Internal Control System, Accounting Record, Financial Reporting In Toko Marion

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Abstract

This activity was done to apply accounting knowledge learned during the university study to daily business practice. Besides, this activity also aims to help micro-business entrepreneurs make accounting records and financial reports correctly and accurately to reflect the actual business situation. The object of this activity is Toko Marion, a micro-business that still uses manual records on books, also not having a financial report. These conditions were known by visiting the business place and also by interviewing. This activity results in an accounting system designed in Microsoft Access program so that entrepreneurs can easily do the records and the system can automatically create financial reports. This system can also improve business flow to a more efficient and effective business operation.

Keywords: *Internal Control System, Accounting Record, Financial Reporting*

Introduction

The development of Micro, Small and Medium Enterprises (MSMEs) in Indonesia has experienced quite rapid development where there are 56.54 million units. In 1998 there was a monetary crisis in Indonesia but MSMEs have proven that they are more able to maintain their business compared to large companies in Indonesia. This happens because, the rising value of foreign currency exchange rates makes operational costs and other costs that must be borne by large companies to be high, besides that large companies also have debts to banks which are large in number, these two things can cause large companies could not survive the monetary crisis (Mahardika et al., 2019).

Meanwhile, MSMEs can survive during the monetary crisis, because MSMEs do not have debt to the bank because they do not have a clear recording system. The implications of the downturn in the banking sector during the crisis and rising interest rates did not affect MSMEs. For this reason, MSMEs must be developed so that they can develop in the future (Mahardika et al., 2019).

The rapid development of MSMEs has proven to have made an important and major contribution in providing employment and income for the people of Indonesia. Therefore, empowerment and sustainable development need to be carried out so that micro, small and medium enterprises not only grow in number

but also develop in the quality of their product competitiveness (Rahmawati, 2019). Empowerment in the MSME field is very strategic, because of its great potential in driving community economic activities and at the same time being the foundation of the income source for most people in improving their welfare (Ernawati et al., 2016).

According to Firdaus & Widyasastrena (2017), one of the main challenges faced by MSMEs is how to manage company funds. Good management of company funds is one of the keys to the success or failure of MSMEs in running their business. The method that can be used in managing funds in MSMEs is to use and apply accounting according to standards. Accounting allows MSME leaders to obtain information, especially financial reports that are used by leaders in making decisions in running their business. The accounting system is used to process financial information so as to produce competent and critical data and can be further analyzed for future company development. Even though the company is small, with clear standards and procedures, a useful measuring tool will be formed to monitor the company's performance, conversely without clear measuring tools, the company will not be quick to follow up on the company's developments or setbacks (Sinarwati et al., 2019).

Quoting Achadiyah (2019), technology-based accounting records are still very rare, especially in medium to lower scale business activities. In fact, the use of technology can help MSME actors. Automation in accounting information systems can simplify accounting records so that they become faster and more efficient (Carey, 2015; Xie, Allen, & Ali, 2017). This is due to the lack of knowledge and awareness of MSME owners in applying accounting records in their business. MSME owners often view accounting records as something that is not so important to do. MSMEs generally record using the cash basis method, which only counts money coming in and the difference with money issued without knowing whether the money spent is an allocation for business or non-business activities.

One of the MSMEs that keeps records using this method is Toko Marion. Toko Marion still uses the cash basis method of recording and only keeps records in a book. This method of recording transactions is of course very vulnerable and ineffective. If a book or book sheet is lost, there is no back-up data for that business transaction. Recording using this book is also very prone to writing errors, because it was written manually by hand. In addition, the calculation of business profits or losses using this manual recording method may display inaccurate results and do not match the facts on the ground.

Therefore, it is necessary to have an automatic accounting system that can help Toko Marion carry out its operations effectively and efficiently and can produce optimal financial report output. The application of this accounting system is also able to produce information in the form of stock of goods, the amount of debt and receivables that can help smooth the business. Due to the background of the problem, the author makes a report on this activity with the title "Design of Internal Control Systems, Accounting Records, and Financial Reporting at Toko Marion".

Methods

This writing requires some information or data during the implementation of activities. The data source used for this activity is the primary data source. Primary data sources are data obtained directly from data providers (Sugiyono, 2019). In this activity, the data and information needed for the process of implementing the activity is transaction data that has been recorded by the author's practice partners. The data is collected using various techniques, including the following:

1) Interview

This technique is used to obtain data or information which is done by asking and answering several questions with the author's practical work partner.

2) Observation

This technique is done by observing the partner's business location and gathering information such as business operational activities when receiving income, physical checking of inventory, and the process of recording transactions.

Result and Discussion

Business Flowchart

Based on the result of observation and survey, Toko Marion has a simple selling activity such as.

Picture 1.
Business Flowchart (Sales Activity)
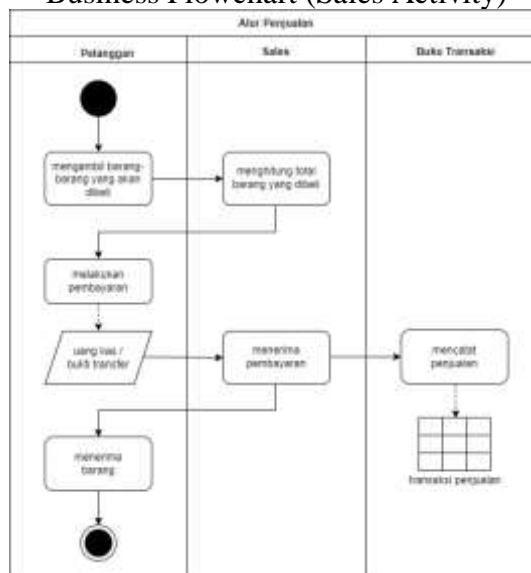
Source: Author (2022)

Based on picture 1, the prefix of Toko Marion sales flow is with customers coming to the place of business, wrapping, and calculating the customer's total purchases, receiving money payments, and recording transactions in a book. From this MSMEs only have output in the transaction recording book which only shows the number of sales per transaction and does not have adequate financial reports.

Therefore, the proposal for an effective business flow is to use the system that has been designed in this activity.

Picture 2.

Business Flowchart Improvement (Sales Activity)
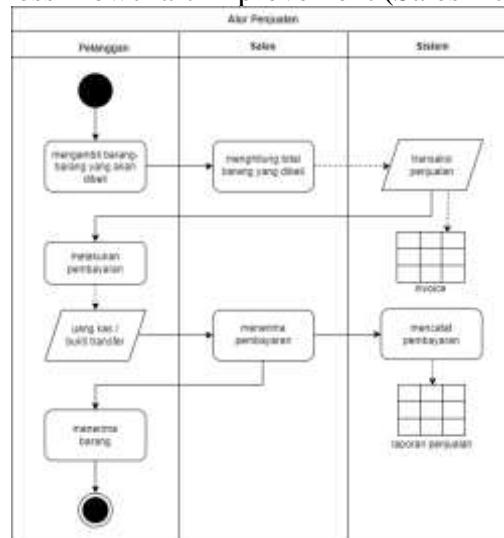
Source: Author (2022)

In the improved sales flow, after recording transactions, Toko Marion employees can print sales invoices which can be used as proof of sales transactions. After receiving payment, store employees can record it in the system and the sales transaction will automatically enter the sales report contained in the system. With the new sales system and flow, store employees can more easily record transactions.

Picture 3.

Business Flowchart (Purchase Activity)
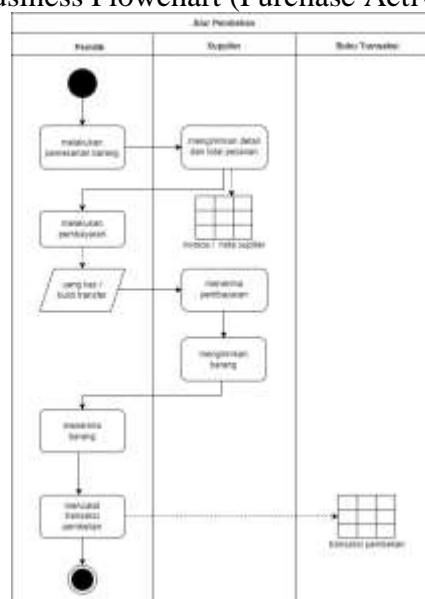
Source: Author (2022)

Based on picture 3, Toko Marion's Purchase Flow starts from ordering goods to suppliers, only after receiving invoices from suppliers, shop employees make

payments for purchasing these goods. After that, the supplier will send the goods to the store, and the purchase transaction for the goods will be recorded by the store employees when they receive the goods. From the purchase flow, when a purchase transaction occurs, the purchased inventory items are received, so the store owner or employee must manually check whether the amount sent is in accordance with the amount purchased, then must write down and count the amount of inventory one by one. So, the suggestion offered from the system is that the owner only needs to enter the amount purchased and no longer needs to do manual calculations of the amount of remaining inventory.

Picture 4.
Business Flowchart Improvement (Purchase Activity)
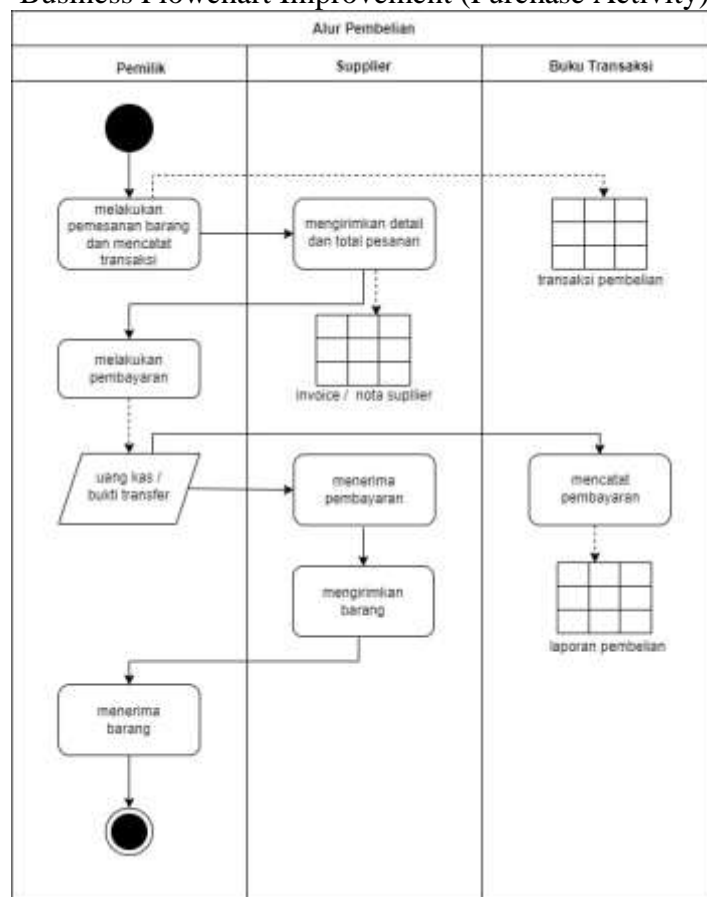
Source: Author (2022)

In Figure 4, from the beginning ordering goods from suppliers must be recorded in the system which then generates a purchase transaction. Order details for goods received from the supplier are then processed and paid for. When making a payment it must also be recorded into the system, this transaction will be processed by the system which will then generate a purchase report. This suggestion for improvement could make it easier for owners to adjust inventory stock available for sale, as well as purchase reports.

Internal Control System

An internal control system is an essential element in a company. If the company has an excellent internal control system, it will get easier to achieve its

goals. Toko Marion internal control system is explained based on the element in this activity.

1) Control Environment

The business environment only involves an employee that works as an admin and the owner. Since it is only two people involved in the whole business activity, the commitment for the two roles is fulfilled. The employee commits to doing the job honestly and serves the customer with a good attitude and friendly. The owner reserves to constantly communicate with the employee and monitor the employee's position to guarantee the employee's responsibility is fulfilled.

2) Risk Assessment

Some risks might happen during the business operation, such as the employee's negligence for the wrong counting on the total amount of the order or writing the wrong amount of the order and loss of transaction data if the transaction books are lost or even damaged.

3) Control Procedure

   a. Transaction Record and Data

   When the business receives an order, the admin will record the transaction book after receiving payment from the customer. The employee does the whole activity of selling. Therefore, the owner can only check the accuracy of the employee's record by matching it with bank transactions and the number of goods available.

   b. Employee Competence

   June's Market has an employee to manage the business process entirely. Therefore, the competence of the employee is trusted. But there is one problem that the employee can't do which is producing an adequate and accurate financial report.

4) Monitoring

The monitoring is done by checking the number of goods available and the employee's transactions. The owner can also check the employee's attitude when serving and replying to customer messages to ensure customer satisfaction.

5) Information and Communication

The owner's information and communication toward the employee have done well since only one employee is involved. Therefore, the relationship between the owner and the employee can be said good and have a more effective business operation.

Accounting System

After designing the system, Toko Marion can use the system for a better business flow and a more effective way to record every transaction. The employee only needs to input the transaction, and the system will automatically generate reports that are required to know the business condition. The system has 5 main menus in it. Picture 5 shows the first main menu of the system.

Picture 5
System's Main Menu "General Menu"

Toko Marion

General Sales Purchase Inventory Report

New Account   New Journal

Account List   Journal List

Source: Author (2022)

On this menu, theres 4 option we can choose, including new account, new journal, account list, and journal list.

Picture 6
New Account

Chart Of Account

Account_Header_No
Account_Header_Name Aset
Account_No
Account_Name Kas

Source: Author (2022)

The first icon on general menu is new account, this icon functions to create a new account if needed.

Picture 7
New Journal

Jurnal Umum

Transaction_No
Transaction_Date
Description

Source: Author (2022)

The second icon is New Journal. This icon functions to record transactions other than sales and purchase transactions, for example, electricity and water payment transactions.

Picture 8
Account List

Source: Author (2022)

The third icon is account list. This report is used to view all created account, such as assets, liabilities, and equities.

Picture 9
Journal List

Source: Author (2022)

The fourth icon is journal list. From this report we can see all journal that previously created.

Picture 10
System's Main Menu "Sales Menu"

On this menu, theres 4 option we can choose, including new sales, sales payment, new customer, and sales report.

Picture 11
New Sales

This icon functions to open a sales form, whose function is to input sales transactions that occur.

Picture 12
Sales Payment

This icon will open a sales payment form which functions to input payment receipt details from customers.

Picture 13
New Customer

This icon will open a customer form which functions to add new customers.

Picture 14
Sales Report

Souce: Author (2022)

This icon will open a report of all sales that have occurred.

Picture 15
System's Main Menu "Purchase Menu"

Source: Author (2022)

On this menu, theres 4 option we can choose, including purchase record, purchase payment, supplier record, and purchase report.

Picture 16
Purchase Record

Source: Author (2022)

In the "purchase record" icon, we can input the activity of purchasing inventory with suppliers.

Picture 17
Purchase Payment

Purchase Payment

Source: Author (2022)

The next icon is "purchase payment". This icon will open a purchase payment form which functions to enter payment transactions to goods suppliers.

Picture 18
Supplier Record

Supplier

Supplier Code

Supplier Name

Address

Source: Author (2022)

The third icon on the purchase menu is "supplier record". This icon serves to open a form to enter new supplier data.

Picture 19
Purchase Report

Purchase Report

Source: Author (2022)

The last icon on the purchase menu is "purchase report". This icon will open a report that lists all purchases of goods that occurred during MSME operational activities.

Picture 20
System's Main Menu "Inventory Menu"

Toko Marion

General Sales Purchase Inventory Report

Inventory Record   Inventory Report

Source: Author (2022)

On this menu, theres 2 option we can choose, including inventory record and inventory report.

Picture 21
Inventory Record

Inventory

Item_No

Item_Name

Item_Price $0.00

Add Record   Delete Record   Save Record

Source: Author (2022)

The inventory record icon functions to open an inventory form in which new inventory data can be entered.

Picture 22
Inventory Report

Source: Author (2022)

The second and last icon on the inventory menu is the inventory report icon. This icon will open a report that contains a list of all goods traded by MSMEs.

Picture 23
System's Main Menu "Report Menu"

Toko Marion

Source: Author (2022)

On this menu, theres 6 option we can choose, including account receivable, general ledger, trial balance, income statement, statement of changes in equity, and statement of financial position.

Picture 24
Account Receivable

Source: Author (2022)

The first report on the report menu is the accounts receivable report or accounts receivable report. In this report, you can see the amount of trade receivables that have not been paid by customers in the outstanding section.

Picture 25
General Ledger

Source: Author (2022)

Furthermore, there is a general ledger report or ledger in accounting records. This ledger report contains all accounts and all transactions recorded in the system, but grouped per account, so that you can see the total ending balance for each account.

Picture 26
Trial Balance

Source: Author (2022)

Furthermore, there is a trial balance report which is a trial balance in accounting records. This report shows all accounts recorded in the system and the total ending balance for each account. This report can be said to be a simple form of a general ledger report, because it only shows the final account balance, while the general ledger report shows all the details of existing transactions.

Picture 27
Income Statement

Source: Author (2022)

The next report is the income statement. In this report, you can see the operational conditions of MSMEs so far, whether they have experienced profits or losses.

Picture 28
Statement of Changes in Equity

Source: Author (2022)

This report will show changes in the capital of MSME owners from the initial capital reduced by personal withdrawal and then added by operating profit.

Picture 29
Statement of Financial Position

Source: Author (2022)

The last report is the statement of financial position. This statement of financial position displays the assets, liabilities, and equity of MSMEs. This report is divided into two parts, namely, the assets section, and the liabilities and equity sections.

Conclusions

Toko Marion is a business entity that is engaged in the sale of glassware such as household appliances located in the Mitra Raya block shophouse. Prior to this practical work activity, Marion Stores did the recording manually, that is, just by recording transactions in a book. This makes MSMEs hampered their operational activities due to a shortage in the recording section of their transactions. Therefore, the author designed an accounting system for Marion's Store. After the existence of this system, MSMEs become easier to carry out their business operations, because the system is automatic and can display various reports that can help the MSME business run. In addition, this system also helps in streamlining business flows and internal controls that are already good become more effective.

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