

Implementastion of Internal Inventory Merchandise Control System

Dita Andhini Setiyowati¹, Dwi Anggarani², Endah Puspitosarie³

^{1,2,3}Department of Accounting, Universitas Widya Gama, Indonesia

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Corresponding author:

Dita Andhini Setiyowati
(dtandhini@gmail.com)

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ABSTRACT

Internal control is a security measure to prevent damage, theft or other irregularities. The formulation of the problem in this research is "How is the implementation of the internal control system for merchandise inventory at PT. Sinarmas Distribution Nusantara Malang Branch." The purpose of this research is to find out how the internal control system for merchandise inventory at PT. Sinarmas Distribution Nusantara Malang Branch. This type of research is descriptive research. The data analysis method used in this research is qualitative analysis. Results of research into PT's internal inventory control. Sinarmas Distribution Nusantara Malang Branch is in accordance with the five components of internal control according to COSO. This shows that internal control over merchandise inventory at PT. Sinarmas Distribution Nusantara Malang Branch is in the very effective category. In order for internal control over inventory to be more effective, companies should be more committed to existing ethics and carrying out work in accordance with predetermined duties and responsibilities.



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1. INTRODUCTION

Companies demand to be able and able to compete in order to survive the competition which is becoming more and more widespread every year. Every company definitely wants its company to continue to progress and be successful so that it can develop and become a large, trusted company. A trading company is understood in the eyes of consumers as a company that carries out activities of buying goods and then selling the goods back to its consumers. The main goal of every company is to generate optimal profits in order to maintain, advance and develop the business that the company is currently involved in. To meet the company's needs to continue carrying out operational activities and obtain sufficient profits, the company needs an inventory of merchandise and then manages these resources optimally and well. In achieving its goals, sometimes there are obstacles, for example in managing the inventory of merchandise. Increasingly uncertain economic conditions and increasingly fierce competition between one company and another mean that trading companies must try as quickly as possible to adapt to the current situation in order to maintain the continuity of their company's

business. Every company also needs a system to regulate the activities within a company. In order to support the growth and development of the company, an internal control system is needed to realize the company's goals. Internal control is a security measure to prevent damage, theft or other irregularities. In the business world, good handling and management is needed so that companies can determine which goods are suitable for sale and which are not suitable for sale to consumers.

The inventory accounting information system is an important key in managing the inventory owned by the company to avoid fraudulent manipulation. Companies need internal control to be able to maintain and guarantee supplies remain safe and their quality does not decrease. Common problems that often occur in controlling merchandise inventory originate from events experienced every day. These events occur in large quantities of merchandise inventory or perhaps small quantities of merchandise inventory to meet consumer demand in the future. If there are too many goods in the company's warehouse, the company will bear additional costs. However, on the other hand, if there are too few goods in the warehouse, it can cause an inventory shortage which will ultimately be detrimental to the company and result in lost sales. Companies can see and obtain the right trade inventory by observing transactions or sales events and seeing the continuation of processing of these transactions or sales events. From processing sales data, the company can find out information that is used to determine the number of goods that must be prepared or are in the warehouse, regulate the minimum stock of merchandise inventory in the warehouse. Apart from that, the company can also find out when the company has to reorder merchandise supplies.

2. LITERATURE REVIEW

1. System

According to Mulyadi (2016:4) A system is a group of elements that are closely interconnected with each other, which have a common function to achieve certain goals.

2. Procedure

According to Mulyadi (2010: 5) Procedures are a sequence of clerical activities, which usually involve several people in one or more departments, which are created to ensure uniform handling of transactions within the company that occur repeatedly.

3. Accounting information system

An accounting information system is a collection or group of subsystems/parts/components, whether physical or non-physical, that are interconnected with each other and work together harmoniously to achieve a certain goal.

According to Mulyadi (2016) an accounting system is an organization of forms, records and reports that are coordinated in such a way as to provide the financial information needed by management to facilitate company management.

4. Supply

Inventory is a type of current asset that is relatively large in a trading or manufacturing company. Inventory includes all goods owned by a company at a certain time, with the aim of being resold, consumed, or processed further in the company's operational cycle.

5. Internal Control System

Mulyadi (2013: 164) said that "the internal control system includes organizational structures, methods and measures that are coordinated to maintain organizational assets, check the accuracy and reliability of accounting data, encourage efficiency and encourage compliance with management policies".

6. Internal Control Components

The components of internal control are contained in the Committee of sponsoring organizations (COSO) in Dr. Iskandar Muda et al., (2017) are as follows:

a. Control Environment

The control environment provides direction for the organization and influences the control consciousness of the people within the organization.

1. Management philosophy and operating style.
2. Commitment to integrity and ethical values.
3. Commitment to competence.
4. Audit committee of the board of directors
5. Organizational structure.
6. Method of determining authority and responsibility.
7. Human resources policies and practices.

b. Control Activities

Provide confidence that the instructions made by management are implemented and the necessary actions have been implemented to reduce risks in achieving company goals.

1. Separation of duties.
2. Good document design and printed serial numbers
3. Adequate authorization for every business transaction that occurs.
4. Securing company assets and records.
5. Create independent checks on the work of other employees.

c. Risk Assessment

The entity's identification and analysis of the risks relevant to achieving its objectives, forms a basis for determining how risks should be managed.

d. Information and Communication

Information and communication is the identification, capture, and exchange of information in a form and time that enables people to carry out their responsibilities.

e. Supervision

The process that determines the quality of internal control performance over time. Monitoring includes determining the timely design and operation of controls and taking corrective action.

3. RESEARCH METHODS

This research uses a case study approach method in qualitative research. A case study is research that aims to collect data, understand the meaning, and gain insight from a particular case. Conclusions from case studies apply only to the cases studied and are not representative of the population. This research focuses on analyzing credit sales procedures to improve internal control at PT. Sinarmas Distribution Nusantara Malang Branch.

The object of this research is the results of observations and interviews at PT. Sinarmas Distribution Nusantara Malang Branch.

Primary data sources include the words and actions of people observed or interviewed, while additional data include documents and other sources.

Data collection techniques include observation, interviews and documentation. Observations were carried out to observe the company's activities in procuring supplies. Interviews are used to obtain information about inventory procedures. Documentation is used as a complement to observations and interviews.

Data validity testing is carried out by increasing diligence in data collection and using reference materials to verify the data found.

The data analysis method used is qualitative descriptive analysis, where data is analyzed based on theories relevant to the research problem. Data analysis begins by reviewing data from various sources, including interviews, field observations, documents, images and photos.

4. RESULTS AND DISCUSSION

PT Services. Sinarmas Distribution Nusantara Malang Branch

1. Tokosmart application

Designed to complement field sales teams by leveraging key expertise in distribution, Tokosmart.id's goal is to create digital convenience and efficiency in the ordering, inventory receipt and payment processes for retail stores, allowing for improved customer service and reduced sales losses.

2. Sales Team Application

Designed to complement field sales teams by leveraging key expertise in distribution, Tokosmart.id's goal is to create digital convenience and efficiency in the ordering, inventory receipt and payment processes for retail stores, allowing for improved customer service and reduced sales losses.

3. Warehousing & Shipping

There are warehouses spread across 32 branch locations throughout Indonesia. With a fleet of trucks on standby to provide full fulfillment services for all distribution channels (markets and supermarkets including key accounts and the food service industry) on behalf of brands.

Merchandise Inventory Order Flow

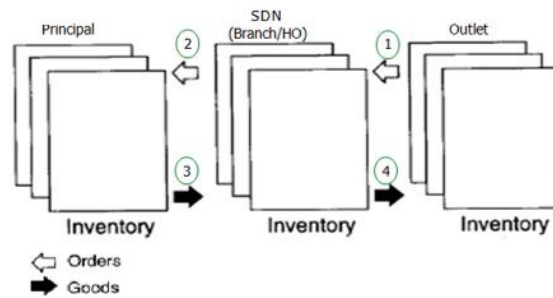


Figure 1. Merchandise Inventory Order Flow

Information :

1. Outlet orders to distributor branches
2. Distributor orders to principal
3. Principal sends goods to distributor branch
4. Distributor Branch sends goods to the Outlet

The Merchandise Inventory Order Cycle is as follows:

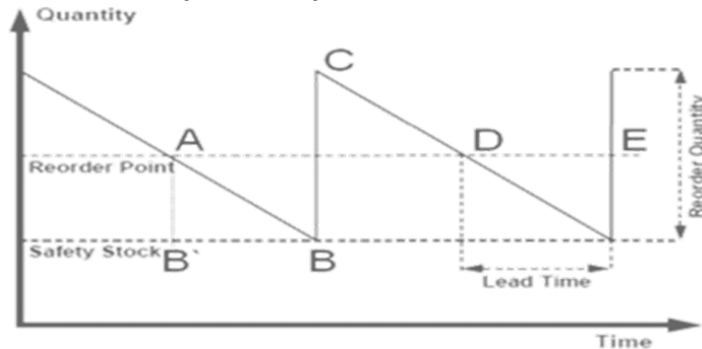


Figure 2. Merchandise Inventory Order Cycle

Information :

- A: The right time for the branch to submit an AO or it has been covered by the RDD MO
- B: Arrival of goods to fill the branch's already minimal stock
- C: Stock condition ready to be used for sales
- D to E: The time required by the principal to deliver goods from order submission

General Definition:

Forecast: Sales Plan

Buffer/Safety Stock: Stock that a branch must have to anticipate sales spikes or supply delays to maintain service levels to customers

Leadtime: The time needed to make a delivery from the principal to the distributor branch

Re-Order Point: Time to request AO/advance RDD with lead time considerations

MO: Monthly Order which is opened at the end of the month (M) or the beginning of the month (M+1) taking into account stock, sales history, outstanding PO, forecast and buffer stock

AO: Additional Orders submitted to fulfill sudden orders or spikes in sales or AO for new product development allocations.

Variables in Forecasting (Sales Plan), MO (Monthly Order) and AO (Additional Order)

1. Forecasting (Sales Plan), variables in the forecasting process are:
 - a. Sales program
 - b. Price increases
 - c. Seasonal products or not
 - d. Average sales
2. MO (Monthly Order), calculation variables in making MO:
 - a. Sales until the end of the month
 - b. Stock end of month M (beginning of month M+1)
 - c. Forecast
 - d. Average Sales
 - e. Outstanding PO
 - f. Safety Stock
 - g. DOI (Days of Inventory): condition of how many days stock is compared to average sales in daily units (measures the length of time stock is stored before being sold)
3. AO (Additional Order), Calculation variables in making AO:
 - a. DOI (Days of Inventory) Current Stock
 - b. DOI after adding AO

Flow Chart of the Merchandise Inventory System

1. Procure to Pay (P2P)
Procure To Pay is a procurement process or system for purchasing and paying for goods or services in large quantities which commonly occurs in Business To Business (B2B) business activities.

Table 1. The procurement process or system for purchasing and paying for goods

	Monthly Target & Sales Forecasting	Create Purchase Order	Goods Delivery	Goods Received	Payment
Bagian yang terkait	Branch Manager (BM), Regional Manager (RM), Branch Logistic Coordinator (BLC), and Regional Logistic Head (RLH)	Demand Supply Planning Team (DSP)	Principal	Admin Gudang, Demand Planner	Finance
Aktivitas yang dilakukan	Menghitung Best Estimate berdasarkan sales target dan	Membuat PO dan meneruskan PO ke Principal.	Memperiapkan barang serta dokumen pengiriman.	Admin Gudang mecocokan pengiriman dengan Surat Jalan dan menginformasikan DP. Lalu DP akan "Approve / GR" di system.	Melanjutkan step I2P

Source: PT. Sinarmas Distribution Archipelago

2. Order to Cash (O2C)

Order to cash or what is usually called O2C is the process of recording sales from the time the order is entered until the delivery of goods is received by the consumer.

Table 2. Sales process from order entry to delivery of goods

	Purchase Order	Sales Order	Delivery Order, Shipment Plan / Cost, Surat Perintah Muat	Pick Goods and Good Issued	Deliver Items & Obtain Surat Jalan	POD & GRPOD	Billing & Tax Invoice
Bagian yang terkait	Salesman/Pelanggan	Admin Sales	Admin Traffic	Tim Gudang	Driver	Admin Traffic & Gudang	Admin Sales
Aktivitas yang dilakukan	Menerima PO dari pelanggan : 1. PO Manual 2. Sales Force Automation (SFA) / TokoSmart (SSA) 3. MTKA Manual	Membuat SO di system untuk PO Manual dan MTKA Manual	Memproses DO di system, membuat <i>shipment plan</i> untuk pengiriman barang dan mencetak SPM untuk pengambilan barang.	Mengambil barang sesuai dengan SPM / Picking List dan memproses GI di system.	Mengirimkan barang ke pelanggan dan pastikan Surat Jalan telah ditandatangani pelanggan.	Admin Traffic melakukan proses <i>POD</i> dan Admin Gudang melakukan <i>GRPOD</i> untuk barang yang dikembalikan.	Melakukan proses billing di system dan memproses faktur pajak.

Source: PT. Sinarmas Distribution Archipelago

3. Goods receipt

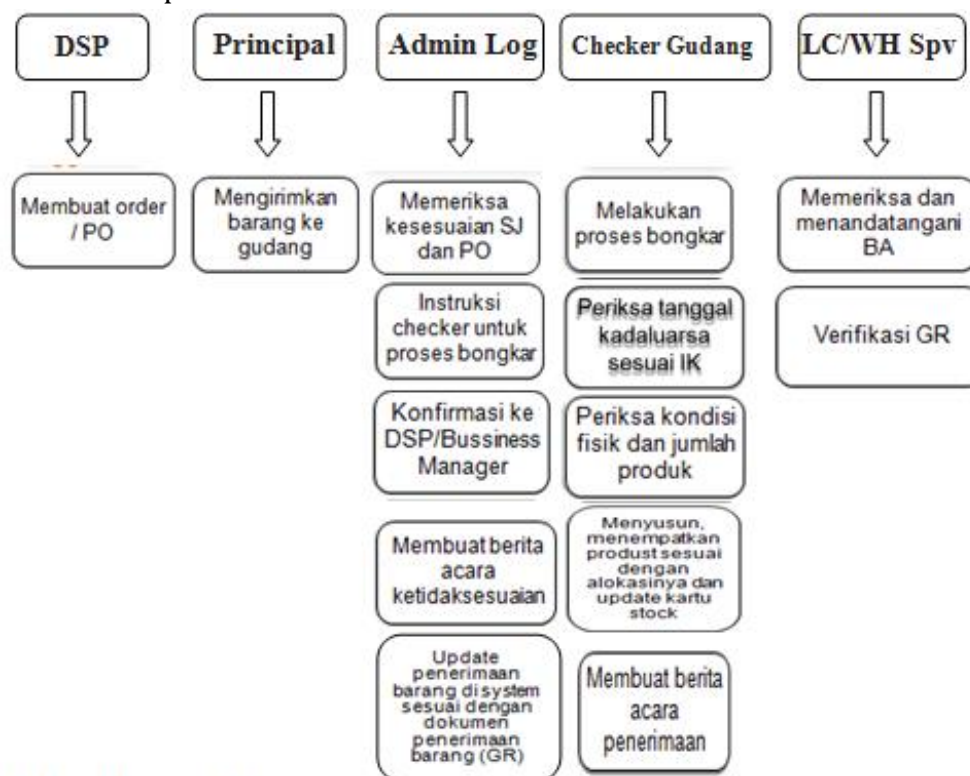


Figure 3. Merchandise Receipt Process

4. Expenditures

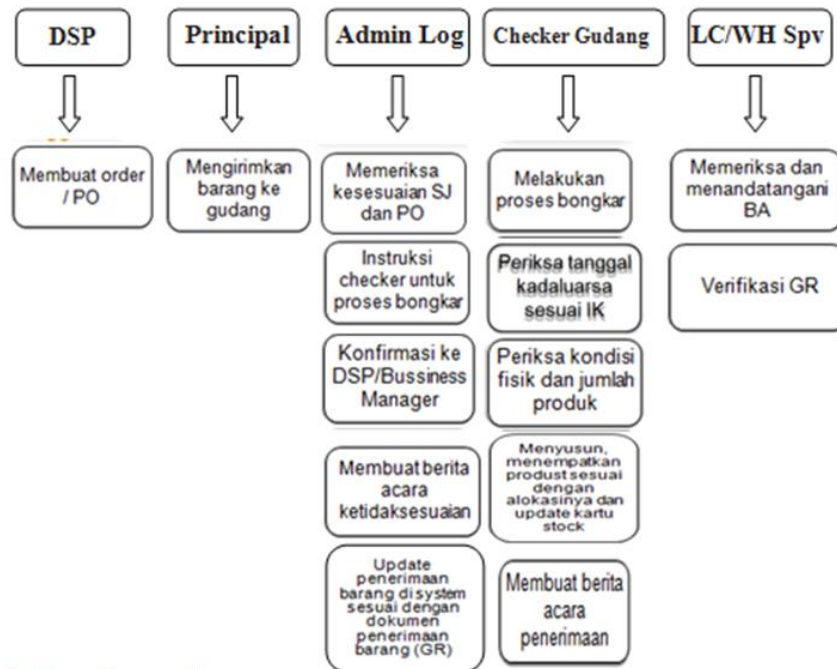


Figure 4. Process of Dispensing Merchandise

5. COD (Cash on Delivery) Sales Flow Process

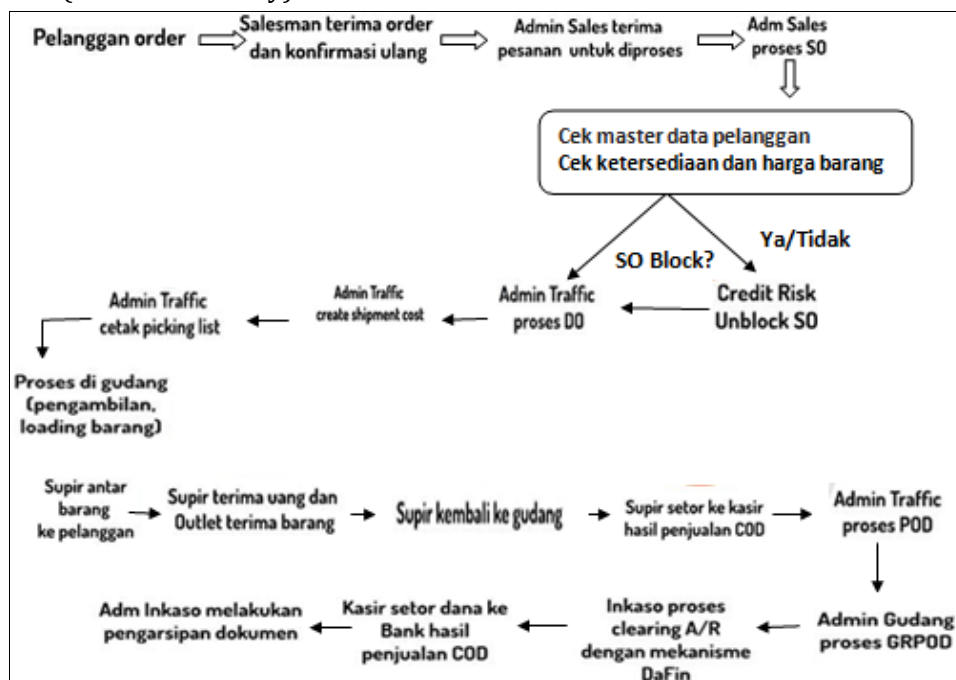


Figure 5. COD Sales Flow Process

Accounting Records Used in Inventory Control systems

Accounting records used by PT. Sinarmas Distribution Nusantara includes the following:

1. Warehouse Card

The primary responsibility of the register card is to monitor ever-evolving stock levels that are a direct result of individual sales transactions.

2. Inventory Card

Distribution cards are used to keep records of prices and supply levels of goods.

3. General Journal

The general ledger is used to record the selling price of each unit of production before it is entered into the inventory control ledger.

Discussion

The internal control implemented by the company in order to control the expenditure and receipt of merchandise inventory consists of five components of internal control with COSO (Committee of Sponsoring Organizations), including: control environment, risk assessment, control activities, information and communication.

Implementation of the Internal Control System for PT's merchandise inventory Sinarmas Distribution Nusantara Malang Branch based on COSO

The internal control implemented by the company in order to control the expenditure and receipt of merchandise inventory when linked to the internal control components of COSO (Committee of Sponsoring Organizations) is as follows:

1. Management philosophy and operating style

PT management team. Sinarmas Distribution Nusantara Malang Branch is a closely-knit unit that works together to ensure that every department in the company works with the highest possible level of honesty and competence. When it comes to business management, this unit is crucial to its success. Every employee is expected to have the skills required for their position.

2. Commitment to integrity and ethical values

PT. Sinarmas Distribution Nusantara Malang Branch is a company that highly upholds family values. This is supported by always maintained communication between employees. PT Manager. Sinarmas Distribution Nusantara Malang Branch is also actively involved in establishing communication between its employees and goes into the field to control employee performance every day. In this case, the manager as the highest leader has been able to demonstrate good personal behavior which is able to communicate the company's integrity values to employees directly.

3. Commitment to competence

The commitment to competence carried out by the company is very adequate. PT. Sinarmas Distribution Nusantara Malang Branch really pays attention to the quality of its employees' performance. This can be seen from the company's commitment to requiring their new employees to undergo training. The recruitment system implemented by the company is also quite good. Companies set certain criteria in recruiting new employees, namely by considering skills, education, and looking at the work experience that prospective workers have. This is done with the aim that the employees hired have skills and education that are appropriate to the

field of work that will later be assigned, and it is hoped that carrying out the work can be carried out effectively and efficiently so that activities that occur in the company can run smoothly because each employee understands their duties well, and the responsibilities they must fulfill. Apart from that, the quality of employees will always be improved by conducting regular training for their employees which is handled directly by the central company.

4. Audit committee and board of directors

To evaluate the performance of internal control that has been implemented by the company, an audit team will be brought in routinely every year by the central company to evaluate the company's performance. The results of this audit team will be used to improve the quality of company control.

5. Organizational structure

PT organizational structure. Sinarmas Distribution Nusantara Malang Branch describes the duties and authority of each position clearly and is quite adequate. Each position is expected to be able to carry out their duties in accordance with the position description in the company. The organizational structure implemented is made simple so that it is easy to understand.

6. Determination of authority and responsibility

The division of authority and responsibility within the company is clear and can be understood well by each employee. Every employee within the scope of their related duties is expected to be able to work together and share duties and authority to create a conducive working atmosphere.

7. Human resources policies and practices

Human resource policies and practices play an important role in the implementation of supervision because employees are an important component in implementing the company's internal control. The company sets certain criteria in recruiting new employees, and carries out training programs for new employees with the aim of producing workers who are highly capable in carrying out the tasks they carry out, as well as giving special awards to employees who excel. Policies like this are good for developing the quality of employees who are honest, polite and skilled, as well as encouraging employees to work harder.

Control Activities

Control activities at PT. Sinarmas Distribution Nusantara Malang Branch includes various policies and procedures that have been established to ensure that the system is running effectively. The control activities carried out are as follows: 1) separation of duties; 2) good document design and printed serial numbers; 3) adequate authorization for every business transaction that occurs; 4) securing company assets and records; 5) create independent checks on the work of other employees.

Risk Assessment

To avoid the risk of misstatement or fraud within the company, the company implements several policies as follows:

- a. Divide the merchandise inventory report into 1 period, namely the 2nd week of each month. This is implemented so that if in the future there is a difference in stock quantities, it can be traced easily because it only involves the expenditure and receipt of goods each period. This of course really helps the company in maintaining one of the company's important assets, namely its merchandise inventory.
- b. Implement stock taking twice a year if it is noted that there are no problems with the inventory of the goods. If a problem occurs, stock taking can be carried out more than twice a year according to the company's needs.
- c. Restrict access rights in accessing several menus in the merchandise inventory program. This is implemented to direct employees to work and be responsible for their respective scopes of work. For example: warehouse staff are only allowed to input the receipt and release of goods, but are not allowed to input PO or DO. Meanwhile, the purchasing and sales department only has access rights to input PO and DO as well as invoices, but is not allowed to input the receipt and release of goods to consumers. This also avoids data falsification by other employees who do not have authority over the work.
- d. Assign a PIN (Personal Identification Number) to each employee to log in to the inventory program server. This PIN assignment is implemented with the aim of avoiding misunderstandings between employees if input errors occur. If there is a problem in inputting a particular transaction in the program, the program can clearly see which user entered it, the time and date of input and which user modified the transaction data. This can also make employees afraid to commit fraud because the employee's user name will appear when an inspection/audit is carried out.
- e. If there is a discrepancy between the records and the physical goods due to loss or negligence, it must be invoiced or borne by the warehouse team.

Information and Communication

The information and communication system concerns the activities of ordering, receiving and releasing merchandise inventory at PT. Sinarmas Distribution Nusantara Malang Branch is carried out according to established procedures. There are necessary documents and records, and the reports produced must be based on reports that have been accompanied by complete supporting documents and authorized by the authorities so that they can provide accurate information for management regarding inventory. Good information and communication can support the creation of accountability for company assets. This system is applied at PT. Sinarmas Distribution Nusantara Malang Branch by reporting every day during the morning briefing as information regarding inventory records which include the number of sales, targets and total marketing achieved. PT. Sinarmas Distribution Nusantara Malang Branch already uses a computerized system, thereby minimizing the possibility of information and communication delays for the company.

Monitoring

Monitoring is an important factor for the company's progress which is carried out in order to know and assess the quality of the implementation of internal control implemented in the company. PT. Sinarmas Distribution Nusantara Malang Branch carries out routine inspections of all company activities to assess whether the company's activities are running in accordance with established procedures. Supervision of merchandise inventory is carried out by carrying out stock taking activities. If irregularities are found in the implementation of company activities, especially in activities involving merchandise inventory, the truth will be thoroughly investigated.

Internal control over risk assessment inventory according to PT. Sinarmas Distribution Nusantara Malang Branch with the COSO Framework

Companies have internal and external risks. Given these risks, companies must be able to analyze and assess risks that could occur in the company. Risk assessments are carried out so that the company is able to overcome them if these risks actually occur. Internal control over risk assessment inventory according to PT. Sinarmas Distribution Nusantara Malang Branch with the COSO Framework.

The internal control over risk assessment inventory carried out by PT. Sinarmas Distribution Nusantara Malang Branch with the COSO Framework, discussion and explanation of this is as follows:

1. The organization sets objectives with sufficient clarity to enable risk identification and assessment

The aim of the company is to determine profits and become a shopping recommendation chosen by customers because of excellent and reliable service quality. In setting operational goals, the company carries out activity plans such as carrying out purchasing plans through estimates using previous purchasing experience so that there is no buying too much or buying too little.

2. Organizations identify risks and analyze risks to determine how risks should be managed.

Risk identification and analysis is the company's basis for determining how these risks should be managed so that they will not harm the company whether they come from the company's internal or external environment.

3. Organizations consider the potential for fraud through the risk of achieving organizational goals.

An assessment of the risk of fraud that is common and unavoidable must be implemented by the company. If the risk of fraud is not paid attention to, this risk will become an obstacle to achieving the company's goals. The risks of fraud related to inventory control are loss and embezzlement of inventory

4. The organization identifies and evaluates changes that could significantly impact the internal control system.
5. Information and Communication

Information and communication available at PT. Sinarmas Distribution Nusantara Malang Branch runs smoothly, the information needed for leadership is provided by interested parties to identify actions to be taken.

6. Control Activities

Control activities at PT. Sinarmas Distribution Nusantara Malang Branch includes policies and procedures implemented within the company that can guarantee that the system is running effectively.

7. Monitoring

The monitoring process is usually carried out by the internal auditor from the head office through direct monitoring and inspection of activities that will occur.

5. CONCLUSION

Conclusion

Implementation of internal control of trade inventory implemented by PT. Sinarmas Distribution Nusantara Malang Branch has been effective. This conclusion is supported by the following:

1. The elements of effective internal inventory control are:
 - a. The control environment is adequate with a management philosophy, centralized operating style, line-shaped organizational structure with clear job descriptions, authority and responsibilities, an audit committee at the center, implementation of employee practices and policies, consideration of external influences on competitors and government regulations.
 - b. Adequate risk assessment by making changes to the operating environment, information systems and accounting decisions if necessary, continuing to keep up with rapid growth with a focus on new products and new technology ventures. There is company restructuring and procedures for recruiting new employees.
 - c. Information and communication are adequate, with good communication between superiors and subordinates, the company and other parties. Presentation of information that is sufficiently detailed and communicated as soon as possible for follow-up to the best solution.
 - d. Control activities are adequate with the existence of separation of duties which have transaction authorization under their respective authority.
 - e. Monitoring is carried out directly by internal auditors regarding the fulfillment of internal control elements within the company.

2. Effective internal control over inventory

There are physical counting activities, creating procedures for managing merchandise inventory, storing good inventory, limiting access to inventory, using a perspective system, purchasing inventory in economical quantities, which are quite a lot and not too much.

Suggestion

Based on the results of the research and discussion and conclusions that have been put forward, there are suggestions that can be given for consideration in

improving the internal control system for PT credit sales. Sinarmas Distribution Nusantara as follows:

1. Maintenance or program upgrades need to be carried out to minimize the occurrence of errors. If the program runs smoothly without errors, manual inventory recording in Excel should be eliminated. This is because recording data repeatedly can waste human resources that could be used for other things.
2. Companies should continue to control the receipt and expenditure of merchandise inventory by matching supporting evidence for these transactions even though this procedure has been carried out properly by employees. This aims to ensure that internal control continues to run well.
3. Internal control must be further improved, especially in monitoring the activities of receiving and releasing goods in the warehouse. This is because high-value inventory is stored in the warehouse. This control can be carried out by establishing a procedure that every inventory expenditure or receipt transaction must be reported to the office within no more than 1 day.
4. Companies should provide training to employees to increase employee accuracy and performance.

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