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DESIGN OF INTERNAL CONTROL SYSTEM, ACCOUNTING RECORDS, AND FINANCIAL REPORTING IN NAKAYAMA

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Abstract

This community service activity aims to create a useful accounting record system using the Microsoft Access application. This accounting record system will be implemented in an electronic goods trading business called Nakayama which has been established since 1994. Based on the information obtained, Nakayama is still recording all transactions that occur into his own record book manually and does not yet have an adequate accounting recording system. The method of this activity includes observation, interviews, and accounting system design using MS Access. The end result of this community service activities is a well-designed accounting system that helped the owner in making financial decisions for the future, which includes but not limited to generating financial statements, stock records, sales records, and purchase records.

Keywords: *Accounting Record System, Microsoft Access, Financial Report.*

Introduction

Small and large companies in achieving their business goals must have a good and efficient business process structure. This of course must be supported by an accounting system that can provide accounting information for company management decisions. The accounting information is presented in the form of financial statements that can explain the state of the company's financial position (Horvat & Mojzer, 2019). In the era of digitalization as it is today, the development of information technology throughout the world are becoming stronger and larger which leads to the migration from manual work system to an accounting system which is an organizational system that is recognized as being able to provide accurate and efficient accounting information. The accounting system is used to collect, record transactions and manage transaction data on a regular basis which then produces accounting information in the form of financial reports (Al-Okaily, Shiyyab, & Masadah, 2020). Recording transactions is the most important thing in an accounting cycle to produce financial statements. The accounting cycle is divided into 3 stages, namely the recording stage, the summary stage, and reporting (Yani, Margie, Habibah, & Syukri, 2019). This accounting process will provide information about the company's performance in the form of financial statements. Financial reports explain a lot of important information such as possible early signs of a company crisis which must be

addressed in a timely manner based on the relevant information (Horvat & Mojzer, 2019). Due to the lack of knowledge and skill in accounting systems, Nakayama is still using manual recording of transactions into its business note book. The recording of all transactions can only be seen from the note book, while there is no inventory recording so the owner must physically check the warehouse. A recording system like this makes it difficult for business owners to make financial reports or find out about the company's profit or loss for a certain period so that the resulting financial statements cannot explain the company's financial condition. Based on the things described above, this practical work report will focus on the problems experienced related to the accounting system at Nakayama with the title "Design of Internal Control System, Accounting Records, and Financial Reporting in Nakayama".

Methods

In the implementation of this practical work project, the required information data is the primary data. Primary data is the data collected directly from the main source. There are two data collection techniques, including: (Pandjaitan, Rouly, & Ahmad, 2017)

a. Interview

Interview is a technique that conducts a direct question and answer sessions with source persons to obtain important information related to this project activity.

b. Observation

Observation is a technique that makes direct observations to the field or location to obtain important information related to the object of this activity.

The Design Process

The first stage carried out in this project activity is to conduct interviews and direct site observations by the author. This is done to convey the objectives and benefits of project activities that partners want to take as objects. After that, it will be continued with the design of an accounting system with the Microsoft Access application. The second stage is the design of an accounting system with the Microsoft Access application. The design of this system has a function to assist and facilitate Nakayama in recording transactions to produce financial reports. Transactions in question such as purchases, sales, and general journals. Which will then produce financial reports such as general ledger, income statement, statement of changes in equity, statement of financial position, sales report, purchase report, inventory card, and balance sheet. The third stage after designing the accounting system is to check the accounting system to ensure that the designed system can run smoothly without errors from entering transactions to financial reports. After that, the system can be said to have been successfully designed and will be implemented directly by the Nakayama business owner.

The fourth stage is designing the internal control system in the accounting system. This stage has a function, namely to have a good business process structure.

The last stage of this design is the implementation of the accounting system design that has been successfully made on Nakayama along with providing an explanation and initial supervision if there are obstacles or errors that arise when inputting.

Implementation Stage

Preparation Stage

The preparation stage begins with the search and survey of potential community service locations related to the Accounting System. After getting a partner or company to do community service, namely in Nakayama, the preparation stage for activities at Nakayama can be described as follows;

- 1) Observing Nakayama which is located on Jl. Cut Ox Lr. Banjar no.41, Tanjung Pinang city, Riau Islands.
- 2) Conduct interviews about activities and obstacles faced.
- 3) Learn all Nakayama operational activities.
- 4) Explain the purpose and benefits of this practical work project.
- 5) Prepare proposals and ask partners for approval to do community service.
- 6) Determine the title for the practical work project that is in accordance with the topic of the problem to be addressed.
- 7) Submit a practical work proposal for approval and can be signed by Mr. Sukiantono Tang, S.E., M.M. as a supervisor and Mr. Muhammad Taufik, S.E., M.A., M.Ak. as the head of the accounting study program at Batam International University.

Implementation Stage

In this stage, data collection needs to be done to start the system design, so this implementation stage can be described as follows:

- 1) Conduct more in-depth observations about the recording system that Nakayama does every day.
- 2) Designing systems with Microsoft Access applications.
- 3) Checking the designed accounting system by inputting Nakayama's transactions for the last 3 months to make sure the designed system is successful or not.
- 4) Conduct training by providing explanations and teaching how to use the accounting system to Nakayama in order to understand all the functions provided by the system.

Assessment and Reporting Stage

At this stage the authors make a report on the results of the implementation carried out. Then this will be reviewed and assessed by Nakayama and also the supervisor through virtual meetings.

Implementation Schedule and Budget

The following is the implementation schedule for completing community service projects in Nakayama. The project is carried out within a period of 3 months with the details of the stages can be seen below:

Table 3.1 Community Service Implementation Schedule

No	Agenda Activities	Implementation Date
1	Nakayama site survey	5 Jul 2021
2	Conducting an in-person interview with Nakayama	7 Jul 2021
3	Prepare proposals and requests for practical work certificates	8 Jul 2021
4	Submit a proposal so that it can be approved and signed by the supervisor and head of the accounting	12-29 Jul 2021

	study program.	
5	Designing an accounting system with Microsoft Access	29 Jul 2021
9	Training and teaching to Nakayama's side	1-28 Oct 2021
10	Successful implementation of accounting system	4-23 Nov 2021
11	Preparation of practical work activity reports	1 Sept-25 Dec 2021
12	Assessments from supervisors	26 Dec 2021
13	Finalization of practical work report	28 Dec 2021

Result and Discussion

Business Flow Design

Nakayama's business flow for buying and selling transactions is still as simple as the shops in general. Customers who want to buy electronic goods come to Nakayama store and choose the items according to their needs. After that, Owner Nakayama will pick up the items the customer has selected and the customer will make a direct cash payment. After the purchase and sale transactions occur, the owner will record all transactions into a small note book and items inventory are only recorded at the beginning of each month. Therefore, in this activity the authors redesign the business flow of accounting records that are more efficient. The business flow that has been improved is very helpful and makes it easier for the owner from recording inventory to all transactions that occur every day by using the accounting system that has been created. All transaction details that have been stored into the system will be processed automatically by the system and generate the reports required by the Nakayama Owner. Reports generated by helping owners know the details of transactions, details of inventory to business income reports monthly or annually.

Nakayama's Internal Control

Internal control of a business venture really needs to be considered and is an important element to achieve company goals. The Committee of Sponsoring Organization of the Treatway Commission (COSO) explained that there are five important elements in the company's internal control, namely:

1. Control Environment

This element has the aim of forming a company structure to be better and more advanced, behave or have good ethics in serving customers, and every company must have standards so that the Nakayama business control environment has a positive value.

2. Risk Assessment

Every company that is large or small in scale must have risks in carrying out its business operations such as loss of goods or transaction logs, errors in calculating stock of goods and company income or losses.

3. Control Procedure

All transactions that occur in Nakayama will be recorded in the transaction log book by the owner himself. So to make it easier for the owner to check personally, each transaction is equipped with documents such as sales notes.

4. Monitoring

Nakayama store monitoring is carried out by the owner himself so that there is no loss of goods due to theft and always ensures that the goods sold can make customers like them.

5. Information and Communication

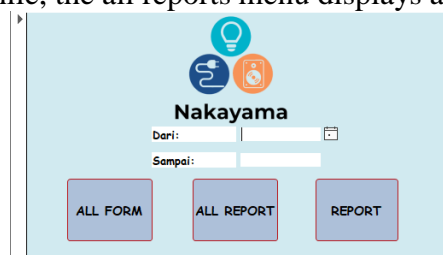
Information and communication between the owner and part time employees must be well established in order to achieve effective and good internal control objectives.

Accounting System

The design of this accounting record system aims help in facilitating the recording of transactions and produce financial reports in order to solve the problems faced by Nakayama.

1. Main Menu

This main menu form is the main display that appears on the screen when the system is opened. This form has a transaction date function that the owner wants to see to display transactions and financial reports according to the period filled in. On the menu all form displays the data list of accounts, customers, suppliers and inventory. Meanwhile, the all reports menu displays all the reports generated.



Picture 1.

System's Main Screen Source: Author (2021)

2. Sales Form

After clicking on the all form option from the main menu, a display will appear for recording transactions that have occurred. This Sales Form serves to record sales transactions that occur with a view like a note. This form records sales or revenue from goods with customer data and details of goods sold.



Picture 2.

System's Sales Form Source: Author (2021)

3. Purchase Form

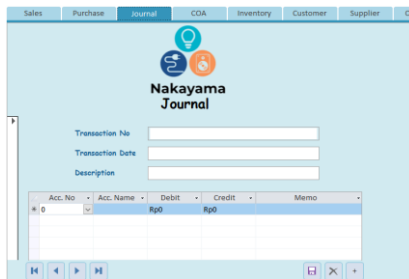
This Purchase Form serves to record the purchase of goods that occur with a view like a note. This form records purchases with supplier data and details of goods purchased by the company.



Picture 3.
System's Purchase Form Source: Author (2021)

4. General Journal Form

The general journal form is used to record transactions other than purchase and sale transactions, such as company expenses that must be paid. In this form there are columns such as the number and date of the transaction, a description and with details the debit and credit columns must be balanced.

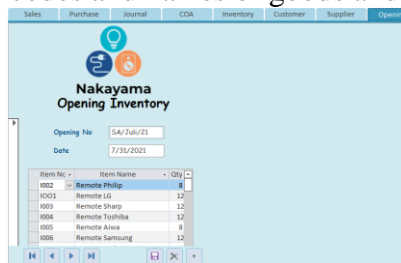


Picture 4.

System's General Journal Form Source: Author (2021)

5. Beginning Inventory Form

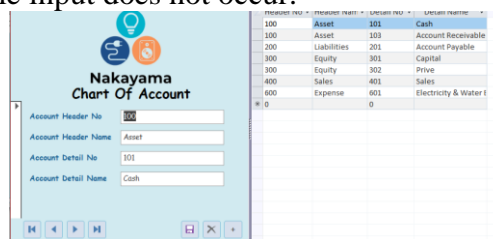
This initial inventory form has a function for inputting the initial inventory of goods and shows a list of codes and names of goods and their inventory.



Source: Author (2021)

6. Chart of Account Form

This form has a function to record the accounts needed to input company transactions and displays a list of codes and names of accounts that have been inputted so that double input does not occur.

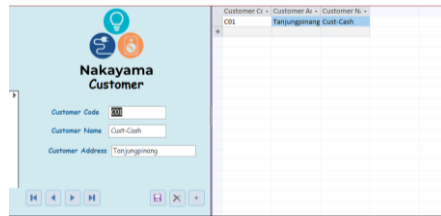


Picture 6.

System's Chart of Account Form Source: Author (2021)

7. Customer Form

This customer form has a function to record the customer's code and name and address. This form also displays a list of names of customers who have made purchases at the Nakayama store.

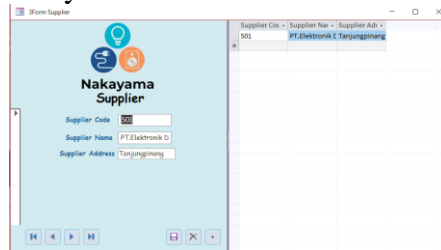


Picture 7.

System's Customer Form Source: Author (2021)

8. Supplier Form

This customer form has a function to record the code and name of the supplier and its address. This form also displays a list of names of suppliers who have made sales to the Nakayama store.

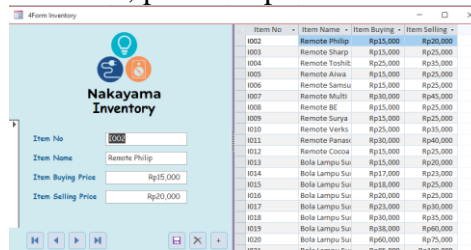


Picture 8.

System's Supplier Form Source: Author (2021)

9. Inventory Form

This Inventory Form has a function to record and display a list of items with detailed item codes, item names, purchase prices and sales prices to customers.

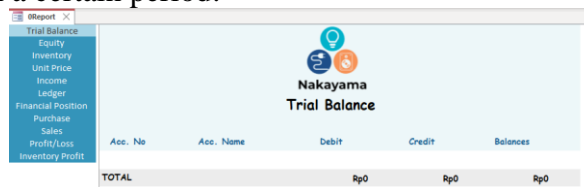


Picture 9.

System's Inventory Form Source: Author (2021)

10. Trial Balance Report

This trial balance report displays information about the accounts that occurred in the company in a certain period.

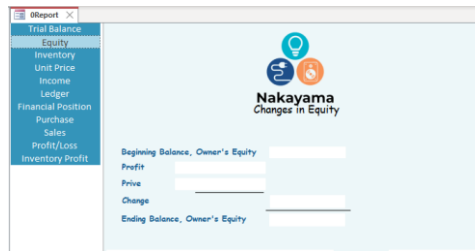


Picture 10.

System's Trial Balance Report Source: Author (2021)

11. Change in Equity Report

This report shows the occurrence of changes in equity either increase or decrease in Nakayama. This report is created from a query that displays the starting capital, profit and loss, and ending capital of the company.



Picture 10.

System's Change in Equity Report Source: Author (2021)

12. Inventory Card Report

This report is a report that produces beginning inventory, incoming and outgoing goods, ending inventory with code details and item names that existed during the period.

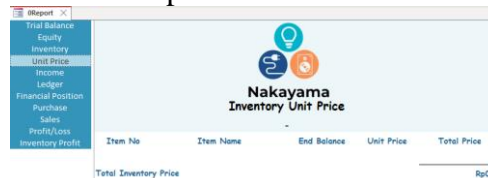


Picture 12.

System's Inventory Card Report Source: Author (2021)

13. Inventory Price Report

This report has a function to show the value of inventory items that are in Nakayama. This report provides information on the code and name of the item, the ending inventory, and the unit price of the item that will appear automatically.

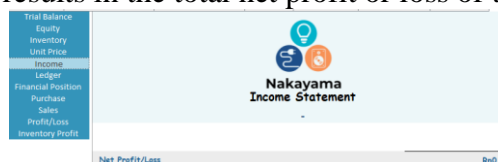


Picture 13.

System's Inventory Price Report Source: Author (2021)

14. Income Statement

This income statement displays the income and expenses that occurred in a certain period which results in the total net profit or loss of the company.



Picture 14.

System's Income Statement Source: Author (2021)

15. Ledger Report

This ledger displays all transactions that occur for each existing account. The details of this transaction are accompanied by debit, credit, and balance amounts that appear automatically.



Picture 15.

System's Ledger Report Source: Author (2021)

16. Statement of Financial Position

This report displays the company's assets, liabilities, and equity. All the details of this report are displayed by account category such as financial statements in general which then at the end of the report will appear the final balance of each account category.



Picture 16.

System's Statement of Financial Position Source: Author (2021)

17. Purchase Report

This report displays details of purchases that occurred in a certain period. This report displays the purchase transaction date, supplier code and name, item code, quantity and total price.



Picture 17.

System's Purchase Report Source: Author (2021)

18. Sales Report

This report displays the details of sales that occurred in a certain period. This report displays the sale transaction date, customer code and name, item code, quantity and total price.

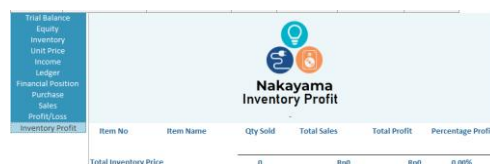


Picture 18.

System's Sales Report Source: Author (2021)

19. Inventory Income Statement

This report displays the code, name and number of items sold to automatically generate the total and percentage of revenue per item. From this report, Nakayama owners can find out what items have the highest to the lowest income.



Picture 19.
System's Inventory Income Statement Source: Author (2021)

Output Implementation Process

This process begins by providing an explanation or initial introduction to the results of the accounting system that has been designed according to Nakayama's business needs. The author explains all important information from the accounting system that has been designed such as how to open the system from the application, how to use the system such as inputting transactions that occur in Nakayama and other components designed in the accounting system.

Before handing over the system to the owner, the author first carried out the implementation by inputting the MSME transactions that had been given for 1 full month to ensure that the system could run smoothly without having problems or errors appearing in the process of using it. After the system is successfully implemented and sure the system is running well, it can be handed over to the Nakayama owner. At the time of delivery of the system, the author also explained about the business flow of the business that must be changed to be more effective and internal control to be better in accordance with what has been designed together with the accounting system to achieve the company's goals to be more advanced.

Conditions After Implementation

The condition of the Nakayama UMKM after the implementation process has been carried out until now there has been a change or difference from before, namely:

1. With the use of an accounting system that has been designed, the owner can easily view the financial statements of the business he is running, such as business income, business assets and liabilities and others. The financial statements can also help owners in making decisions for the future.
2. The amount of inventory stock of goods can also be easily identified by the transactions that have been inputted and processed automatically by the system. So the owner can easily find out the amount of stock and do a physical check once a month to avoid damaged or lost goods.
3. Recording transactions becomes easier in calculating total sales and purchases so there is no need to calculate manually because the system will process automatically with correct and correct results

Conclusions

Nakayama is one of the SMEs that operates in trading business of various electronic goods such as: lights, cables, speakers, and others. Due to the amount of items sold, it is difficult for the owner to record or calculate the stock of goods. All transactions and stocks are recorded in the note book manually and are not efficient. Therefore, with this activity, the authors designed the business flow and internal control system to an adequate accounting system to help solve the problems faced by Nakayama owners. After the system is implemented and used by the owner, it is very helpful in record transactions and produce accurate financial reports.

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