



## THE ROLE OF INTERNAL CONTROL OVER SALES, RECEIVABLES, CASH RECEIPTS, AND CASH DISBURSEMENTS AT PT. INDAKO TRADING CO

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### Abstract

This study aims to determine the role of internal control over sales, accounts receivable, cash receipts, and cash disbursements at PT. Indako Trading Co. The data used in this study is primary data, and the subject is PT. Indako Trading Co. While the object of this research is internal control. Data collection techniques were carried out through observation, interviews, and documentation studies. The overall research results indicate the role of internal control over sales at PT. Indako Trading Co has been running well because there is a separation of duties and authority between employees to minimize errors and fraud that might occur in the company. The role of internal control over receivables and sales at PT. Indako Trading Co is good and separates the parts according to their respective fields. Internal control over cash receipts and disbursements at PT. Indako Trading Co has not been carried out according to proper procedures. This is because employees in the inputting section of cash receipts sometimes often cover deposits from other people due to delays in recording cash. It is feared that fraud can occur regarding cash receipts and disbursements.

**Keywords:** Internal Control, Sales, Receivables, Cash Receipts, Cash Disbursement

**JEL Classification:** M20, M41, O16

## 1. INTRODUCTION

The more a company develops, the more transactions will occur, and the nature of these transactions becomes more complicated. This resulted in the emergence of various problems that company leaders must face. Previously, companies could quickly sell their products in cash. However, now, in conditions of increasing competition, companies are forced to change the form of their marketing strategy from payments that were initially only cash to credit. This is done to increase sales or prevent a decrease in sales. With increased sales, it is expected that profits will increase.

Mulyadi (2013), policies and procedures made by the company to carry out sales transactions in cash and credit are not carried

out according to predetermined requirements, for example when delivering motorbikes to consumers' homes, consumers immediately hand over cash to sales so that frequent misappropriation of money does not reach the cashier, when delivery of motorbikes to consumers' homes often occurs where motorcycles do not match what the consumer wants, for example, different colors or units are scratched, different types so that the unit does not get dropped off at the consumer's home, when selling motorbikes on credit, the criteria are not explained so that the application is approved, the criteria referred to are that the husband / wife must have a fixed monthly income as evidenced by the original salary slip

from the company where they work, there must be an address and telephone number, consumers must work for at least 1 year, so if they don't meet these criteria consumers can be pinned have gone home and taken their motorbikes off whenever they wanted. Companies buy spare parts that are difficult to sell because consumers rarely use them, make spare part stocks pile up in the showroom which results in the company's capital being embedded for a long time so that it cannot quickly rotate the capital, for example spare parts are gas straps, clutch straps, body lists, and vibel straps.

There is a controlled environment that is only concerned with work needs without considering the constraints other groups or divisions face within the company, and several people are still doing some work. Weak risk determination on internal control of accounts receivable during the study period can be described as the number of bad debts increasing yearly. It was found that managers and supervisors did not routinely check the application folder, causing intersections. In addition, it was also found that the collection administration should have routinely checked the handover of receipts to collectors in the morning and evening, causing lapping.

According to Romney (2014), information and communication here found a lack of interaction between superiors and staff that needed to be better established. In addition, in the monitoring system, it was also found that surveyors surveying consumers did not see the condition of consumers and whether it was appropriate to give credit in the sales transaction process so that deviations occurred at the time of payment.

Yusuf, P. S, and Novianto (2021) the company must also be able to control the company's finances both in terms of cash receipts and cash disbursements." Many things seem trivial from the cash disbursement aspect. Starting from small expenditures such as buying office supplies and equipment, which may not be recorded in the company's financial transactions, this becomes an urgent problem when the finance department cannot manage or manage these cash disbursements.

## 2. LITERATURE REVIEW AND HYPOTHESES

### 2.1. Internal Control System

According to Hery (2017), the definition of internal control is as follows internal control is a set of policies and procedures to protect company assets or assets from all forms of abuse, ensure the availability of accurate company accounting information, and ensure that all provisions (regulations) laws or regulations as well as management policies have been complied with or carried out properly by all employees of the company.

The definitions above can conclude that internal control is a method that contains a set of policies and regulations to direct, supervise and protect company resources to avoid all forms of abuse and fraud (Petraşcu & Tieanu, 2014). In other words, internal control is carried out to monitor whether operational activities have been carried out following the policies and regulations set by the company (Al-Thuneibat et al., 2015).

Internal control is carried out by related parties and plays a role, for example, the board of directors, management, and other company personnel (Darmadi, 2013). In this case, internal control is not just a policy manual or company completeness form but more emphasis on people or parties who play a role at various levels within a company

### 2.2. Sale

According to Hery (2017), sales are the total amount charged to customers for merchandise the company sells, including cash sales and sales on credit. Sales are one of the activities carried out by the company to maintain its business growth and get the desired profit.

Armstrong et al. (2006) marketing is a social and managerial process; individuals or organizations obtain what they need and want by creating and exchanging value with others.

According to Pride and Ferrell (2019), marketing is defined as the effort to provide and deliver suitable goods and services to the right people at the right place, time, and price with proper promotion and communication.

Sales Promotion is one of the determinants of the success of a marketing program (Buil et al., 2013). Sales promotion is essentially all activities intended to convey or communicate a product or service to the target market to take action immediately (Keller, 2013).

### 2.3. Cash

Cash is a company's most valuable current asset because of its liquid nature (Nwankwo & Osho, 2010). Almost all transactions begin and end with a cash receipt or cash disbursement. Without adequate cash, the company will experience difficulties carrying out daily activities (Cohen & Felson, 2010). As a result, the company's activities or activities will be hampered, and the goals will not be achieved.

Cash must also be maintained so that there are no excessive cash balances, often referred to as—unused cash or idle cash (Huber, 2016). According to Rudianto (2012), cash is a tool of exchange owned by the company and is ready to be used in company transactions whenever desired.

## 3. RESEARCH METHODS

This method uses descriptive research methods. According Sugiyono (2012) states that descriptive research methods are used to try to solve or answer the problems being faced in the current situation carried out with the steps of collecting classifications and analysis/processing of data as well as making conclusions and reports with the primary objective of describing a situation objectively in a description of the situation.

The descriptive method is a method that aims to find out the nature and in-depth relationships between objects by observing certain aspects more precisely to obtain data that follows the existing problems with research objectives, where the research is processed,

analyzed, and further processed based on the theories that have been studied so that a conclusion can be drawn (Kothari, 2004). Moreover, this research is field research (field research), which aims to determine the role of internal control over sales, receivables, and cash receipts at PT. Indako Trading Co.

This study made direct observations of PT. Indako Trading Co, where researchers collect direct data related to the company's internal control system and company cash, is supported by conducting interviews directly at the company to support this research. In addition to conducting observations and interviews, researchers also collect financial data and company control systems.

Sugiyono (2013) suggests that data collection techniques are the most strategic step in research because the main objective is to obtain data. With knowing the data collection Rudianto (2012) techniques, researchers will get data that meets the established data standards. To obtain data and information in research, the authors use data collection techniques as follows:

1. Observation: Observation, namely making visits or direct observations at PT. Indako Trading Co by observing the internal control of sales, receivables, and cash receipts at a company.
2. Interviews: Interviews were generated from primary data sources or direct sources because the author carried them out to the staff of PT. Indako Trading Co to get all the info related to internal control related to the company's sales, accounts receivable, and cash receipts.
3. Documentation Study: A documentation Study is a data collection technique that obtains data by reviewing, reading, or studying documents related to the problem under study at PT. Indako Trading Co.

## 4. RESULTS AND DISCUSSION

The results of the research that researchers have done regarding Internal Control over sales, receivables, and cash receipts explain as follows:

Internal control over sales has been going well, and this is proven to be supported by the results of interviews conducted with Mr. Oscar Suheri, because there is already a separation of duties and authority between employees to minimize errors and fraud that might occur in the company. Its relation to the theory of internal sales control, according to Mulyadi documents related to credit sales, namely sales journals to record sales transactions, activities which include analysis, review, and research conducted on policies, procedures, methods, and implementation of actual sales activities to achieve volume desired sales, at a reasonable cost and able to generate the gross profit needed to achieve the expected return on investment. The research results follow the relevant theory because it analyzes sales procedures and the implementation of different activities between employees to be well organized and achieve the company's goals in obtaining profits according to the target.

Internal control over accounts receivable is proven to be supported by the results of interviews conducted with Mrs. Andika Lubis, which have gone well, too, because they have separated the parts according to their respective fields, so there is no confusion when carrying out tasks given by superiors and the company. Be safe because it can reduce fraud that can arise from these employees. Its relation to the theory of internal control of receivables, according to Mulyadi, must pay attention to organization, authorization systems, recording procedures, and sound practices in carrying out receivables activities, one of the ways that companies do to anticipate the possibility of uncollectible accounts, with this receivables control it is hoped that the company can minimize losses resulting from uncollectible accounts. It can be concluded that the research results obtained are good because it has been carried out by employees who carry out their respective duties, one of which is in the process of making a list of bills to carry out the billing process following company provisions, it can minimize the occurrence of uncollectible accounts.

Internal control over cash receipts is proven to be supported by the results of interviews conducted with Mrs. Ani that have not been carried out according to the procedure because employees in the input section for cash receipts sometimes still like to cover up deposits from other people due to delaying cash recording so that they steal money. The daily cash manager should coordinate every cash receipt in the company by getting reports from the admin. Every money coming out of the company daily must have a manager's signature so that the admin cannot misuse company money concerning control theory—internal cash receipts.

According to Mulyadi (2013), cash receipts at the company come from two primary sources: cash receipts from cash sales and collection of receivables. There are several principles; namely, the officer who handles the cash receipts department may not double as the bookkeeper/recorder of cash receipts. Otherwise, the officer who handles the bookkeeping may not handle cash; every time, cash receipts must be recorded immediately, and cash receipts every day must be entirely deposited into the bank; if possible, it is better to separate the cash receipts function from the cash disbursement function.

This company has no segregation of functions between cash receipts and cash disbursements. The company's cash disbursement is an essential function in controlling its assets. That part plays an essential role in disbursing company money; wherever it flows, only the cash disbursement part knows. Thus, the research results are not good because they do not follow the principle of controlling cash receipts. When cash receipts are not immediately recorded, they are postponed first, and then fraud can occur. The sales procedure consists of cash and credit procedures, arranged sequentially, from the sales order section to the warehouse to the cashier, to delivery. Accounts receivable procedures have been arranged sequentially, and cash receipts procedures have been arranged sequentially, starting from the customer, going to the cashier, and up to the

leadership. This procedure ensures that the company's assets will be protected because they are appropriately controlled.

## 5. CONCLUSION

The author provides suggestions that are expected to be useful for PT. Indako Trading Co. There are several suggestions, including internal control at PT. Indako Trading Co has done quite well in the company, but there is still control in the cash receipts section, which needs to be carried out properly; it is better if a

warning is needed to employees so that it is carried out correctly.

For companies, it is advisable to guide employees better, which can be done through superiors, so that they can protect company assets which are carried out by taking into account the policies and procedures that the company has set.

To deal with increasingly fierce competition in consumer service between companies, companies should further improve the quality of goods, price, and service quality so that consumers are more interested in buying them and refrain from considering buying again.

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