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## **Analysis of Internal Control of the Accounts Receivable System at Sekolah Tinggi Ilmu Administrasi Mandala Indonesia (STIAMI)**

**Iin Andrayanti**

STIAMI-Institute of Social Sciences and Management, Jakarta-Indonesia

**Abstract.** Accounts receivable is one of the great assets of current assets. Internal control is one way to anticipate the risk of fraud and to avoid negative that can arise due accounts. Internal control system has many elements that need to be designed, the system of separation of powers and separation of responsibilities - especially on the function and operation of the storage accounting functions in order to provide sufficient protection against the wealth, income and corporate accounts. This study was conducted to determine how the internal control of accounts receivable accounting system, what are the obstacles faced in internal control that is implemented and what is being done to minimize the barriers that exist in Sekolah Tinggi Ilmu Administrasi Mandala Indonesia (STIAMI). This study used the descriptive analytical method, which is to analyse and discuss the issues that will be described, explanation and illustration are arranged in a systematic, objective and relevant based on data collected as a basis for making decisions. Research conducted by the descriptive analytical method to determine the implementation of internal control and accounting system accounts. In order to get the information directly from the parties concerned, the researchers conducted in depth interviews with the Board of Management of STIAMI. Based on the results of the research, internal control of accounting systems applied by STIAMI receivables quite effective, it is characterized by the independence of the audit committee or internal watchdog unit which are directly under the auspices of the chairman STIAMI. In addition, management has also implemented STIAMI basic concepts and principles of internal control.

**Keywords.** Internal Control and Accounting Systems Receivables

### **1. Introduction**

Accounting always develops along with the changing correlation of the times. With the increasing complexity of the business world, accounting concepts and techniques have developed which are able to present information about the financial position, performance and flow of funds of an economic unit to decision makers. Seeing the development of the business world that has sprung up and is growing faster, this is an impact that is, marked by the increasing number of competitive business competition. Facing this competition, companies or company leaders are required to be able to create or increase company value and be able to manage existing production factors effectively and efficiently so that the goals of a company are achieved. In this case, the company is also required to be able to determine good business performance, so that the company will be able to guarantee its survival.<sup>1</sup>

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<sup>1</sup> <https://mohammadfadlyassagaf.wordpress.com/2016/12/05/sejarah-dan-perkembangan-akuntansi/>

One form of competitive advantage that can be offered by companies, both trading companies and companies that carry out service provision activities, is the flexibility of payment on credit.<sup>2</sup> Credit payment systems generate receivables for trading companies or service providers and incur debts for customers or service users. Receivables arising from sales or service provision activities are the main activities of the company which are referred to as trade receivables and are categorized as current assets in the balance sheet. The size of the receivables depends on the policies made by the management of the company such as the credit policy and policies in the collection process.

The Accounts Receivable System aims to record the movements of the debtors' company receivables and receivables caused by credit sales transactions and cash receipts from the debtor. Therefore, adequate internal control is needed to coordinate and supervise the course of company activities, especially on accounts receivable. This is intended to prevent things that can cause losses to the company, such as fraud, waste, and theft from both inside and outside the company. In a good accounting system there are ways of monitoring that can run independently where through certain systems and procedures, the results of the implementation of one section will be controlled by other sections through various reports that reach management. A good accounting system should be able to summarize the principles and techniques of internal control, which one of the attributes is so that the information presented can be trusted. In addition, in managing financial management, especially trade receivables, it is necessary to plan and analyse carefully, so that accounts receivable management policies can run effectively and efficiently, especially in the implementation of internal control of the existing accounts receivable accounting system [1].

A good accounting system is also needed by educational institutions that provide services to students. In carrying out activities to collect accounts receivable from students, apart from the cashier who is in charge of receiving student payments at the payment counter, receivables collection is also carried out by the class treasurer or responsible financial staff who has been assigned by the Head of Finance. The class treasurer is responsible for monitoring student instalment payments from the first instalment until the tuition fees are paid off during the lecture semester. Therefore, the implementation of internal control over the accounts receivable accounting system must be in accordance with existing functions and adequate in order to streamline the recording, collection and presentation processes in financial statements. Thus, it can reduce the risk of errors, waste, and fraudulent attempts.

Sekolah Tinggi Ilmu Administrasi Mandala Indonesia (STIAMI) is a private-owned company engaged in educational services, especially undergraduate (S1) programs, which provide services to students in the context of a learning process that continually aligns the quality of education with the needs of the world of work. in the formation of professional human resources. In carrying out activities to collect accounts receivable from students, apart from the cashier who is in charge of receiving student payments at the payment counter, receivables collection is also carried out by the class treasurer or responsible financial staff who has been assigned by the Head of Finance. The class treasurer is responsible for monitoring student instalment payments from the first instalment to full tuition fees during the current semester. In addition, because STIAMI's activity is an educational service entity, especially undergraduate education (S1) and has more than a thousand active students, it causes high accounts receivable. Besides having to run smoothly and well managed, the trade receivables must also be carried

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<sup>2</sup> <https://www.jurnal.id/id/blog/mengenal-keunggulan-kompetitif-pada-bisnis/>

out according to a predetermined period of time so that the company's goals can be achieved according to what has been planned. Therefore, the implementation of internal control over the accounts receivable accounting system must be in accordance with existing functions and adequate in order to streamline the recording, collection and presentation processes in financial statements. Thus, it can reduce the risk of errors, waste, and fraudulent attempts.

From the description above, this study aims to answer the following questions: (1) How is the internal control of the accounts receivable accounting system run by STIAMI? (2) What obstacles are faced in internal control at STIAMI? (3) What efforts are made to minimize the obstacles that exist in STIAMI? This research contributes to higher education institutions, especially those related to the financial management system in order to become more orderly. In addition, this research also helps accountants in higher education with solutions to minimize the obstacles that occur.

## **2. Review of Literature**

### *2.1 Definition of Accounting Information Systems*

There are several differences in information systems implemented by companies. One of the information systems that are indispensable for management to process administrative and financial data is the accounting information system. The difference actually only lies in the emphasis, but basically still contains the same meaning. Accounting Information Systems according to [2] in his book *Accounting Information Systems* is as forms, records, procedures, and tools used to process data about the business of an economic unit, with the aim of generating feedback in the form of reports needed by management to oversee its business and for interested parties such as shareholders, creditors and government agencies to assess the results of operations.

Meanwhile [3] states that the accounting system is an organization, forms, records and reports that coordinate in such a way as to provide financial information needed by management to facilitate company management. The accounting system is a collection of accounting elements that are interrelated to achieve the goal of obtaining quantitative information, especially financial in nature regarding economic unity in order to be useful for making economic decisions, and to manage, safeguard, secure company wealth [4]. The accounting system consists of methods and records established to identify, compile, analyse, classify, record and report company transactions and to maintain accountability for related assets and liabilities [5].

### *2.2 Accounting Procedures*

Procedures are clerical work sequences that involve several people in a section or more, structured to ensure uniform treatment of repeated corporate transactions [6]. Procedure is a stage of activity for completing an activity, method or step carried out in detail in an effort to solve a problem [7]. According to [3] procedure is a sequence of clerical activities, usually involving several people in a department or more, which are made to ensure uniform handling of corporate transactions that occur repeatedly. From this definition it can be concluded that a system can consist of a network of procedures, while procedures are a sequence of clerical activities that occur repeatedly.

### *2.3 Accounts Receivable*

In an effort to increase or increase sales volume, many companies sell their products on credit. Sales of credit cannot immediately generate cash receipts, but generate customer receivables and only on the due date will cash inflows occur from these receivables. Some

experts provide different limitations regarding accounts receivable, even though the difference is not a principle difference. According to [8] what is meant by receivables is the custom for companies to provide concessions to customers when making sales. The concessions provided are usually in the form of allowing these customers to pay later for the sale of goods or services made. While other experts, namely [9] state that receivables are all claims in the form of money against other parties, including individuals, companies or other organizations. From these various opinions it can be drawn an understanding that basically receivables are assets that show a number of receivables to other parties as a result of the sale of goods or services on credit under certain conditions, where the buyer is expected to fulfil his obligations within a specified time.

Accounts receivable statement is a form that presents the amount of debtor's liabilities at a certain date and (in a certain form of receivable statement) accompanied by details. Accounts receivable can take the following forms: (a) Balance end of month statement; (b) a unit statement; (c). Running balance statement with conventional account; (d). An open item statement.

Figure 1  
Daily Account Receivable Transaction File

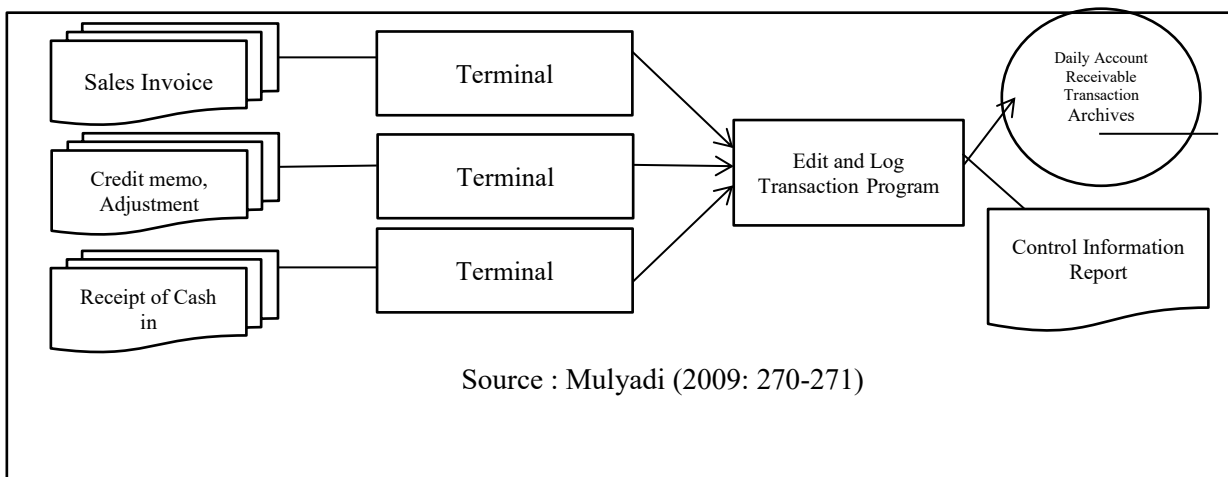
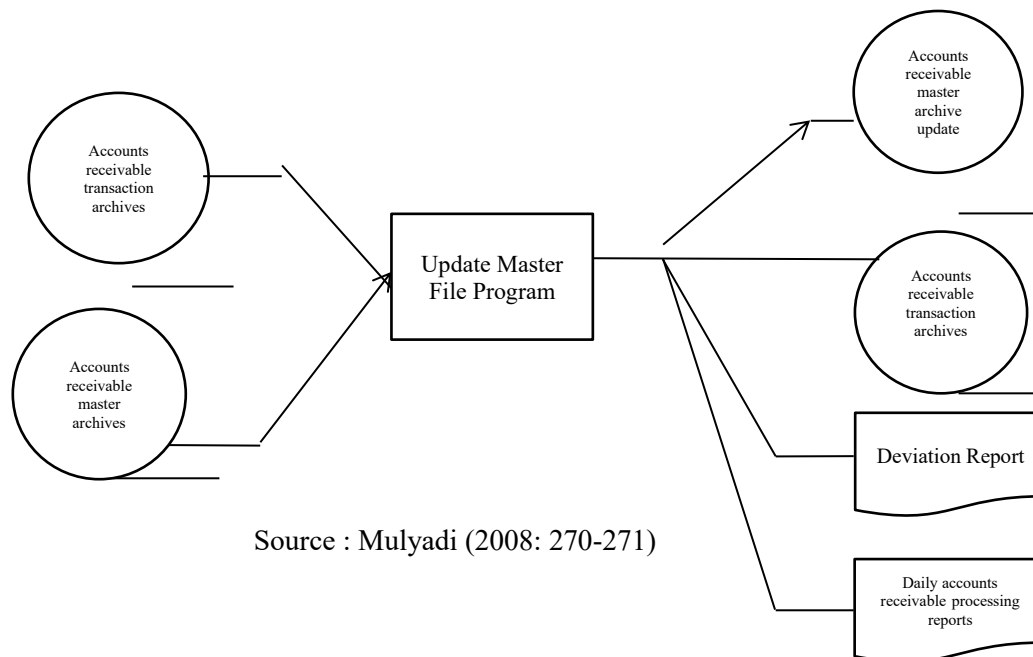


Figure 2  
Daily Process of Updating Accounts Receivable Master



Source : Mulyadi (2008: 270-271)

The collection policy of a company according to [10] is a procedure taken to obtain payments from accounts that are due. The success of collecting accounts receivable really depends on the policy regarding the collection made by the collectors. In the agreement for receivables, a repayment limit is determined, but this is sometimes not fulfilled by the credit recipient within the payment deadline for certain reasons.

#### 2.4 Internal Control System

Internal control is an activity that is very important in achieving business goals. Likewise, the business world has increasing attention to internal control. [11] defines internal control, namely:

"A process that is influenced by the activities of the board of commissioners, management or other employees which is designed to provide reasonable assurance about the achievement of the following three categories of objectives, namely: financial reporting reliability, operational effectiveness and efficiency, and compliance with applicable laws and regulations".

The internal control system includes organizational structure, methods and measures that are coordinated to maintain organizational wealth, check the accuracy and reliability of accounting data, encourage efficiency and encourage compliance with management policies [3]. The first objective of designing internal control from a management perspective is to obtain reliable data, that is, if the data is complete, accurate, unique, reasonable, and data errors are detected. The next objective is compliance with accounting policies that will be achieved if the data is processed on time, assessment, classification and separation of the deadline for the occurrence of appropriate accounting transactions. The next goal is asset security, namely by means of authorisation, distribution of output, valid data and processed and stored securely.



According to [3], internal control is used to achieve company goals, namely: (1). Safeguarding or safeguarding property; (2). Check the accuracy and reliability of accounting data; (3). Boost efficiency; (4). Encourage compliance with management policies. In addition, according to its objectives, the internal control system can also be divided into two types, namely Internal Accounting Control and Internal Administrative Control. The internal control function can be distinguished from various points of view. According to [12], namely: (1) Preventive Controls, namely internal controls designed with the intention of reducing the possibility of errors and misuse. Examples of this type of control are good form design, complete items, easy to fill in, and user training, or training for people related to system input, so that they don't make mistakes; (2) Detection Controls, are controls designed with the aim that when data is recorded or converted from the source media to be transferred to a computer system, it can be detected if an error occurs (meaning that it does not comply with the specified criteria). An example of this type of control is, for example, if someone takes money at an ATM, the computer program should detect if the funds are not enough, or if the balance is minimum.

### **3 Method**

This is qualitative research. Qualitative research methods are research used to examine the conditions of natural objects, where the researcher is a key instrument [13]. [14] defines a qualitative research method as an approach or search to explore and understand a central phenomenon. To understand this central phenomenon, researchers interviewed study participants or participants by asking general and rather broad questions. Information is then collected in the form of words and text. The collection of information is then analysed. From the results of the analysis the researcher then describes the researches of other scientists that were made previously. The final results of the qualitative research are written in the form of a written report.

The data used in this study are data related to the policies and procedures of the accounts receivable accounting system starting from the student registration process, the student receivables payment process to the student receivables recording process and the internal control policies applied. The research object examined by the author is regarding the implementation of internal control of the accounts receivable accounting system at STIAMI. To be able to identify and analyse the main problems that the company is currently facing, especially with regard to the implementation of internal control of the accounts receivable accounting system, relevant and accurate data is required. Therefore, this research is limited to matters relating to internal control of the accounts receivable accounting system so that data collection is more focused. Sources of data used in this study are primary data and secondary data. Primary data is data obtained directly from the object of research and data obtained from interviews with Vice Chairman of STIAMI and Head of Financial Section II related to this study. Meanwhile, secondary data is data obtained from companies in the form of data and documents in STIAMI.

Data analysis techniques are intended to provide an explanation of the data that has been collected for analysis and comparison with existing theories with certain criteria. The data analysed is the final data which is considered to not change anymore because there are no questions or observations that need to be made. In this study, data analysis is focused on the implementation of internal control over the existing accounts receivable accounting system and to assess whether the internal controls in the company are running effectively and efficiently. The data analysis technique used in this paper is a qualitative approach. The qualitative approach used is to compare the existing facts with internal control norms. The elements of

internal control include: Control Environment, Risk Disclaimer, Control Activities, Information and Communication, Supervision and Monitoring.

Because this study uses a qualitative approach, the research method used in data analysis techniques is to compare the theory with the reality that occurs in company activities. The theory used relates to the internal control structure of the accounts receivable accounting system compared to the implementation of internal control in the company.

#### **4 Results and Discussion**

From the interviews conducted, it is known that there are still obstacles in internal control at STIAMI, including in terms of control functions. In the accounting and finance division there are still positions that concurrently, namely in the position of the head of the accounting and tax division, this position should be occupied by 2 (two) officials, but in this position only 1 (one) official is occupied so that there is an accumulation of expenses duties, powers and delegation of responsibilities that may cause the implementation of operations, especially in the presentation of financial statements, to be hampered and ineffective.

The recording section is indeed carried out by the accounting department and is separate from the receiving function, but in practice this function also sometimes performs the task of receiving payment of accounts receivable when one of the class treasurers or cashiers needs someone to carry out these activities, so that the duty of the accounting department to carry out recording of accounts receivable and preparation of financial statements is hampered and not on time. There is a heap of work in the receiving function, especially the cashier. The cashier department should only perform cash receipt and disbursement services, make daily cash reports and make money deposits to the bank, and must also be burdened with activities of recording plans and Realisation of regular student payments. This activity should be carried out by the class treasurer who specifically handles and is responsible for recording payment history and accounts receivable for regular students.

Meanwhile related to the Information System used, even though the computer-based accounts receivable accounting system has been implemented at STIAMI, there are still weaknesses that become obstacles to the implementation of internal control, namely: (1) The system for recording receivables for cooperation classes is still manual, namely by inputting plans realisation of receivables that are still made in the excel program and are not programmed in the Financial Information System in STIAMI's finance department, or in other words, the program is only for automatic recapitulation of addition and subtraction of regular class receivables. So that to find out the outstanding balance of non-regular class or cooperation class is not as easy as regular class; (2) The Academic Information System available in filling out the Student Study Plan Card is only for regular class students, so that when non-regular students or collaborating students make changes to the Credit Unit in one semester, it does not automatically change the amount of receivables according to the Credit Unit taken by the student. itself; (3) The system used by STIAMI is still weak in the activity of receiving student receivables, so that there is still card number with a different student name, which causes the payment data of one of the students to be lost or replaced automatically; (4) Forms for filling out the Study Plan Card for non-regular classes and cooperation classes are still recorded and printed manually so that students can easily change the number of credit units without prior confirmation to the academic department, so that it will cause a data mismatch between the financial department and the students themselves. ; (5) Credit Cards for non-regular or cooperative class students are also created and printed manually, so that when students make payments, they do not automatically change the amount of bills according to the nominal paid by the students themselves.



As for the efforts made to minimize the obstacles Internal control of the accounts receivable accounting system at STIAMI in the Control Function is by: (1) Selection of competent employees, especially in the tax or accounting division, so that it can be recommended to become head of the accounting sub-division or head of the tax sub-division. With the separation of positions and the addition of human resources, it is hoped that the burden of duties, authorities and responsibilities will run effectively; (2) When the class treasurer or cashier who performs the reception task is unable to attend, the delegation of authority for receiving receivables, especially for cooperation class receivables, is carried out by the head of the sub-finance, so that the accounting department can continue to carry out its activities as usual; (3) To reduce the duty burden of cashiers who record the actual plan for receiving regular student receivables, the management will select prospective employees or add competent human resources, especially in the financial division who will later be assigned as regular class treasurers who record the Realisation of regular student payments and recapitulate, regular class accounts receivable. Meanwhile related to Information Systems, due to differences in the use of Financial Information Systems and Academic Information Systems between regular classes and non-regular classes or cooperation classes, the effort taken by management is centralizing the existing system and enforcing it for all classes either regular class or non-regular class or cooperation class.

From this study also obtained information related to the efforts made to minimize the obstacles that exist in internal control of the accounts receivable accounting system at STIAMI related to Control Functions, namely: (1) Selection of competent employees, especially in the tax or accounting division, so that it can be recommended to become head of the accounting subdivision or head of the tax subdivision. With the separation of positions and the addition of human resources, it is hoped that the burden of duties, authorities and responsibilities will run effectively; (2) When the class treasurer or cashier who performs the reception task is unable to attend, the delegation of authority for receiving receivables, especially for cooperation class receivables, is carried out by the head of the sub-finance, so that the accounting department can continue to carry out its activities as usual; (3) To reduce the duty burden of cashiers who record the actual plan for receiving regular student receivables, the management will select prospective employees or add competent human resources, especially in the financial division who will later be assigned as regular class treasurers who record the Realisation of regular student payments and recapitulate, regular class accounts receivable.

Meanwhile related to Information Systems, due to differences in the use of Financial Information Systems and Academic Information Systems between regular classes and non-regular classes or cooperation classes, the efforts taken by management is the centralization of the existing system and applies it to all classes, both regular and non-regular classes or cooperation classes.

## **5 Conclusion**

From the results of this study it can be concluded that overall, the internal control procedures for the accounts receivable accounting system at STIAMI are quite effective, where the company's management has implemented the basic concepts and principles of internal control. In addition, the control environment for trade accounts receivable at STIAMI has also been running well, this is indicated by the independence of the audit committee or Internal Supervisory Unit which is directly under the auspices of the chairman of STIAMI, as well as the concept of control applied by the deputy chairman and the department head was going well too. However, on the other hand, there are several procedures that do not reflect the concept of internal control, such as ineffective segregation of duties, namely the function that collects

accounts receivable is the same as the receiving function. According to the concept of control, the accounts receivable collection section should not be concurrently a revenue section. In addition, there are concurrent positions, namely in the position of the head of the accounting and tax division, so that there is an accumulation of duties, powers and delegation of responsibilities which can cause operational implementation, especially in the presentation of financial statements, to be hampered and ineffective. For further research, the researcher suggests to carry out a study of Internal Control of the Accounts Receivable System with a different approach.

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