, such as bank account balances, paper currency, coins, certificates of deposits, and checks". Cash exists both in physical and book entry forms: physical in the form of coin and paper currency as well as other negotiable instruments of various kinds, and book entry in various forms such as commercial bank deposits and savings deposits. (Graham, 2009:6)

2. Definition of Cash Receipt Procedure

According to Hall (2011: 163) "Cash receipts procedures apply to this future event. They involve receiving and securing the cash; depositing the cash in the bank; matching the payment with the customer and adjusting the correct account; and properly accounting for and reconciling the financial details of the transaction.

3. Related Function of Cash Receipt Procedure according to Hall (2011: 174) are:

- a. Mail Room
- b. Cash Receipts
- c. Account Receivable

- d. General Ledger Department
- e. Controller's Office

4. Document Used

According to Hall (2011: 167) the document used in cash receipt procedures are:

- a. Remittance advices
- b. Checks
- c. remittance list,
- d. cash receipts journal,
- e. AR subsidiary ledger,
- f. AR control account,
- g. Cash account

5. Flowchart of Cash Receipt Procedure

The explanation from the Picture 3 "Flowchart of Cash Receipt Procedure" are:

a. Mail Room

Customer payments and remittance advices arrive at the mail room, where the envelopes are opened. The checks are sent to the cashier in the cash receipts department, and the remittance advices are sent to the AR department.

b. Cash Receipts

The cashier records the checks in the cash receipts journal and promptly sends them to the bank, accompanied by two copies of the deposit slip. Periodically, the employee prepares a journal voucher and sends it to the general ledger department.

c. Accounts Receivable

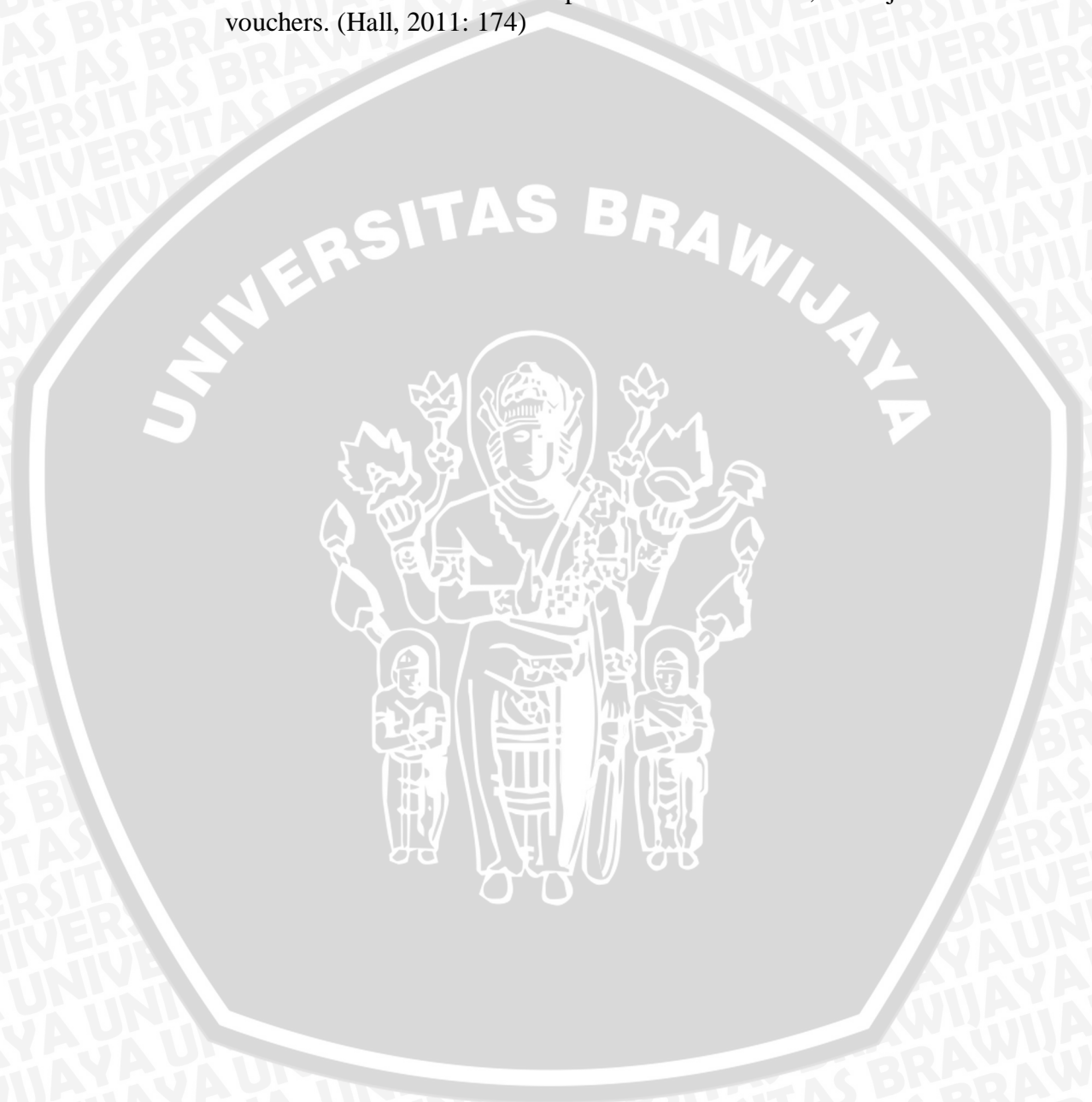
The AR department uses the remittance advices to reduce the customers' account balances consistent with the amount paid. The AR clerk prepares a summary of changes in account balances, which is sent to the general ledger department.

g. General Ledger Department

Upon receipt of the journal voucher and account summary from cash receipts and AR, respectively, the general ledger clerk reconciles the information and posts to the control accounts.

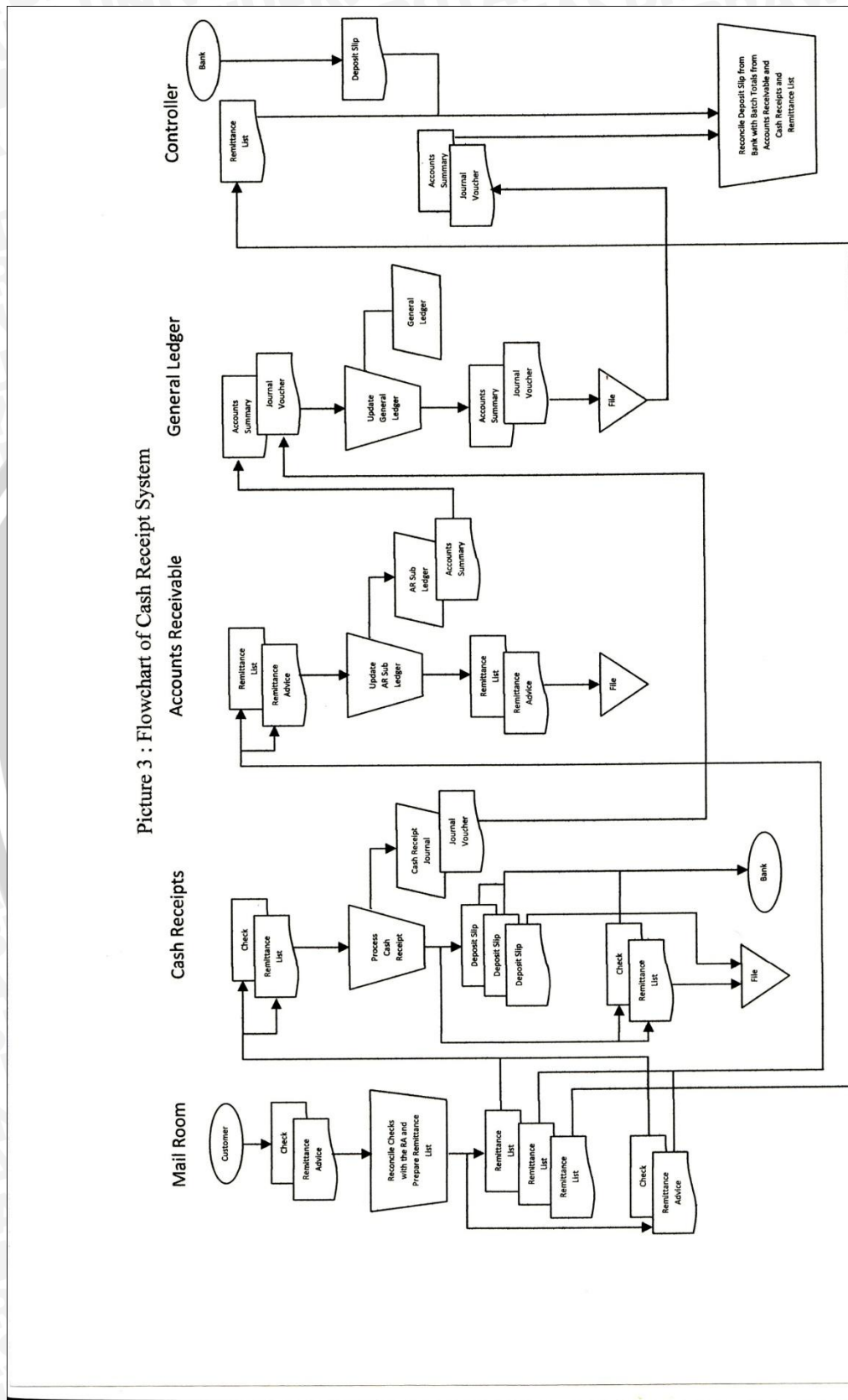
h. Controller's Office

Because cash is a liquid asset and subject to misappropriation, additional controls are necessary. In this case, someone from the controller's office periodically performs a bank reconciliation by comparing deposit slips returned from the bank, account summaries used to post to the accounts, and journal vouchers. (Hall, 2011: 174)





Picture 3 : Flowchart of Cash Receipt System



Source : Hall, 2011: 176

F. Internal Control over Sales and Cash Receipt Accounting System

Internal control over sales and cash receipt accounting system is needed to protect the most liquid current assets from any form of corruption. The internal control procedures should be arranged to make sure that asset of the company is really safe. The elements of internal control over sales and cash receipt accounting system are as follow:

Organization

- 1) Selling function should be separated from cash function
- 2) Cash function should be separated from accounting function
- 3) Cash sales transaction should be done by selling function, cash function, shipping function, and accounting function.

Authorization System and Recording Procedure

- 4) Order receipt from the buyer is authorized by selling function by using cash sales invoice form.
- 5) Cash receipt is authorized by cash function by adding a "Paid" stamp to cash sales invoice and sticking a register band to it.
- 6) Sales done with bank credit card are started with authorization demand from the bank that publishes credit card.
- 7) Goods delivery is authorized by shipping function by adding a "given" stamp to cash sales invoice.
- 8) Journal recording is authorized by accounting system by giving a mark to cash sales invoice.

Good practice

- 9) Cash sales invoice has a printed serial number and the selling function has responsibility of its use.
- 10) Total cash received from cash sales is transferred to the bank in the same day with cash sales transaction or the next work day.
- 11) Calculation of cash balance in Cash Function is done periodically and suddenly by internal audit function. (Mulyadi, 2001: 470)

CHAPTER III

RESEARCH METHOD

A. Types of Research

Referring to the background, formulation of the problems and theories that have been described previously, so the type of research used in this research is descriptive quantitative. According to Merriam (2009:4) “Research is a systematic process by which we know more about something than we did before engaging in the process”. According to Litosseliti (2010:52) “Quantitative research, however, is deductive: based on already known theory we develop hypotheses, which we then try to prove (or disprove) in the course of our empirical investigations”. According to Johnson and Christensen (2012:336) “Descriptive research is research focused on providing an accurate description or picture of the status or characteristics of a situation or phenomenon”.

It is a descriptive research since the aim of this research is to give information about the application of internal control for cash sales and receipt procedures. This research also intends to learn in particular object of research that is PG Kebon Agung, so this research include case study research. According to O’Sullivan (2003:484) “case study is a type of study in which a person, program, agency, or some other unit is analysis examined in detailed”. Comparison is not usually made with other units having different values of the variables of interest. The purpose of this

case study research is to investigate in depth about a particular subject so that it can provide a complete overview about a particular subject.

B. Research Focus

Based on the title chosen, this research focuses on the application of internal control system toward the procedure of sales and cash receipt in PG Kebon Agung. What becomes the focus in this research are:

1. Organizational Structure

Organizational structure has the purpose to find out how the shape of organizational structure in relation to the job description on the company. Because by looking at organizational structure it can be known the division of tasks and authority of the party that are responsible for their work. In the other side, it also shows the functions that are involved in the procedure of the sales and cash receipt at PG Kebon Agung.

2. Procedure of sales and cash receipt

Research on sales and cash receipt procedures are used to find out and get an overview of the procedures of sales and cash receipt applied by PG Kebon Agung.

3. The implementation of internal control system over the procedure of sales and cash receipt

Research on the implementation of internal control system over the procedure of sales and cash receipt in PG Kebon Agung used to assess

internal control conducted has been done or not corresponds to the elements of good internal control, so can support the effectiveness of internal control at PG Kebon Agung.

C. Research Site

The location choice of a trade is an important thing for the company in the effort of bringing themselves nearer to the consumer. It also influences the life of the company in the competition and it determines the viability of the company in the future.

PG Kebon Agung is located at Kebon Agung village, Pakisaji sub district, Malang regency, for about 480 meters above the sea level, 5 km on the south of Malang city, between the main road of Malang and Blitar.

D. Data Sources

Data source can be called as the information about something used as the source in the research analysis process. In this research, the data source used is secondary data. According to Burt, Barber, and Rigby (2009:18) “secondary data are data obtained from a source other than the primary data source”.

This secondary data consists of documents, forms, books, journals, general description of the company, report result, and theories supporting this research.

E. Data Collection Techniques

In conducting this research, it needs complete, relevant, objective, and reliable data. The methods of data collection used by the researcher i documentation. According to Calmorin and Calmorin (2008:359) “Documentation is important in writing a research paper, thesis, and dissertation to determine if researcher has read and used several research works and other materials as reference”.

With this method, the researcher can get the data which have been booked and archived by PG Kebon Agung Malang by reading daily activities notes, end of period financial report, and other written data which have been booked.

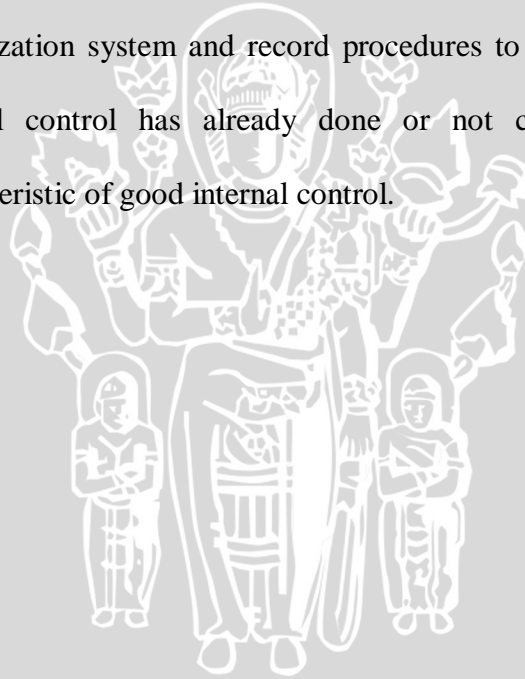
F. Research Instrument

The research instrument is the device or facility used by the researcher in collecting the data in order to make the job easier and the result better (smarter, completer, and more systematic) so that it’s easier to be processed. The research instruments used by the researcher is documentation guidance. It is the note existing in the research location which contains supporting data that can be used as data source.

G. Data Analysis

The data analysis process uses quantitative approach. The method is done through some steps as stated below:

1. Analyzing the sales and cash receipt accounting system applied by PG Kebon Agung which includes document used, related function, computer program used, the procedures, so can asses whether the accounting system applied has already done or not accordance with a good sales and cash receipt accounting system.
2. Analyzing internal control system over sales and cash receipt proceders applied by PG Kebon Agung that includes organizational structure, qualified personnel, good practices, authorization system and record procedures to asses whether the internal control has already done or not correspond to the characteristic of good internal control.



CHAPTER IV

RESULT AND DISCUSSION

A. General Overview of Company

1. History of PG Kebon Agung Malang

PG Kebon Agung Malang was built in 1905 by a Chinese named tan Tjwan Bie. This factory is located 5 kilometers at the south of Malang city, in Kebon Agung village, Pakisaji sub district, Malang regency. The form of the corporation at that time was an individual corporation.

In 1957 PG Kebon Agung was sold to Javasche Bank which is now known as Bank Indonesia. The management was given to N.V Handel and Landbouw Maatschappij Tiedman Van Kerchmen (TVK). Later, the management was handled by Retirement Fund Foundation and Annuity of Bank Indonesia. The corporation form, then, changed from N.V into Inc. and both acted as the owner and the only stakeholder. The management was Tiedeman Van Kerchen Firm. With enough investment followed by a desire to raise the production outcome, the reparation or rehabilitation was begun for the development of the company.

In the beginning of production in 1908, PG Kebon Agung produced Musvokado sugar -that is brown sugar with a poor quality- because the process system used was still modest at that time. The

capacity of production was 8000 pikols of sugar cane or thereabouts 5000 quintals per day. In 1913, the capacity of production increased to 10000 pikols per day and the quality of sugar rose to Hoofsuiker (HS) with the process that directed to sulfitation system. Because of the implementation of RPM in 1917, the quality of production produced by PG Kebon Agung was included into WCS (White Crystal Sugar) category. In 1988, the package which at first used 100 kg sunny-sack lifted by man power, was changed into 50 kg plastic sack which the transportation and accumulation were done by conveyor.

For the establishment of harmonious climate in the work relationship, the job which was represented by SPSI work unit of PG Kebon Agung with the Direction of PT Kebon Agung as the manager made a Collective Work Agreement (CWA) which is now called as Collective Work Treaty (CWT). It arranged every both right and obligation of work and entrepreneur, and also social insurance for the worker which was renewed once in two years.

2. Vision, Missions, and Goals

1. Vision

The vision is to fulfill the national need of sugar in the tightness of sugar industry competition and to raise the efficiency and the income of farmers and sugar factory.

2. Mission

- a. To stabilize the partnership of farmers and sugar cane suppliers
- b. Intensification and extensification of plants by expanding the area of Citizen's Sugar Cane and Private Sugar Cane
- c. To raise the capacity of grind and to change the machines/tools which are not efficient anymore to be used so that the capacity of grind can increase gradually
- d. To develop and raise the quality of human resources

3. Goals

The goals PG Kebonagung are stated below :

a. Long term goals

The long term goals of the company are :

- (1) To get a maximal profit with a minimal cost
- (2) To maintain and raise the continuity of company
- (3) To organize a marketing expansion of the outcome

b. Short terms goals

The short terms goals of the company are :

- (1) To try to reach the production level correspond to the production plans had been reached
- (2) To try to raise the fluency of production process
- (3) To try to keep the quality of production

3. Company's Logo

PICTURE 4

LOGO OF PG KEBON AGUNG MALANG



Source : PG Kebon Agung, 2012

4. Company's Location

The location choice of a trade is an important thing for the company in the effort of bringing themselves nearer to the consumer. It also influences the life of the company in the competition and it determines the viability of the company in the future.

PG Kebon Agung is located at Kebon Agung village, Pakisaji sub district, Malang regency, for about 480 meters above the sea level, 5 km on the south of Malang city, between the main road of Malang and Blitar.

5. Business Field

The business field of PG Kebon Agung Malang engaged in manufacture business with main focus on selling sugar.

6. Products offered by PG Kebon Agung

Beside the SHS sugar as the main product, PG Kebon Agung also produces some other product, they are:

1. Drop

The final liquid which has very low sugar concentrate and the sugar is difficult to be taken. Later, this liquid can be used to make alcohol.

2. Residue

It is a solid waste can be used as cattle fuel and substantial substance of particle board. Besides, it can be used as raw material to produce paper, plastic, and board.

3. Blotong

It is the elimination of nira that can be used as fertilizer.

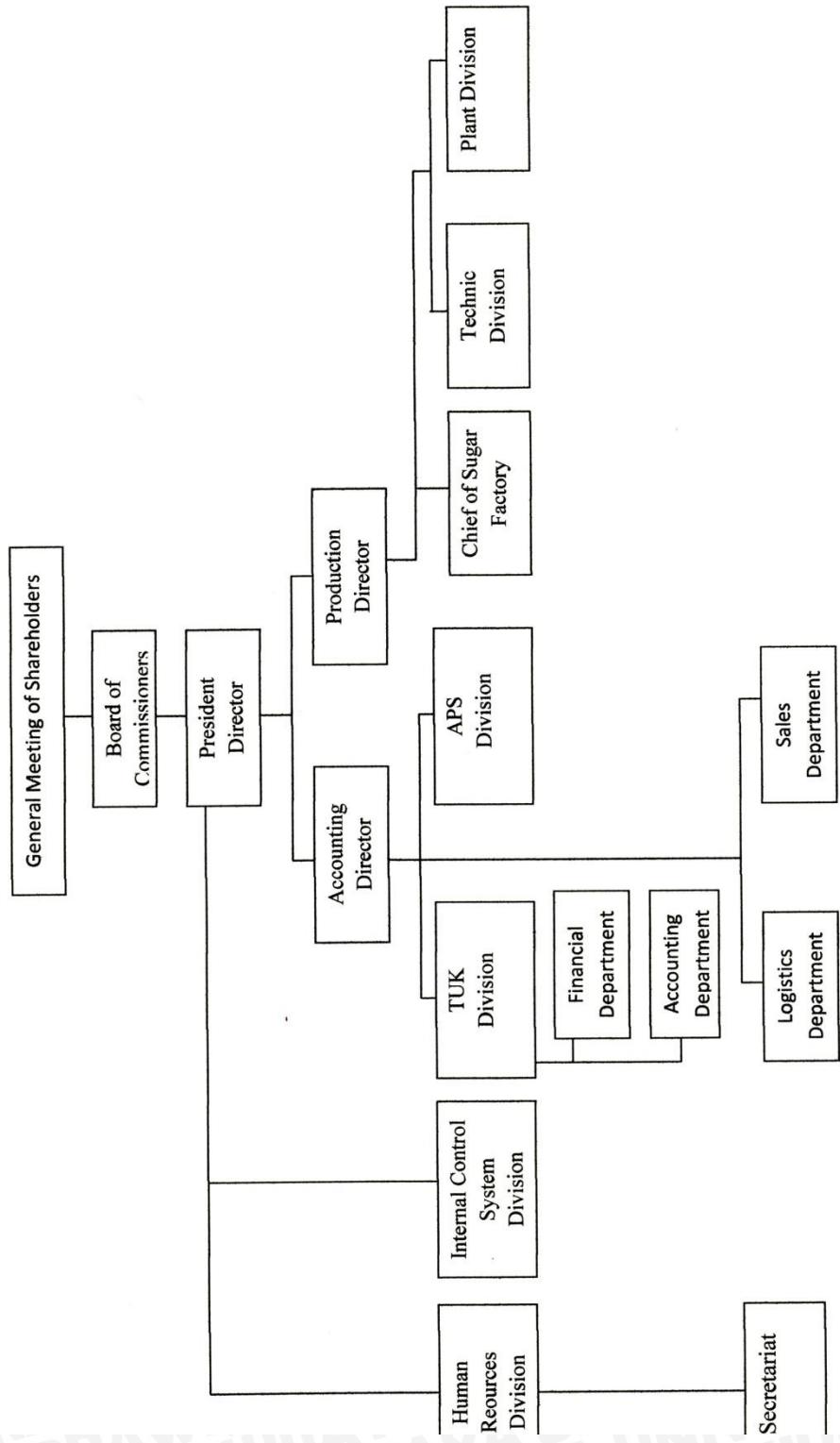
7. Organizational Structure

The organizational structure is a framework of cooperation from various parts of the pattern, which means the preparation of a logical order and harmonious relations.

So, in an organization there is a framework that shows all the work tasks to achieve organizational goals, relationships between the functions and powers and responsibilities of each member organization.

The organizational structures on PG Kebon Agung Malang for Periode 2012 can be seen in Figure as follows:

Picture 5
Organizational Structure of PT Kebon Agung



Source: Managed Data – Personnel Department PG Kebon Agung Malang, 2012

The jobs, authorities, and responsibilities of every division in organization structure of PG Kebon Agung Malang are:

1. Chief

Chief is the general official who has responsibility about the company. The authorities and the responsibilities of a chief are:

- (a) To implement the policy and work order, and the work procedure that has been agreed by the director.
- (b) To justify the head of division to the director.
- (c) To map out the work and develop the sugar cane area in order to raise the factory's production.
- (d) To implement the monitoring and control of work realization to all of divisions in the company.

2. The Manager of Administration Division

The jobs of Manager of Administration Division are:

- (a) To map out the financial distribution, monitor the realization, and do the variable analysis.
- (b) To implement the receipt, expense, and saving of company's fund
- (c) To collect and manage the budget of each division in the company

The Manager of Administration is helped by some departments, they are:

(a) Accounting Department

The jobs are:

- (1) To do the accounting data management to produce financial information for people who need it.
- (2) To do the verification of documents as the base of expense from the company
- (3) To implement the accounting policy which has been applied by the director and related requirements which have been defined by the administration.

(b) Personnel Department

This department has jobs to finish the work technique in respect of labor and general, coordinate the work of administration and personnel, calculation of salary and wage and also social insurance for the workers.

3. Plants Management Division

The jobs of Plants Management Division are:

- (a) To make operational plan of Plants Department
- (b) To manage the sugar cane planting with a good technique in order to guarantee the maximal outcome by the economic cost.
- (c) To formulate the plan and strategy of the upgrading of sugar cane quality and amount from the company

Plants Management Division consists of :

a. Plants agent

Its jobs are to map out and do the strategy of the upgrading of sugar cane quality and amount from the company.

(1) North, Middle, and South Region Guiding Department.

Planning and finishing the matter of sugar cane planting, they are the beginning of planting, the maintenance, and harvest time in each area.

(2) Cutting and Carrying Receipt Department.

Planning the transportation medium at the receipt and the transportation of sugar cane to the factory.

4. Manager of Fabrication Division

The jobs of this division are :

- (a) To make and plan the production activity has been agreed.
- (b) To manage the activation of management devices in order to get the maximal outcome and an efficient sugar packaging.
- (c) To manage laboratory activities in order to guarantee the maximal outcome with the wanted quality.

Fabrication Division consists of some departments :

a. First Section

1. Laboratory Department

Being responsible of the supplying of chemical substance, the working of tools and the maintenance of laboratory tools.

2. Purification Department

Being responsible in organizing and monitoring the purification of sugar

3. Distillation Department

Being responsible in organizing and monitoring the process of distillation in the distillation station.

b. Second Section

(1) Food Department

Being responsible in organizing and monitoring the process of cooking in the cooking station.

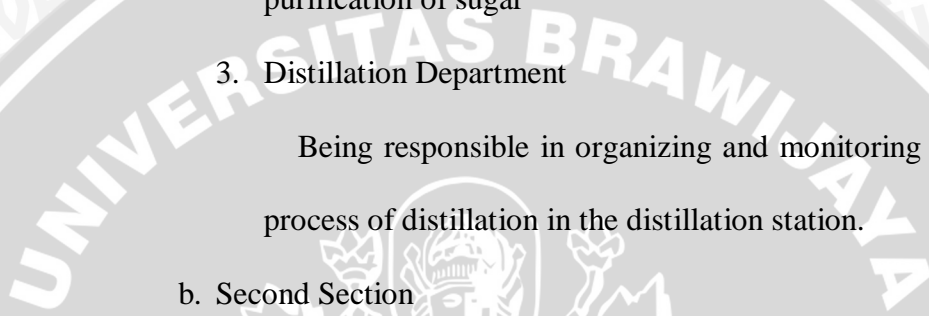
(2) Lapping and Packaging Department

Being responsible in organizing and monitoring the process of lapping and sugar packaging

5. Manager of Technique Division

Manager of technique division has jobs, authorities, and responsibilities as stated below :

- (a) To make the plan of reparation and maintenance of all factory's machines and tools.



- (b) To run the reparation and maintenance plan which has been agreed with the maximal work and maintenance and economic cost.
- (c) To organize the administration activities and coordinate all activities in technique division.

Technique division consists of some departments, they are:

a. First Section

(1) Grinding Sub Division

- a. Being responsible of the fluency of work in the grinding station
- b. To make the report of the activities has been done and the upcoming activities to the head of First Section.

(1) Transportation Sub Division

- (2.1) To receive the report of damage and to manage the checkup of vehicles owned by the factory
- (2.2) To receive the report of reparation work of the vehicles which has been done

(a) Second Section

(1) Electricity Sub Division

- (1.1) Being responsible of the fluency of work in the electricity station and to report it to the head of First Section

(1.2) To monitor directly all the works done in the electricity station

(2) Kettle Sub Division

(2.1) Being responsible of the fluency of work in the kettle station and report it to the head of Second Section

(2.2) To monitor directly all the works done in the kettle station

B. Data Presentation

1. Sales and Cash Receipt Accounting System

The procedure of sales and cash receipt accounting system must be done with the appropriate procedure and applied by functions that have been given responsibility to do that in order to avoid corruption. The sales procedure in PG Kebon Agung is done with different way from most industrial companies; that is auction. The auction is determined by the board of director positioned in Surabaya. It is held in kibbling season (for 7 months) during 13 periods in which each period consists of 15 days. Things related to sales and cash receipt in PG Kebon Agung Malang are:

1. Functions related to sales and cash receipt in PG Kebon Agung are:

a) Sales Department

It is a department that provides every need before and after auction such as making the data of participants, making Notification Letter of Auction Winner, 4 sheets of Delivery Order, and making 3 sheets of Cash Receipt Evidence.

b) Buyer (Auction Winner)

It is a party that wins the auction and has DO to be given to Natura to get the sugar.

c) Accounting Department

It has a responsibility to investigate documents, input the data through computerized system and sign the CRE.

d) Financial Department

It has a responsibility to make Daily Cash Report based on the documents have been made and make archive of the documents.

e) Natura

It has a responsibility to make travel pass to get the sugar, or called as Natura Evidence signed by Manager of TUK, based on DO brought by the auction winner.

f) Warehouse

It has a responsibility to take the sugar out of warehouse appropriate with the quantity written on Natura Evidence and record the data to computer.

2. The procedures of sales and cash receipt in PG Kebon Agung are:

a) Sales Department makes the data of participants or agents that join the proces of auction by sending letter via fax. If the agents are willing to be the participants of auction, they will reply to that fax.

b) Before the auction starts, Sales Department prepare every need for auction process. The winner of auction can be known after the auction process done. Then, the winner is given a notification letter to transfer some money based on the quantity of sugar auctioned.

c) After receiving the Bank Transfer Evidence and doing cross check of it with NLAW, the Sales Department will make 4 sheets of DO and 3 sheets of Cash Receipt Evidence. The first and the second sheets of DO are given to the buyer (auction winner), the third will be archived by PG, and the fourth sheet, Bank Transfer Evidence, and Cash Receipt Evidence are given to Accounting Department

- d) Accounting Department receive BTE, CRE and DO. Those documents are investigated and signed, and then Accounting Department will input the data to computer.
- e) Those documents are given to Financial Department. The Financial Department give 4 sheets of DO to the Financial Director to be signed. Then, they make 2 sheets of DCR and each of them is given to Chief Manager and Chief of PG.
- f) Next, the buyer (auction winner) gives the first sheet of DO to Natura. Natura makes 3 sheets of travel pass, or called as Natura Evidence for them.
- g) Those 3 sheets of Natura Evidence are given to Warehouse. Then, Warehouse will take the sugar out of warehouse based on the quantity written in Natura Evidence and it is under-controlled by security. They input the data of it to computer. Next, the sugar and the first sheet of Natura Evidence are given to the buyer (auction winner). The second and the third sheets are given back to Natura to be archived.

3. The forms used in sales and cash receipt procedures of PG

Kebon Agung Malang are:

- a) Notification Letter

Notification Letter of Auction Winner is made by Sales Department after the auction. It contains a notification for the buyer (auction winner) to transfer some money based on the quantity of sugar auctioned with the time limit has been given.

b) Delivery Order

Delivery Order is made by Sales Department after the buyer (auction winner) transfers some money as written in NLAW. It is used to take the sugar based on the quantity of sugar auctioned. 4 sheets of Delivery Order are distributed to:

1st sheet → to take the sugar

2nd sheet → buyer

3rd sheet → PG

4rd sheet → financial department of PT Kebon Agung

c) Bank Transfer Evidence

It is a payment evidence that sent by the buyer (auction winner) via fax to SALES DEPARTMENT

d) Cash Receipt Evidence

It is also made by sales department based on the Bank Transfer Evidence received by the buyer (auction winner). 3 sheets of BTE are distributed to:

1st sheet → financial department

2nd sheet → accounting department

3rd sheet → sales department

e) **Natura Evidence**

It is made by Natura and used by the buyer (auction winner) to take the sugar. 3 sheets of Natura Evidence are given to:

1st sheet → buyer (auction winner)

2nd sheet → Natura

3rd sheet → Natura

4. **Accounting records used in sales and cash receipt procedures in**

PG Kebon Agung Malang are:

a) **Cash Receipt Journal**

Every transaction of cash receipt are recorded in cash receipt journal in computer.

b) **General Ledger**

If a transaction of cash receipt happens, the computer will record it automatically in the general ledger.

c) **Daily Cash report**

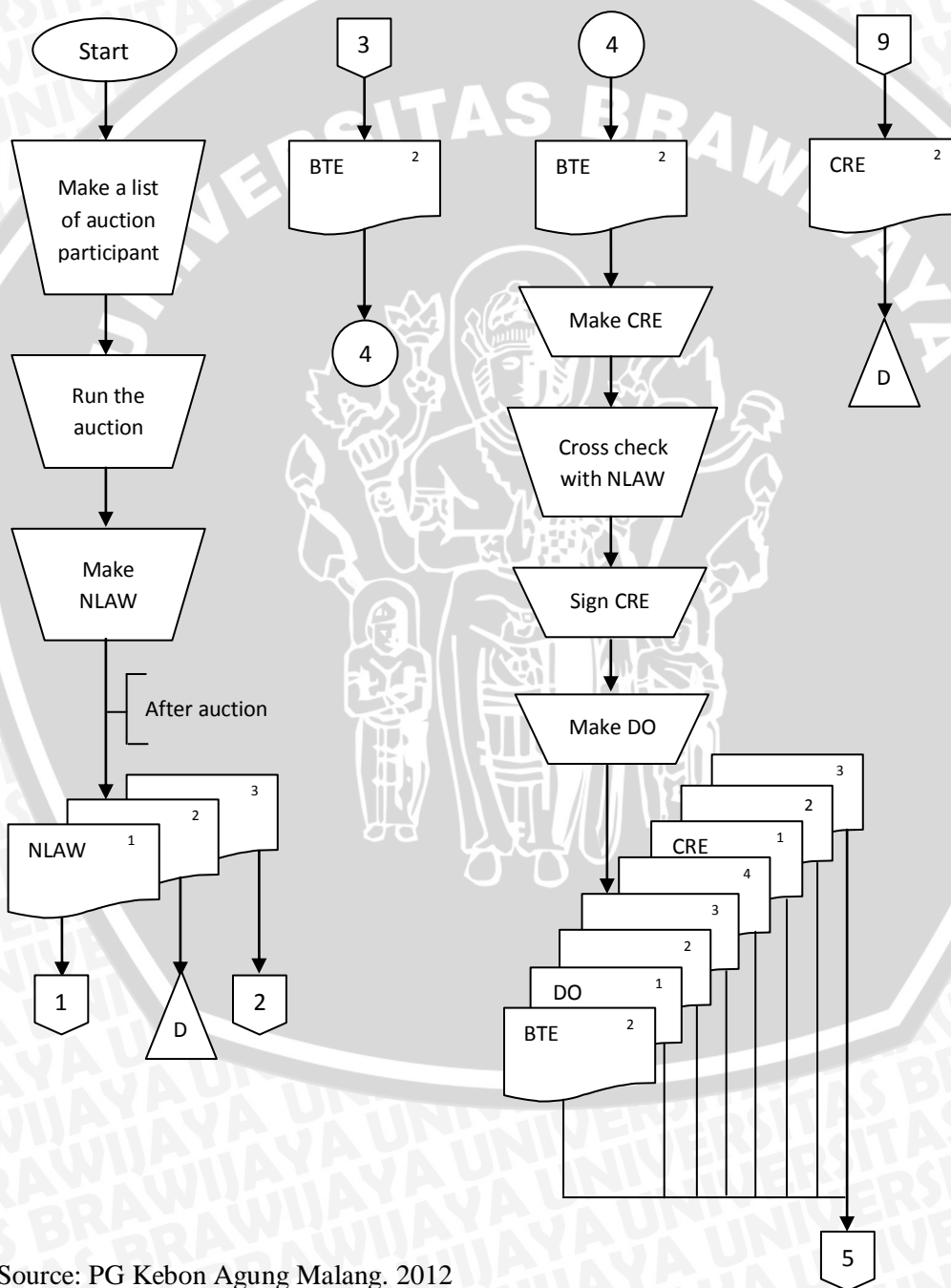
It records every transaction both of cash receipt or cash disbursement. This record is made daily at the end of work hour. It is made in 2 sheets, the first for the chief/director and the second for manager.

The clearer information about sales and cash receipt procedures can be seen from these flowchart picture.



PICTURE 7
DOCUMENT FLOWCHART
PROCEDURE OF SALES AND CASH RECEIPT

Sales Department

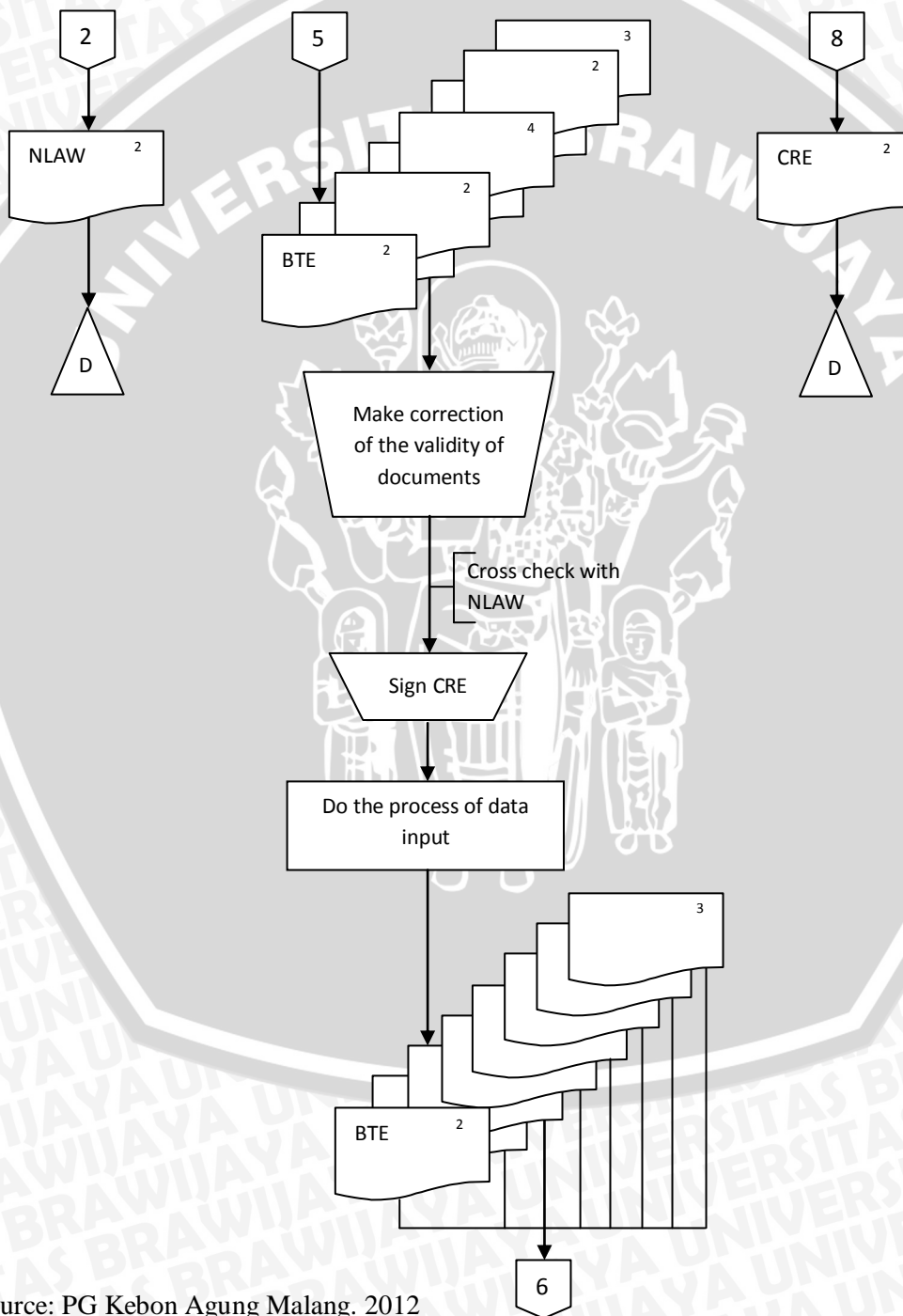


Source: PG Kebon Agung Malang, 2012



PICTURE 7
DOCUMENT FLOWCHART
PROCEDURE OF SALES AND CASH RECEIPT
(continued)

Accounting Department

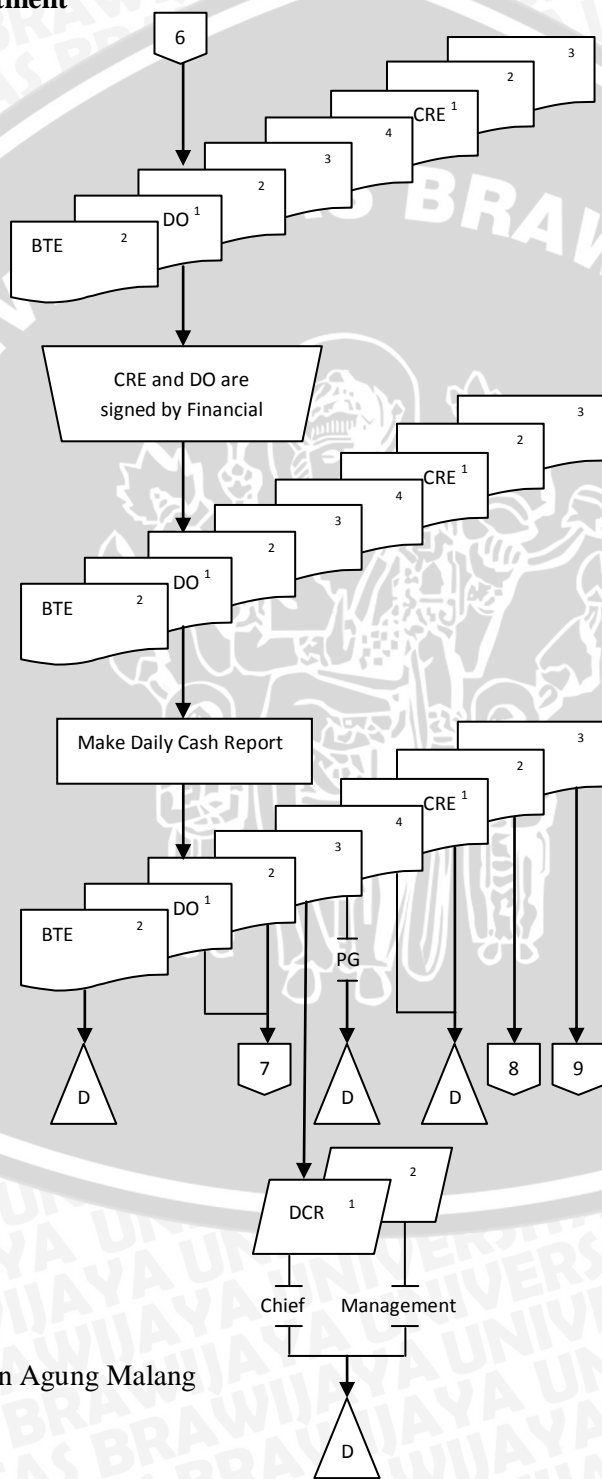


Source: PG Kebon Agung Malang, 2012



PICTURE 7
DOCUMENT FLOWCHART
PROCEDURE OF SALES AND CASH RECEIPT
(continued)

Financial Department

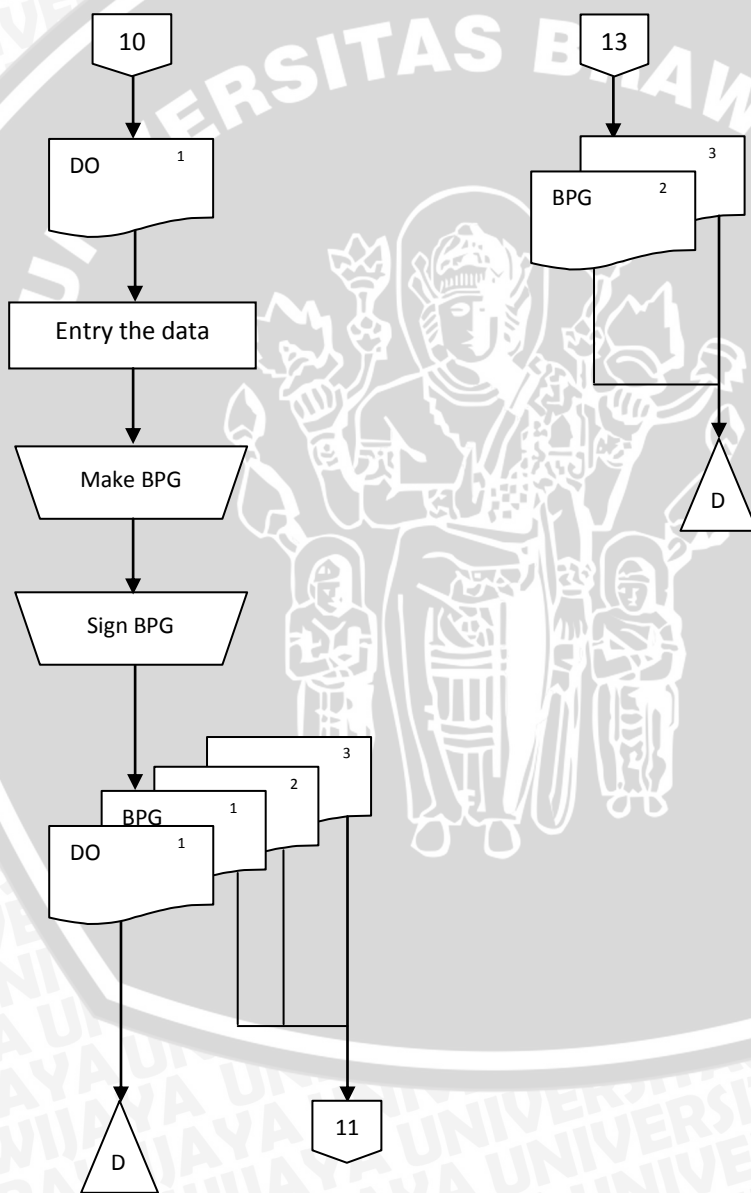


Source: PG Kebon Agung Malang



PICTURE 7
DOCUMENT FLOWCHART
PROCEDURE OF SALES AND CASH RECEIPT
(continued)

Natura

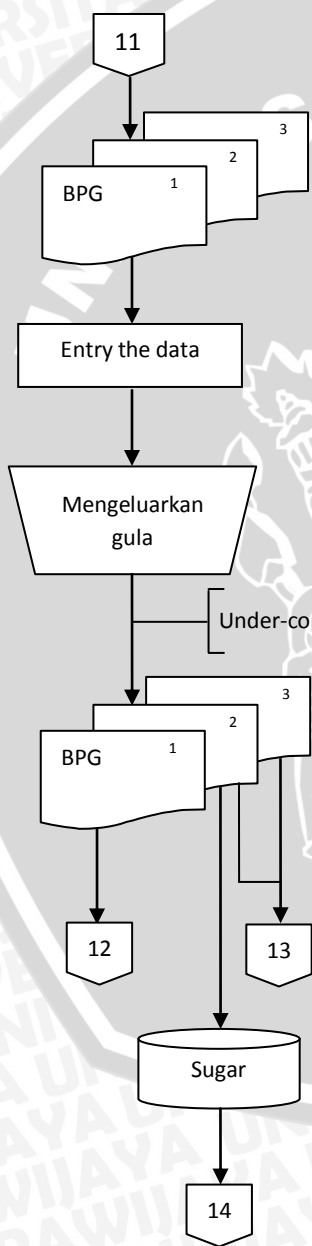


Source: PG Kebon Agung Malang, 2012.



PICTURE 7
DOCUMENT FLOWCHART
PROCEDURE OF SALES AND CASH RECEIPT
(continued)

Warehouse



Explanation

- NLAW : Notification Letter of Auction Winner
- DO : Delivery Order
- BTE : Bank Transfer Evidence
- CRE : Cash Receipt Evidence
- NE : Natura Evidence

Source: PG Kebon Agung Malang, 2012.



C. Research Result Analysis And Discussion

1. The Implementation of Sales and Cash Receipt Accounting System Applied by PG Kebon Agung Malang

a. The implementation of Sales and Cash Receipt Accounting System

The implementation of sales and cash receipt accounting system at PG Kebon Agung Malang is done by several departments such as Sales, Accounting, and Financial Department which are located in Surabaya, and also Natura and Warehouse Department which are located in Malang. Each department has different jobs and authorities so that it can minimize the chance to do corruption and increase the accurateness of accounting record. Sales Department has a job to prepare every need before and after the auction process. Accounting Department has jobs to verify the data and documents made by Sales Department and input the data to computer. Financial Department has responsibility to make Daily Cash Report to be given to the Chief of PG and the manager, also archive the documents. Natura Departments has responsibility to make a travel pass which is called Natura Evidence. Warehouse Departments not only has to store the sugar but also deliver the sugar. The absence of Delivery Department makes Warehouse Departments do this job.

Documents used in this system and procedure are NLAW, DO, BTE, CRE, and Natura Evidence. The documents used in PG

Kebon Agung Malang are good enough. The accounting record used is also good. When a transaction of cash receipt is directly recorded in Cash receipt Journal, the quantity of sugar taken out is also recorded by Natura and Warehouse Department in computer. Financial Department also records the transaction of sales and cash receipt by making Daily Cash Report through computer system.

System and procedure of sales and cash receipt at PG Kebon Agung Malang are good. It can be seen from a clear dividing of jobs from each department. Every transaction of cash receipt and the sugar outcome are directly recorded by Natura and Warehouse Department in computer. It makes the performance of the employers more effective and efficient. The cash receipt is already completed with the signing of CRE in accordance with applicable provisions, the archived documents, the investigation of validity of data, and the authority of competent authorities.

b. The Evaluation of Sales and Cash Receipt Accounting System

Generally, Sales and Cash Receipt Accounting System in this company still needs some evaluations to support an adequate internal control. These are suggested sales and cash receipt procedures at PG Kebon Agung:

a) Sales Department

It is a department that provides every need before and after the auction. In this case, sales department should

only make NLAW documents for 3 sheets and add 1 sheet of DO so that it becomes 5 sheets.

1st sheet → the buyer (auction winner)

2nd sheet → to take the sugar from PG

3rd sheet → PG

4th sheet → PT (Financial Department)

5th sheet → PT (Sales Department)

b) Accounting Department

Accounting department does not only have job to check the data but also make CRE and sign it. The CRE should be added with one more sheet becomes 4 sheets.

1st sheet → financing department

2nd sheet → accounting department

3rd sheet → sales department

4th sheet → the buyer (auction winner)

c) Financial Department

Financial department has jobs to sign the CRE and give it to the Financial Director to be signed. Besides, it also has to make 2 sheets of daily cash report to be given to Chief of PG and the managers.

d) Natura

Natura has a job to make a travel pass called Natura Evidence. They should add one more sheet so it becomes 4

sheets. Before making a Natura Evidence, Natura should do a cross-check to the data sent by sales department through online system so that the quantity of sugar taken out is the same with what is written in DO.

1st sheet → buyer (auction winner)

2nd sheet → Natura

3rd sheet → Warehouse

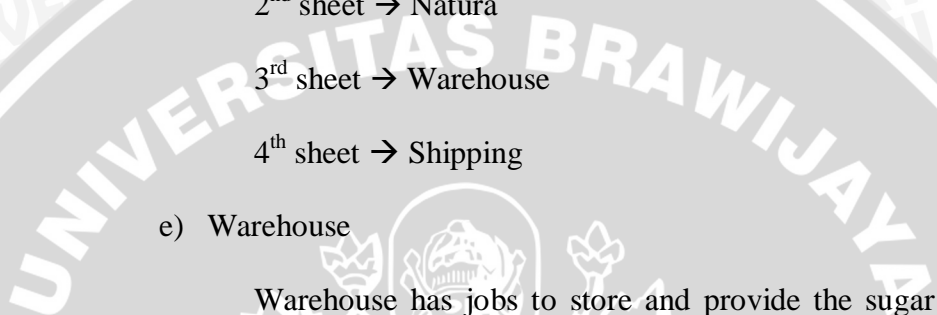
4th sheet → Shipping

e) Warehouse

Warehouse has jobs to store and provide the sugar in accordance with applicable regulations. They only take it out if there is a Natura Evidence and it is under-controlled by the security. They also have a job to input the data of sugar quantity to computer and cross-check it with the data from Natura Department. There must be an error if the amount of sugar in both departments is not the same and it must be investigated. Natura takes the bigger responsibility if such error happens.

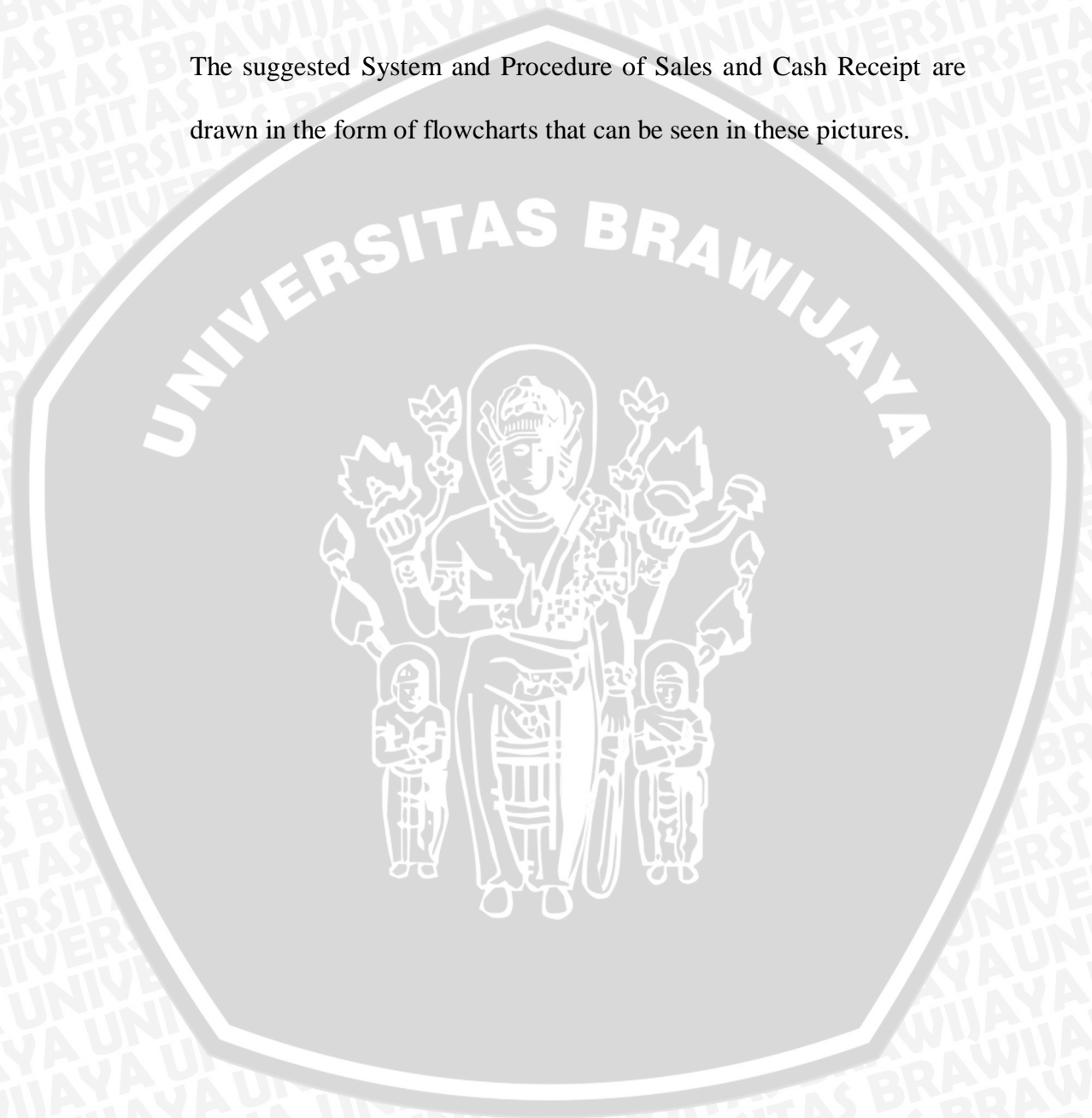
f) Shipping Department

Because there is no Shipping Department, the researcher suggests to form this department in this company. Shipping Department will send the sugar to the buyer (auction winner) after Warehouse taking out the



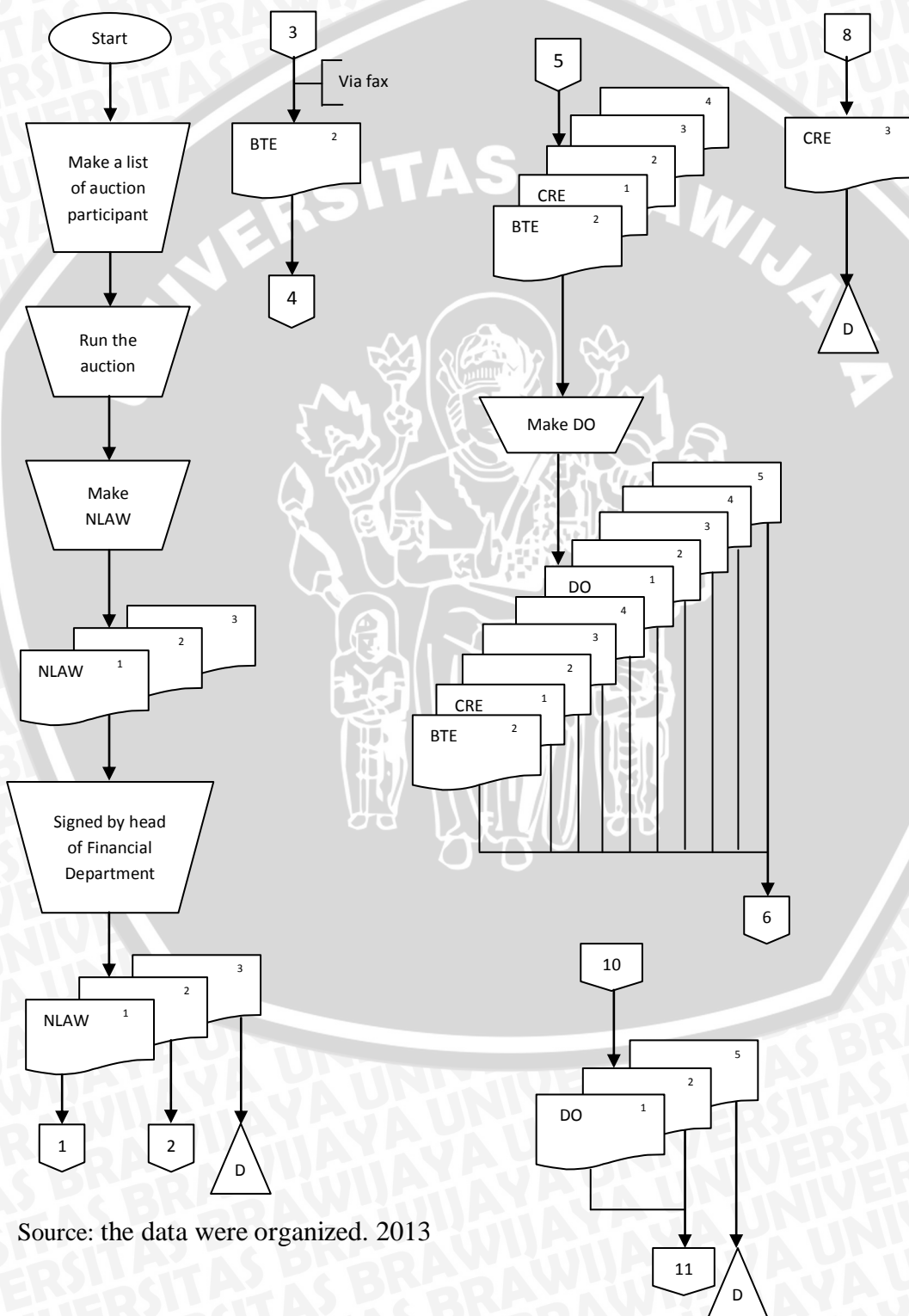
sugar. It to make sure that the sugar has been delivered to the buyer.

The suggested System and Procedure of Sales and Cash Receipt are drawn in the form of flowcharts that can be seen in these pictures.



PICTURE 8
DOCUMENT FLOWCHART (RECOMMENDED)
PROCEDURE OF SALES AND CASH RECEIPT

Sales Department

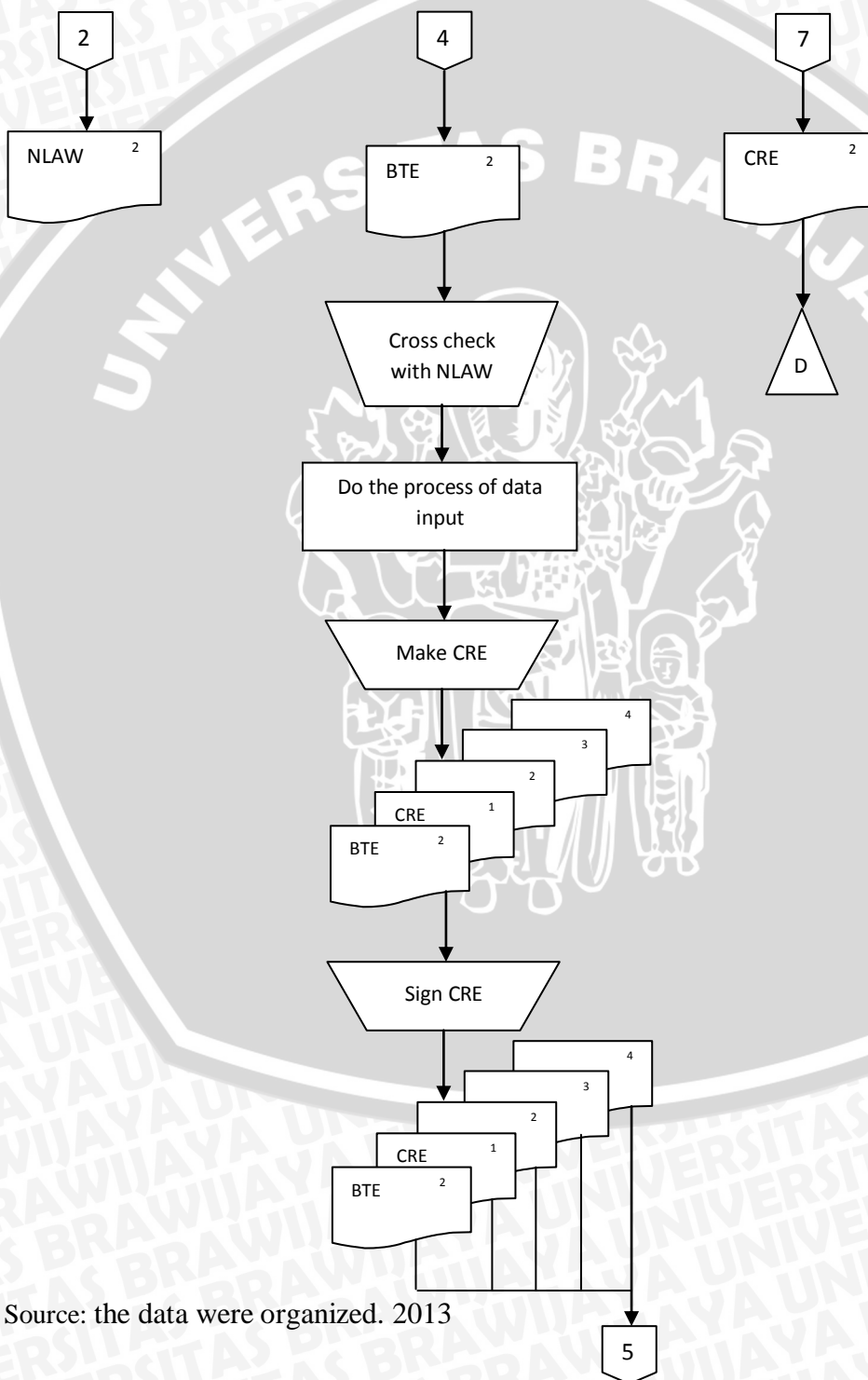


Source: the data were organized. 2013



PICTURE 8
DOCUMENT FLOWCHART (RECOMMENDED)
PROCEDURE OF SALES AND CASH RECEIPT
(continued)

Accounting Department

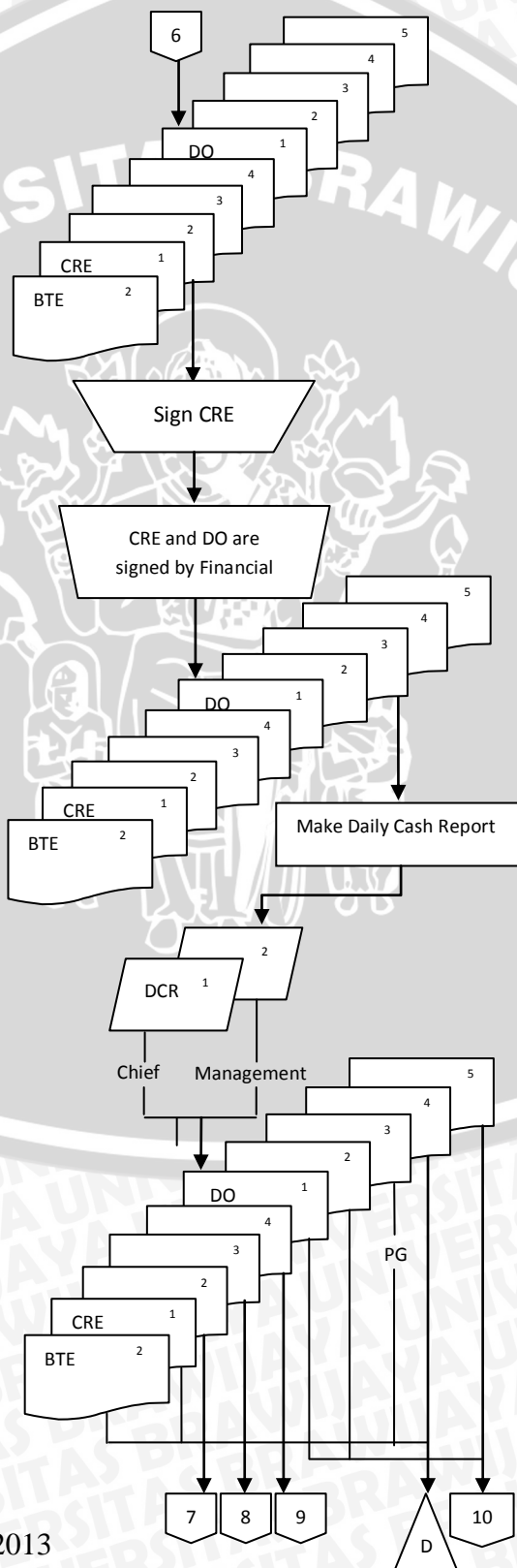


Source: the data were organized. 2013



PICTURE 8
DOCUMENT FLOWCHART (RECOMMENDED)
PROCEDURE OF SALES AND CASH RECEIPT
(continued)

Financial Department

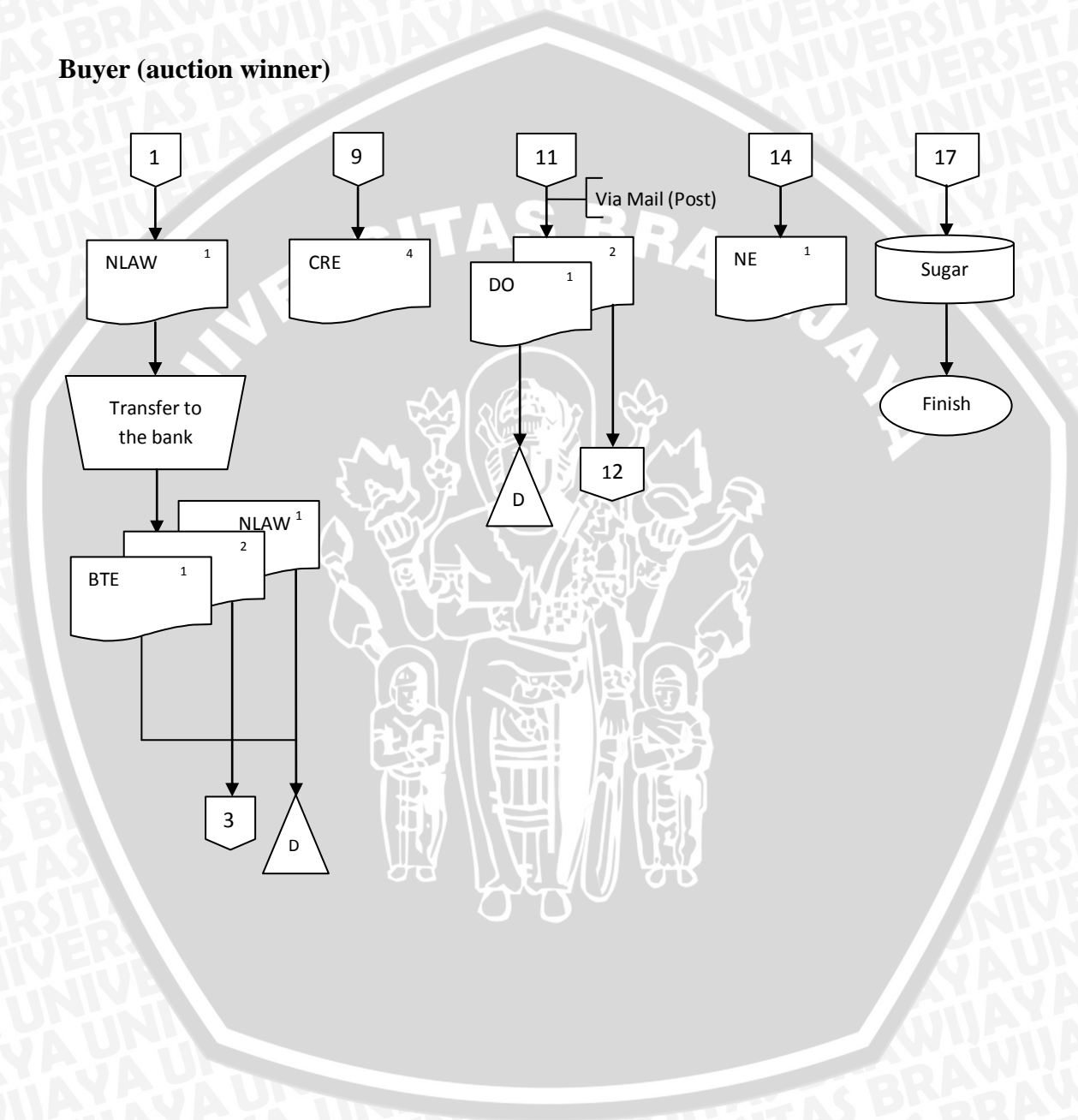


Source: the data were organized, 2013



PICTURE 8
DOCUMENT FLOWCHART (RECOMMENDED)
PROCEDURE OF SALES AND CASH RECEIPT
(continued)

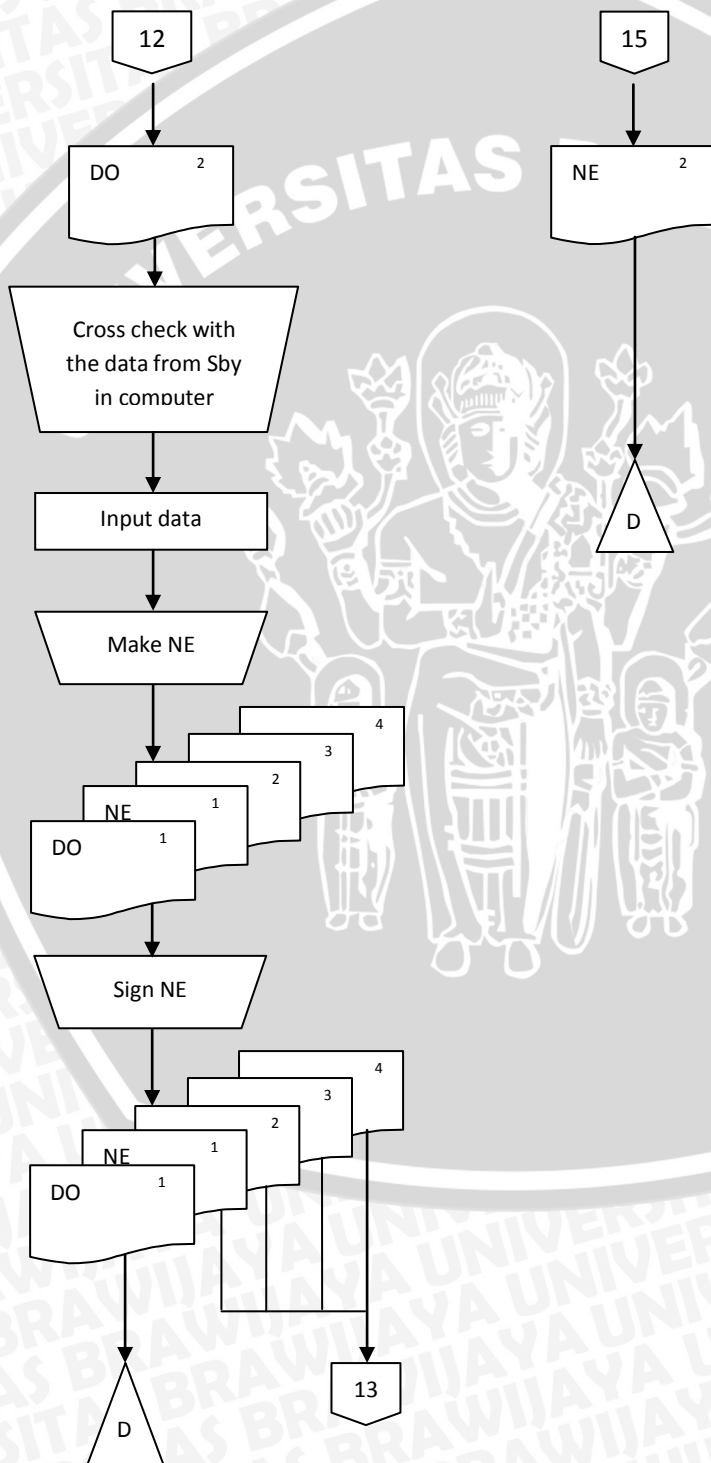
Buyer (auction winner)



Source: the data were organized. 2013

PICTURE 8
DOCUMENT FLOWCHART (RECOMMENDED)
PROCEDURE OF SALES AND CASH RECEIPT
(continued)

Natura

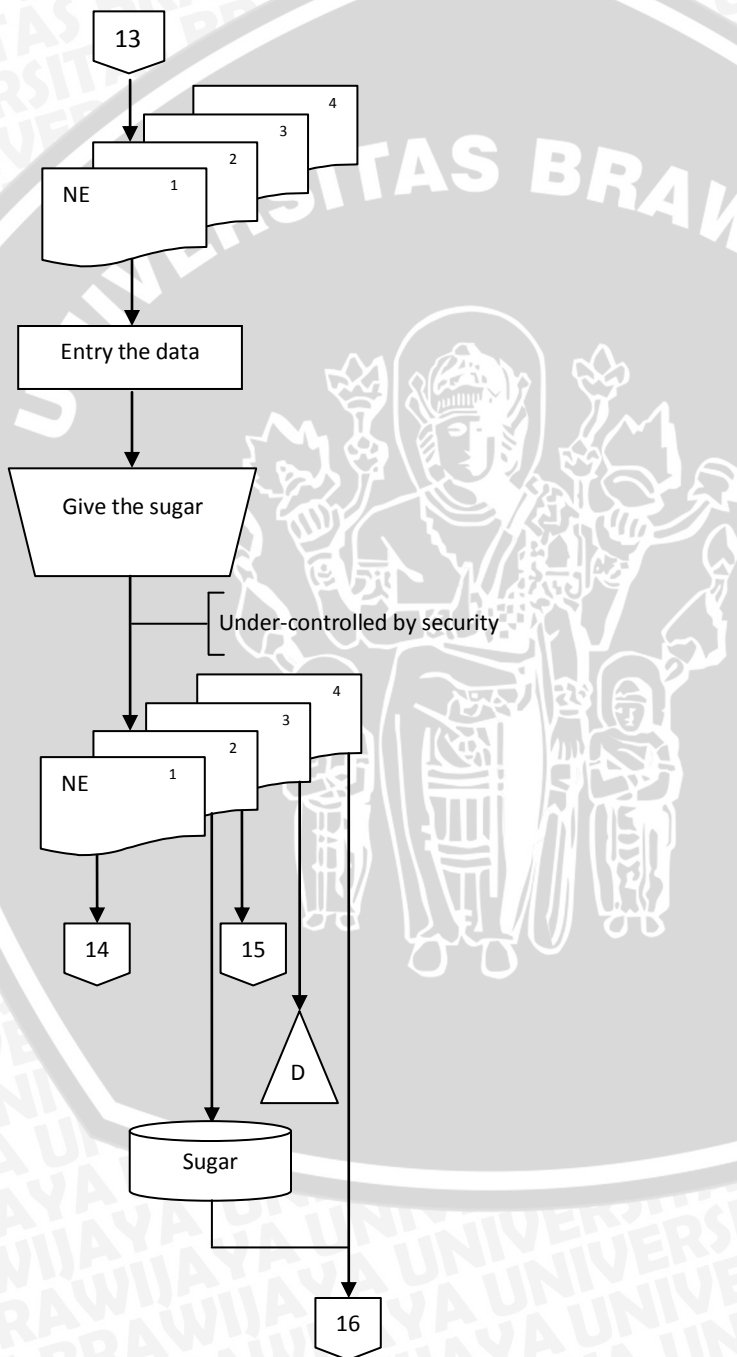


Source: the data were organized. 2013



PICTURE 8
DOCUMENT FLOWCHART (RECOMMENDED)
PROCEDURE OF SALES AND CASH RECEIPT
(continued)

Warehouse

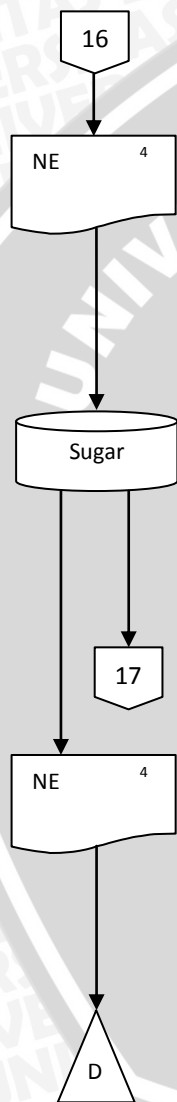


Source: the data were organized. 2013



PICTURE 8
DOCUMENT FLOWCHART (RECOMMENDED)
PROCEDURE OF SALES AND CASH RECEIPT
(continued)

Shipping Department



Explanation	
NLAW	: Notification Letter of Auction Winner
DO	: Delivery Order
BTE	: Bank Transfer Evidence
CRE	: Cash Receipt Evidence
NE	: Natura Evidence

Source: the data were organized



2. Evaluation of Internal Control of Sales and Cash Receipt Accounting System Applied by PG Kebon Agung Malang

a. Organization Chart Analysis

Organization chart is a framework dividing functional responsibility of organization units which is formed to do corporate activities. The basis used in arranging an organization chart is a consideration that an organization must be flexible in the context of enabling adjustments without any total change. An organization chart must be able to show authority and responsibility lines clearly. The making of an eligible organization chart for a good intern control should be able to divide operational functions, storage and recording. It is expected to prevent the practice of corruption in the company.

Organization chart applied in PG Kebon Agung Malang is in the form of lines. In this case, the lower authority only knows one higher authority as the source of authority who gives commands and instructions. The lower authority only acts as implementer although they do not directly achieve the main goal of the company. Therefore, there are known only leader and implementer in the organization lines. It can be seen from the organization chart of PG Kebon Agung Malang that:

- 1) There are clear job and authority lines for each department.

Some managers supervise the Personnel Chief and Financial

Chief; Plants Manager supervises the Northern, Middle, Southern Chief, Cutting and Carrying Chief; Fabrication Manager supervises the first and second Chief; and Technical Manager supervises the first and second Chief.

- 2) Sales, Accounting and Financial Department stand alone so that the practice of corruption in these departments can be minimized

The organization chart is already good because all of the departments stand alone and there is no overlapping task. This conditions can increase the internal control of company, so that it can prevent the practice of corruption and deceitfulness.

b. Authorization System and Recording Procedure

- 1) The making of NLAW is authorized by Sales Department and signed by the head of auction and head of Clerical and Financial Department to make the documents legal. With this notification letter, the buyer (auction winner) will transfer some money to the bank account has been determined.
- 2) Authorization of the making of CRE is done by Sales Department after receiving BTE sent by the buyer (auction winner) via faximile. That CRE is signed by Sales Department, Accounting Department, Financial Department, and Financial

Director. The Financial Department gives a “PAID” stamp as a mark that the sugar has been paid. CRE should be made by Accounting Department so that Sales Department will not be the one who makes the CRE. It can prevent them from doing corruption.

- 3) The making of DO is also authorized by the Sales Department signed by manager of financial to make the document legal. According to researcher, this is already good since the Sales Department has an authorization in making NLAW, while DO is made based on it.
- 4) The travel pass or Natura Evidence is authorized by Natura signed by Manager TUK to make the document legal and signed by the buyer (auction winner), to be given to Warehouse Department as a command to give some amount of sugar as written in Natura Evidence.
- 5) The delivery of sugar is authorized by the Warehouse by giving a “sent” stamp as a mark that the sugar has been given to the buyer (auction winner). In this case, the researcher suggests that Shipping Department must be added to authorize that the sugar has been sent. It can avoid the practice of corruption and create a better internal control.
- 6) The procedure of accounting record is done by the employer who has authority. The Accounting Department records all

transaction based on the documents enclosed in the cash receipt journal through computer system that automatically input the data to the general ledger. The making of CDR is done by Financial Department based on the enclosed documents that have been checked by Accounting Department.

- 7) The procedure of recording the quantity of sugar is done by both Natura and Warehouse Department by inputting the data based on DO and Natura Evidence to computer. The amount of sugar stock recorded by Natura and Warehouse must be equal.

c. Good Practice

- 1) The documents released by Sales Department already have printed serial number and the Sales Department is responsible of its use. It shows that there is a good practice in this company and it is appropriate with the good internal control.
- 2) The cash receipt from the buyer (auction winner) is directly transferred to the bank account of the company so the corruption can be avoided and the asset of the company can be kept. This good practice is appropriate with the good internal control.
- 3) An audit is done by the employer manager from the office in Surabaya if there is a gaffe found in the monthly balance. It is already good because the error can be minimized.

CHAPTER V

CONCLUSION AND RECOMMENDATIONS

A. Conclusion

Based on the research and discussion conducted regarding with the evaluation of the implementation of internal control in sales and cash receipt accounting system at PG Kebon Agung Malang, it can be concluded as follows:

- 1) Organization chart used by PG Kebon Agung is in the form of lines. It is already good since there is a clear separation of jobs of each department/function, so that it can prevent the practice of corruption.
- 2) There is a clear separation between accounting and financial department. Each of them has done their jobs separately so that there is no overlapping.
- 3) The absence of Shipping Department makes the buyer (auction winner) have to take their sugar by themselves to the Warehouse Department.
- 4) The documents used in sales and cash receipt procedures are already good, but there are some things that must be highlighted:
 - a) Delivery order is only made for 4 sheets so that the Sales Department does not archive it. Sales Department should have an archive of those documents.

- b) Cash Receipt Evidence is only made for sheets so that the buyer (auction winner) does not receive it.
- c) Natura evidence is made for 3 sheets, the first for the buyer (auction winner), the second and the third are given back to natura to be archived so that warehouse does not have its archive.

B. Recommendations

- 1) Shipping Department is needed to deliver the sugar to the buyer (auction winner) to make them easier in bringing a big amount of sugar and to make sure that the sugar has been received by the buyer.
- 2) The documents should be made one more sheet so that the related departments can archive it.
 - a) Delivery Order should be added with one more sheet becomes 5 sheets so the sales department can archive it.
 - b) Cash Receipt Evidence is made for 4 sheets so the buyer (auction winner) also receive it.
 - c) Natura evidence is made for 4 sheets, the first for the buyer (auction winner), the second for the natura, the third for the warehouse , and the fourth for the shipping department.

APPENDIX 1

NOTIFICATION LETTER OF AUCTION WINNER

PT KEBON AGUNG

KA 002

Kantor Direksi :
 Jakarta : Jl. Sungai Gerong No. 4 Jakarta Pusat 10230
 Telp. 021 - 31926491, 3910736, Fax. 021 - 3910736
 Surabaya : GRAHA KEBON AGUNG
 Jl. Raya Margorejo Indah Kav. A 131 - 132 Surabaya 60238
 Telp. 031 - 8497279, 8470317, 8495318, 8498257
 Fax. 031 - 8496722, E-mail : kbadir@ptkebonagung.com

Pabrik Gula :
 PG Kebon Agung
 Telp. (0341) 801064
 Malang, 65102
 Jawa Timur
 PG Trangkil
 Telp. (0295) 381005
 Pati, 59102
 Jawa Tengah

Kepada
 Yth _____
 di _____
 NO. FAX _____

Perihal : Surat Pemberitahuan

Dengan ini disampaikan jumlah gula hasil lelang PG Kebon Agung sebagai berikut :

Jumlah Gula : xxx
 Periode : xxx
 Harga : xxx
 Nilai : xxx

Nilai tersebut agar disetor ke Rekening atas nama _____ dengan No.
 Atau **CEK TUNAI.Rekening** : _____ pada bank _____.

Demikian, atas perhatian dan kerjasamanya kami ucapkan terima kasih.

Mengetahui

Surabaya, _____

Kepala bagian TUK

Ketua

NB:



APPENDIX 2

DELIVERY ORDER

KA PT KEBON AGUNG

KA 002189

Kantor Direksi :
 Jakarta : Jl. Sungai Gerong No. 4 Jakarta Pusat 10230
 Telp. 021 - 31926491, 3910736, Fax. 021 - 3910736
 Surabaya : GRAHA KEBON AGUNG
 Jl. Raya Margorejo Indah Kav. A 131 - 132 Surabaya 60238
 Telp. 031 - 8497279, 8470317, 8495318, 8498257
 Fax. 031 - 8496722, E-mail : kbadir@ptkebonagung.com

Pabrik Gula :
 PG Kebon Agung
 Telp. (0341) 801064
 Malang, 65102
 Jawa Timur
 PG Trangkil
 Telp. (0295) 381005
 Pati, 59102
 Jawa Tengah

SURAT PERINTAH PENYERAHAN (DELIVERY ORDER / DO)

No. 05/KBA-PG/P.1/1/2013

Kepada : PGKEBON AGUNG.....

Dengan memperhatikan ketentuan tersebut di bawah dan menahan SURAT PERINTAH PENYERAHAN (DO) ini, harap diberikan kepada :

...RIDWAN TANDIAWAN/UD...BENTENG BARU.....
 ...JL...BUTUNG NO...86 MAKASSAR.....

NAMA BARANG :GULA PASTIR.....
 PABRIK GULA :KEBON AGUNG.....
 TAHUN PRODUKSI :2012.....
 JUMLAH :50.00 (Lima puluh Ton).....
 Tempat Penyerahan :PG KEBON AGUNG.....

Ketentuan Umum :

1. Pengambilan barang selain oleh Pembeli sendiri, dengan Surat Kuasa bermeterai.
2. Pengambilan barang melampaui tanggal **28 Februari 2013**.... dikenakan biaya penyimpanan sesuai ketentuan dan perubahan kualitas sepenuhnya tanggung jawab pembeli.
3. Barang yang sudah diambil, jumlah dan mutu menjadi tanggung jawab Pembeli / Pembawa.

Surabaya, 28 Januari 2013

PT Kebon Agung

PT KEBON AGUNG


G. Agus Mulyono, SE
 Direktur Keuangan

05 FEB 2013

SPP / DO ini dibuat rangkap 4 (empat)

Lembar Putih : Untuk pengambilan ke PG
 Lembar Kuning : Pembeli
 Lembar Biru : Pabrik Gula
 Lembar Hijau : PT Kebon Agung

APPENDIX 4
CASH RECEIPT EVIDENCE

		BUKTI PENERIMAAN KAS / BANK		No.
No. Perkiraan	<input type="checkbox"/> Kas <input type="checkbox"/> Bank	Uraian		Tanggal
No. Perik. Kredit	Uraian		Jumlah Rp.	Diterima dari
Pencocokan		TOTAL		Alamat :
Disiapkan	Diperiksa	Diketahui	Diterima	No. Cek / Giro / Nota / Surat
	Dijetujui	Diketahui	Disetor	Catatan :
			Nama	
			Tanda Tangan	

APPENDIX 5

NATURA EVIDENCE



PT KEBON AGUNG
PABRIK GULA KEBON AGUNG

Kotak Pos 80 Telp. (0341) 801371 - 801064 Fax. (0341) 801143 - Malang 65102

Nº 012546

BUKTI PENGELUARAN GULA

JENIS GULA : SHS I A. Panen : 2012
 DO / Kontrak A No : 523/KBA-PG/P.24/XI/2012
 Jumlah : 1.000,00 ku
 Pembeli : Agro Sumber
 Alamat : Gondanglegi

PENYERAHAN

Truk No. / PT : N 9740 UG / SS
 Jumlah Gula : 150 Karung
 (Seratus lima puluh karung)

Berat bersih : 7.500 Kg
 Batas waktu : 10-12-2012

Kebon Agung, 26-12-2012

Manajer T.U.K.
u.b.

Penerima

3

VITA

Yang Menyerahkan

Mandor Gudang Gula



APPENDIX 6

NATURA EVIDENCE (RECOMMENDED)

BUKTI PENGELUARAN GULA

NO.

PANEN :

Jenis Gula	DO/ Kontrak A No	Jumlah	Pembeli	Alamat
PENYERAHAN				
Truk No. / PT	Jumlah Gula	Berat bersih	Batas waktu	
Manajer TUK		Penerima		

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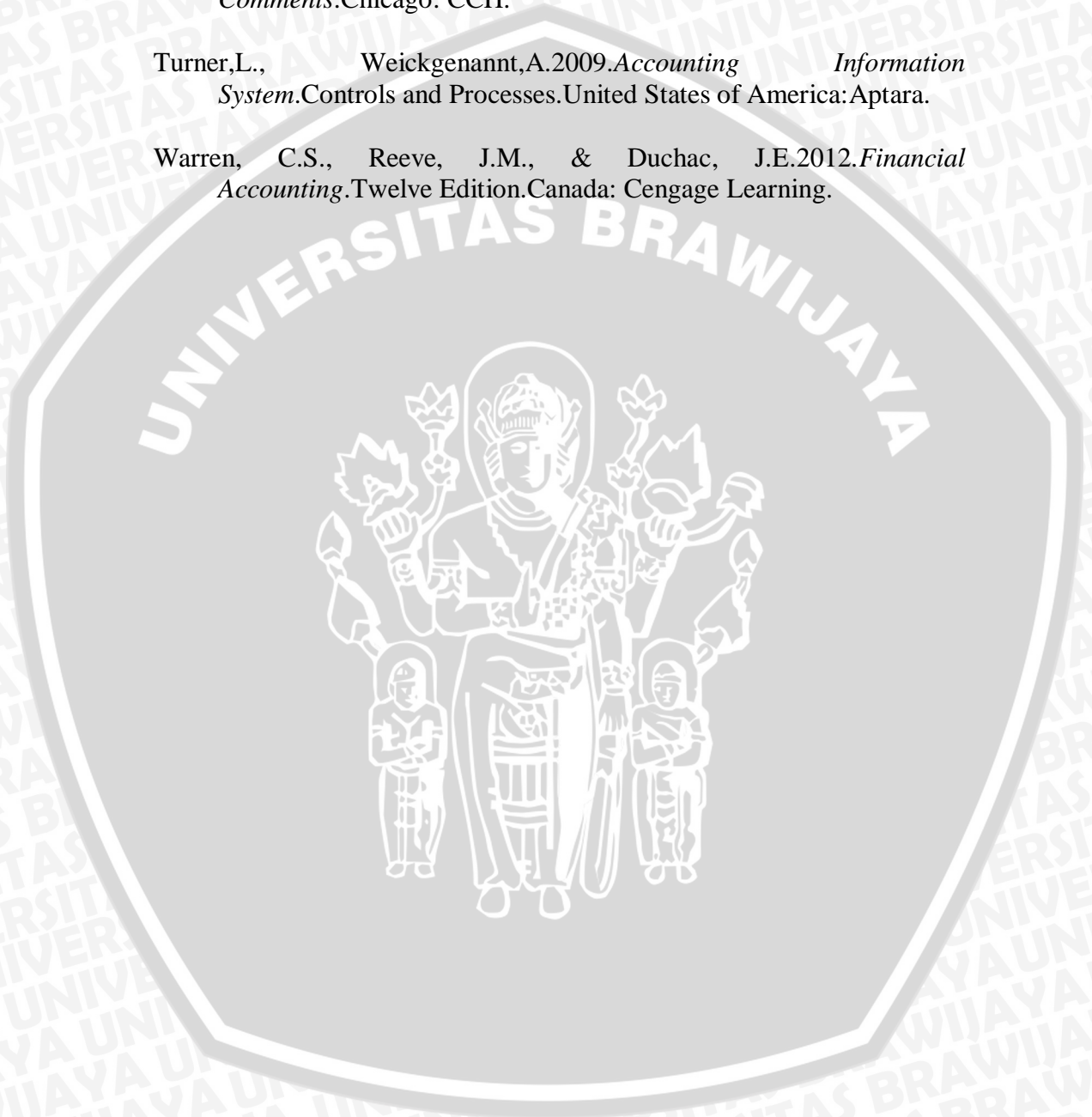
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Yang bertanda tangan dibawah ini menerangkan dengan sebenarnya bahwa mahasiswa Universitas Brawijaya Malang :

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Benar-benar telah melaksanakan Penelitian di PG Kebon Agung Malang mulai tanggal 4 Pebruari 2013 s/d 30 Maret 2013.

Demikian surat keterangan ini dikeluarkan untuk dipergunakan sebagaimana mestinya, dan harap yang berkepentingan maklum. Terima kasih.

Kebon Agung, 5 April 2013

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