

Analysis Of Internal Control Over Cash Receipts And Cash Expenditures At PT X

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Abstract:

Background: Every company, both domestic and international, needs good and systematic controls to achieve company objectives. One of these controls is internal control over cash, which includes cash and securities such as postal orders, certified cheques, cashier's cheques, personal cheques, bank drafts, and cashable funds. Rational procedures and adequate security are important in supporting the success of the company. These controls are particularly important because cash is vulnerable to misappropriation, such as lapping or kitting, which can materially harm the company. The implementation of internal control over cash plays a crucial role in supporting management and achieving the company's long-term and short-term objectives. With effective control, the company can use resources efficiently, prevent losses, and maintain the company's success.

Materials and Methods: This study aims to analyze the internal control applied to the process of cash receipts and cash expenditures at PT X. The focus of this research is to identify internal controls that exist in the company's organisational system and evaluate their effectiveness in managing cash receipts and expenditures. The method used is descriptive quantitative with data collection techniques through observation, interviews, documentation, and literature study..

Results: The results of the analysis of internal control over cash receipts and expenditures at PT X revealed the implementation of important steps in managing cash receipts and cash expenditures. These steps include separation of duties, authorisation system, and the use of printed sequential numbered documents for cash receipts. Meanwhile, in cash expenditures, the company has successfully implemented adequate authorisation, effective segregation of duties, and accurate documentation, especially in the functions of Purchasing, accounts payable, and commission analysis. Nevertheless, this study also identified some weaknesses in internal control. Improvements are needed in monitoring transaction records of cash receipts and expenditures and the need for better supporting documentation in cash expenditures for factory operations, in order to maintain the necessary accuracy and transparency.

Conclusion: PT X has implemented good internal controls in managing cash receipts and expenditures. Measures such as segregation of duties, authorisation, and use of supporting documents have helped in maintaining the company's financial integrity. However, suggestions are suggested to improve supervision of cash journals as well as ensuring cash expenditures for factory operations have adequate document support. Thus, the company can ensure the sustainability of strong internal control in managing the company's cash.

Keywords: Internal control, cash receipts and cash expenditures.

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I. Introduction

Every company, both domestic and international, requires good and systematic control to direct the company's activities towards achieving the set goals. One means of control used in the financial sector is internal control over cash, which includes not only cash, but also securities such as money orders, certified checks, cashier checks, personal checks, bank drafts, and funds that can be cashed without reducing value. savings. Reasonable procedures and adequate safeguards are essential to support the company's success.

It is important that internal control over cash is carried out strictly because cash is prone to misappropriation. One common problem that occurs is embezzlement of cash by holders of cash funds without the approval of authorized officials, which is known as lapping. In addition, kitting is also a form of fraud by not recording payments but recording deposits in the case of bank transfers. Kitting can also be done with window dressing to inaccurately embellish the position of cash in the bank. Internal control over cash is needed to prevent fraud such as lapping and kitting, so that the company's cash is used effectively and efficiently, and to avoid material losses.

Implementation of internal control over cash has an important role in supporting management tasks and achieving both long-term and short-term company goals. With good internal control, companies can use existing

resources to provide basic information needed to plan and manage cash effectively and efficiently. Thus, internal cash control is a key factor in maintaining the company's success and preventing significant losses.

II. Literatures

Internal Control Theory

According to D. Hartanto in Amiseno's research (2016), internal control involves a series of mechanism procedures used to ensure the accuracy of administrative data, including making comparisons between sums horizontally and vertically.

Public Accountant Professional Standards (SPAP) in Agustias' research (2018) Internal control is a process carried out by the board of commissioners, management and other members in an organization with the aim of providing adequate assurance related to the achievement of three main goal categories, namely: 1) reliability of financial reporting, 2) operational effectiveness and efficiency, and 3) compliance with applicable laws and regulations.

According to the Committee of Sponsoring Organizations (COSO) internal control is a process carried out by the board of directors, management and other personnel within an entity with the aim of providing reasonable assurance regarding the achievement of objectives related to operations, reporting and compliance.

According to Azhar Susanto (2013), internal control is a process influenced by the board of directors, management, and employees designed to provide adequate assurance that organizational goals can be achieved through operational efficiency and effectiveness, presentation of reliable financial reports, and compliance with applicable laws and regulations.

Internal Control Objectives.

The purpose of internal control according to Mardi in Haristiani's research (2015) can be described as follows:

1) Maintain the security of company property.

Company assets need to be secured from all possibilities that will harm the company in the form of theft, fraud, fraud and others. Both physically and administratively.

2) Check the accuracy and correctness of accounting information.

Information generated by the accounting department or accounting system in the form of financial reports containing financial accounting information and management reports containing management accounting information must be reliable, not misleading and can be verified. Accounting data must be continually tested (internal checks) so that the quality of the accounting data can be maintained. To conduct a trial run, it is necessary to separate the various functions that exist in the company's organizational structure, especially those involving a financial transaction.

3) Increase the company's operational efficiency.

Using various methods and procedures for controlling costs through the preparation of budgets, standard costs, budgets and standard costs will become an effective tool for controlling costs with the ultimate goal of creating efficiency.

4) Help maintain the established management policies.

The leadership policy that has been stipulated in a decree is also an important control tool within the company that is obeyed and carried out by every employee. With a decree, company leaders can control various company activities.

According to SAS (Statement on Auditing Standards) No.78 states that, internal control components consist of:

1) Control Environment

The control environment is the foundation for all the elements of internal control that make up the framework and structure. The control environment includes the attitude of management and employees towards the importance of internal control in the organization. The effectiveness of information, communication, and control activities is greatly influenced by the conditions that exist in the control environment.

The control environment has several important elements, namely:

a) Operations management philosophy and style.

b) Organizational structure.

c) Audit committee.

d) Determination of authority and responsibility.

e) Management control methods.

f) Internal audit function.

g) Employee practices and policies.

h) External influences.

2) Risk Assessment

Companies need to carry out a risk evaluation (risk assessment) in order to identify, analyze, and manage the risks associated with financial reporting. Management risk evaluation aims to design and implement control activities that can reduce these risks to a minimal level, taking into account the costs and benefits. The purpose of risk management evaluation is to determine strategies to address identified risks.

3) Information and Communication

Communication involves sending information to all parties involved in financial reporting so that they understand how their activities relate to the work of others, both inside and outside the organization. This information and communication has a significant impact on company management in making decisions and evaluating the effectiveness of internal controls.

4) Control Activity

Control activities involve policies and procedures that ensure appropriate steps are taken to address the risks identified by the company. These policies and procedures provide assurance that the necessary steps have been taken to reduce risks in achieving company goals.

Control activities can be categorized into several activities, including:

- a) Transaction authorization.
- b) Separation of duties.
- c) Accounting records.
- d) Access control.
- e) Independent Verification.
- 5) Monitoring

Monitoring is a process of repeated and continuous evaluation of the quality of internal control performance.

The goal is to determine whether the internal control system is functioning properly in accordance with the changes that have occurred. Through monitoring of the internal control system, existing weaknesses can be identified and the effectiveness of controls can be increased.

According to COSO (The Committee of the Sponsoring Organizations) states that, internal control components consist of:

1) Control Environment

The control environment according to the COSO Report includes several sub-components consisting of the following elements:

- a) Integrity and ethical values that must be possessed by all employees.
- b) Consideration of the expertise required to carry out the work (commitment to competence)
- c) Participation of the Board of Directors and the Audit Commission.
- d) Philosophy and leadership style (working style) of management.
- e) Organizational structure.
- f) Determination of authority and responsibility so that each employee can find out who is authorized and responsible for activities within the organization concerned.
- g) Policies and practices regarding human resources.
- 2) Access to risk

Access to risk refers to the identification, analysis and management of company risks related to the preparation of financial reports in accordance with applicable accounting standards.

3) Information and Communication

Identify, combine, classify, analyze, record and report information in a form that allows employees to carry out their responsibilities.

4) Control Activity

Control activities are additional policies and procedures apart from the other four components that are intended to help provide assurance that the actions that must be taken have actually been carried out in achieving the goals of the organization concerned.

The five general categories of control procedure components are as follows:

- a) Adequate authorization of transactions and activities.
- b) There is adequate segregation of duties.
- c) There is adequate documentation and record keeping.
- d) There are adequate controls over access to and use of company assets and records.
- e) There is an independent performance check.
- 5) Monitoring

Monitoring activities are related to assessing the quality of the performance of the internal control structure carried out by management to determine that the controls that have been determined are indeed being implemented according to their original purpose and to determine that these controls really need to be improved to suit changing conditions. There is.

Internal Control Procedures for cash receipts.

Receipt of money in a company can come from cash sales, settlement of receivables, advances, loans and so on, controls made to handle cash receipts include:

1. There is a separation of functions between the cash depository and the cash recording function.
2. It must be clearly designated the functions in cash receipts and each cash receipt must be immediately recorded in the cash receipts journal and the money deposited in the bank.
3. There is strict supervision of the cash receipt and recording function. And to each - each function is asked to prepare a Daily Cash Receipt Report.
4. Unannounced inspections were carried out on the functions involved in handling cash receipts.

Procedures for Internal Control of cash expenditures

Cash expenditures in the company is to pay debts, wages and other transactions that require payment in cash. If the control over cash is not tight, then often the amount of payment is enlarged by the difference between the amount of the payment and the actual payment being embezzled.

Following are some important cash expenditures control procedures:

1. All cash expenditures are used by checks and small expenses are paid through petty cash.
2. Established a petty cash fund which is closely monitored.
3. Checks are made only if they are supported by complete documents, namely in the form of proof of cash out (vouchers).
4. There must be a clear separation between the part that prepares the check, who signs the check, and who records the expenditures of cash.
5. Unannounced inspections were carried out on the functions involved in handling cash expenditures.
6. Every day a Cash Expenditure Report is made.

Cash Theory

Cash, also known as cash, is a current asset that includes cash in the form of paper or metal, as well as other objects that can be used as legal tender and can be withdrawn at any time. Cash is working capital that has a high level of liquidity. The greater the amount of cash owned by the company, the higher the level of liquidity. This means that the company has a lower risk of not being able to fulfill its financial obligations.

According to Efendi (2013: 191), the concept of cash includes all things both in the form of money and not that can be used as a means of payment or a tool to pay off obligations. Some examples of assets included in cash are checking accounts at banks ("cash in bank") and cash on hand ("cash on hand"). Cash in the company is the most liquid asset, so that in the balance sheet, cash is placed at the top position in the most liquid asset group.

According to the Indonesian Institute of Accountants (2017), cash is the part of working capital that has the highest level of liquidity. Cash has the ability to change its value quickly. Thus, the greater the amount of cash owned by the company, the level of liquidity will also increase.

Cash Elements

Elements included in cash include:

- a) Cash at the company (cash on hand) consists of:
 - 1) Cash includes coins and banknotes owned by the company.
 - 2) Checks received as a means of payment from other parties but by the company have not been cashed or deposited as a checking account at the bank.
 - 3) Other elements that can be equated with cash. For example: money orders, proof of remittances that have not been cashed, bank drafts, money orders and so on.
- b) Cash in Bank (cash on bank)

Cash in the bank is all balances in the company's bank checking account and can be used at any time as a means of payment by check or transfer request.

Elements that do not include cash, for example:

- 1) Cash Bonus
- 2) Supply of stamps and stamps
- 3) Post-dated check
- 4) Checks that are not sufficiently funded
- 5) Time deposits
- 6) Limited use of cash
- 7) Blocked checking account
- 8) Short term investment

- 9) Notes receivable
- 10) Bank overdrafts

III. Population and Sample, Research Model, Data Collection Techniques

Population and Sample

The population in research refers to all groups of individuals, objects or events that have characteristics that are relevant to the research topic being conducted. The sample is a part or subset of the population selected in a way that represents the characteristics of the population as a whole.

As the title implies, this study only discusses the role of internal control over cash receipts and expenditures at PT. X as private company in year 2022 in Indonesia. Therefore, the subject of analysis in this study is only related to the role of internal control, not to other factors outside of it.

Research methods

Types of research

The type of research used in this research is descriptive qualitative research at PT. X.

Data Collection Techniques

The techniques used by researchers in collecting data on the object of this study include:

- a. Observation
This observation was made directly on research to complete the necessary data and to observe operational activities in cash receipts and cash expenditures.
- b. Interview
Researchers conducted direct interviews with leaders and authorized staff and were directly related to cash receipts and cash expenditures operations.
- c. Documentation
- d. Researchers studied company records and documents to obtain reliable data. The data obtained include:
 1. Organizational structure of PT. X.
 2. Job description of each section at PT. X.
 3. Cash receipts flow procedure at PT. X.
 4. Cash expenditures flow procedure at PT. X.
 5. Supporting documents in the cash receipts and expenditures cycle of PT. X.
- e. Literature Study
Literature study is a way of collecting data by searching and looking at literature books, both from print media and scientific papers, as well as analyzing the theories and opinions of experts that are relevant to the problem under study.

IV. Results of Research Analysis and Discussion

Internal Control Over Cash Receipts at PT. X

Elements of internal control in receiving cash from cash deposits at PT. X as one of the controls on cash receipts is as follows:

1. Organizational systems related to cash receipts systems from cash deposits. The main elements of internal control in cash receipts are described as follows:
 - a) The cashier function is separate from the cash register function. The cashier function, which is an operating function, is separated from the cash register function, which is a storage function. This resulted in each cash receipt from cash deposit carried out by two functions that check each other. Cash receipts made by the cashier will be checked for accuracy by the registrar.
 - b) Cash deposit transactions are carried out by the cashier function and cash register function. There are no cash deposit transactions that are carried out in full only by this function. By carrying out each cash deposit by the various functions, there will be an internal check between the work of each function and the other functions.
2. Authorization and Recording System
 - a) Cash receipts from cash sales by the cashier function using the retail receipt slip form. Cash sales transactions begin with the issuance of a Retail Memorandum slip by the marketing department. With this form the cashier function will receive cash and the cashier function will validate (authorize) the deposit slip.
 - b) Receipt of cash from settlement of accounts receivable by the cashier using the Proof of Cash Receipt slip form. Same as Retail Note. The cashier will receive cash, conduct an inspection and if the value matches the invoice, the cashier signs the deposit slip.

- c) Cash receipts are also authorized by the head of the company by affixing a signature on the deposit slip as proof that the cashier has received cash from the customer.
 - d) Delivery of cash is authorized by the cashier function by affixing the initials on the cash deposit slip. The initials affixed by the cashier function to the cash receipt receipt prove that cash has been received from the customer.
3. Healthy practice.
- Healthy practices can be seen by having Retail Note slips or Proof of Cash Receipts printed serial numbers and their use is accounted for by the cashier function. to use the form. Cash Receipts must be serial number printed and their use accounted for by the cashier function.

Accounting Records Used

Accounting records are used to facilitate the recording of daily activities related to PT. X are as follows :

1. Organizational systems related to cash receipts systems from cash deposits. The main elements of internal control in cash receipts are described as follows:
 - a) The register of cash receipts is a record used to record each customer's cash receipts. This recording is based on the date of cash receipt itself divided over retail receipts, advances and settlement of receivables.
 - b) A checking account is a record that reports a condition of cash or money owned by a customer, this checking account is in the form of a bank reconciliation that is made every month.

Internal Control Over Cash Expenditures at PT. X

In designing an organization related to a cash expenditures system for shop or factory expenses, commission payments and debt settlement, the main elements of internal control are described in the following functions:

1. The Purchasing function purchases goods for the operational and production activities of shops and factories. But sometimes Purchase Requests are not only made by the purchasing department but also made by the warehouse department. This is because the warehouse department knows more about the number of items that are running out than the purchasing department. Thus this separation causes each Purchase Request to be carried out by two functions that check each other. Purchase Requests made by the warehouse department will be checked for accuracy by the Purchasing department.
2. The function of the accounts payable section is to make debt payments both in cash and demand deposits to suppliers. If the debt is of small value, the payment is made in cash, but if the debt is large, then the payment is through current accounts. Every Thursday the accounts payable department checks invoice receipts. If there is an invoice receipt that is due, usually the supplier will call first before coming to collect and ask whether the bill can be collected.
3. Commissions are given only to certain customers, namely those who always make purchases in large quantities and make payments on time.
4. The accounts receivable section ensures that the customer's bill has been paid in full. Then the cashier makes a Cash Out Proof to pay the customer's commission.

Documents Used

Every cash expenditures activity at PT. X always uses documents. Documents used in disbursing cash at PT. X as follows:

1. Proof of Cash Out, namely the document used to record cash purchases.
2. Bank Expenditure Proof is proof of payment of debt through a bank that has been agreed upon by both parties.

Accounting records used

Accounting records are used to facilitate the recording of daily activities related to cash expenditures of PT. X is as follows:

1. The cash expenditures list is a record used to record each company's cash expenditures. This recording is based on the date of the cash disbursement itself which is divided into shop, factory expenses, commissions and debt payments.
2. A bank expense book is a record used to record each payment of a customer's debt. This recording is based on the issuance date of the bank itself divided by the check number, paid to and the name of the bank.

Analysis of Control Activities

Internal Control Analysis of Cash Receipts

1. Adequate authorization.

Cash receipts at PT. X goes through various existing processes, namely cash received from Retail Notes, advances and settlement of receivables on credit sales.

2. Adequate segregation of duties.
PT. X distinguishes between cash recipients and cash recorders so that there is little possibility of embezzlement of cash.
3. Adequate documents and records.
Documents and administrative records needed include economic, financial, technical, juridical data, and so on. Everything must be supported by valid evidence. Then analyzed as completely as possible to check the truth.
4. Adequate control over assets and records.
PT. X checks accounts receivable prior to the previous credit process. This is done to avoid overlimit on customer receivables. If the customer wants to make a purchase, he must pay off half of the previous receivables.
5. Checking the performance that has been done.
Relevant marketing must know the terms and data that must be met by the customer, the type of facilities needed by the customer, have the knowledge and ability to analyze credit, be honest and objective, especially when carrying out a physical examination.

Internal Control Analysis of Cash Expenditures

1. Adequate authorization.
At PT. X only authorized officials can authorize large cash expenditures.
2. Adequate segregation of duties.
The task of planning debt payments to suppliers is in the accounts payable section, analysis and approval are carried out by the Finance Manager.
3. Adequate documents and records.
PT. X checks whether the existing records match the documentation, especially regarding: Purchase Requests, Purchase Orders, Travel Letters, Invoices and Company Receipts.
4. Adequate control over assets and records.
PT. X believes that the payment of the debt given is due in accordance with the agreement, and checks the completeness of documents and all related administrative needs.
5. Checking the performance that has been done.
Assigned employees must be able and understand to understand supplier reports in accordance with applicable procedures, have initiative if they find things that deviate from what is required.

Accounting records are used to facilitate the recording of daily activities related to cash expenditures of PT. X is as follows:

6. The cash disbursement list is a record used to record each company's cash expenditures. This recording is based on the date of the cash disbursement itself which is divided into shop, factory expenses, commissions and debt payments.
7. A bank expense book is a record used to record each payment of a customer's debt. This recording is based on the issuance date of the bank itself divided by the check number, paid to and the name of the bank.

V. Conclusions and recommendations

Conclusion

After the authors conducted an analysis of internal control over cash receipts and expenditures at PT. X which has been described in previous chapters, the authors draw the following conclusions:

1. PT. X is a company engaged in the trading of plastic bags.
2. Cash is one of the company's most liquid assets, very easy to find and prone to fraud.
3. Internal control both cash receipts and expenditures at PT. X separates the work of one function from another for internal checking of the company. In addition, cash receipts and expenditures use sequentially numbered forms that can be accounted for by the cashier and authorized by the leadership.
4. Implementation of internal control over cash receipts and expenditures at PT. X goes through a process of authorization, segregation of duties, adequate documents and records, control of assets and records, as well as checking of the performance carried out.
5. Weaknesses in internal control over cash receipts and expenditures at PT. X is that there is no control over the cash portion of the journals made, both for cash receipts and cash expenditures transactions. In addition, sometimes cash expenditures for factory operational activities are not accompanied by supporting documents.

Suggestions

1. Carry out an examination of the cash portion of the journal which is made in the form of reports of cash receipts and cash expenditures every month.
2. All evidence of receipt and disbursement of cash should be accompanied by supporting documents.

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