

## The Role of Control of Internal Business Receivables in Supporting the Effectiveness of Receiving Business Receivables (Case Study at PT X)

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**Article History:** Received: 11 January 2021; Accepted: 27 February 2021; Published online: 5 April 2021

**Abstract:** The research method used in this study is explanatory research. The population in this study was all employees at PT. X Home and Branch Office. Data collection techniques used in this study was using questionnaires with a total sample of 60 respondents. The program used in analyzing data uses SPSS Version 24. Based on the result of the study, it shows that Account Receivable Internal Control and Accounts Receivable Receipt Effectiveness is included in the good category. The result of the study also showed that account Receivable Internal Control in contributing to Accounts Receivable Receipt Effectiveness's 30.1%. So the higher the Account Receivable Internal Control was, the Higher the Accounts Receivable Receipt Effectiveness.

**Keywords:** Internal control and effectiveness of receivables, internal control

### 1. Introduction

The business competition that is getting tighter in the current era of globalization is demanding companies to run their companies more effectively and efficiently. In achieving the effectiveness of a company, the company must achieve its goal, namely profit maximization. In maximizing profit, one way is to increase sales or revenue. An increase in revenue or sales can also increase accounts receivable. An uncontrolled increase in accounts receivable can result in bad debts.

At Detik Finance (2009), PT. Petrosea suffered a loss of US \$ 14.5 million due to a US \$ 26.9 million bleaching of uncollectible receivables, even though there was a decrease in expense accounts that succeeded in driving 44.99% of the first semester's gross profit to the US \$ 24,895 million from the US \$ 17,170 million. Likewise, administrative expenses were also successfully reduced by 15.67% to the US \$ 8.392 million in the first semester of 2009 from the previous US \$ 9,952 million. This boosted operating profit growth to reach 128.63% to the US \$ 16.503 million in the first semester of 2009. In the first semester of 2008, PTRO's operating profit was the US \$ 7,218 million.

Subaweh et al. (2008) states that the control of accounts receivable starts before the approval of sending merchandise, until after the preparation and issuance of invoices, and ends with the collection of the proceeds from the sale. Accounts receivable control procedures are closely related to cash receipts and inventory control.

### 2. Literature Review

#### 2.1. Previous related research

Previous research consists of researches conducted by previous researchers related to this study. In addition, the research results of the related topic are presented in the table below:

No.	Researcher	Research Title	Research Result
1.	Bagus Nugroho and Susanto Zulkarnain (2016)	The Effect of Accounts Receivable Control System and Credit Sales Accounting on the Effectiveness of Receivables Collection at PT Usaha Lantang Sejahtera Jakarta	Accounts Receivable Control System and Credit Sales Accounting have a positive and significant effect on the effectiveness of the collection of accounts receivable at PT Usaha Lantang Sejahtera Jakarta
2.	Hery Sofyan (2008)	Benefits of Accounts Receivable Control System in Minimizing Uncollectible Accounts	The research results show that the Control system is implemented quite effectively so as to minimize uncollectible accounts that appear in the company.
3.	Lestari (2019)	The Role of Internal Control in Supporting the Effectiveness of Collecting Accounts Receivable	Internal control plays a role in supporting the effectiveness of collection of accounts receivable.

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	at PT Central Bandung Raya (Bandung city)		
4. Hardiyanti (2010)	Accounts Management Potential Receivables as Credit Payment Tutoring X in Madiun	Receivable Analysis and Uncollectible Follow-up to Policy in	The management of receivables and the potential doubtful at a tutoring agency X in Madiun there have been improvements in the new school year 2016-2017. So in the new academic year 2015-2016 is no longer doubtful, but still no payment policy on credit to be paid each maturity.

**2.2. Accounts receivable internal control**

Internal control aspects of accounts receivable according to Firdaus A Dunia (2013) are as follows:

- 1 Separating the function of employees or the division that handles sales transactions (operations) from the accounting function for accounts receivable.
- 2 Employees in charge of accounting for accounts receivable must be separated from the function of receiving receivables.
- 3 All transactions for providing credit, giving deductions, and writing off receivables must be approved by the competent authority.
- 4 Receivables should be recorded in the accounts receivable supplementary books. The total of these supplementary book balances must be matched with the relevant ledger, at least once a month. In addition, at the end of the month customers (debtors) must be sent a statement of receivables.
- 5 The company must make a list of receivables based on their age.

According to Wilson and Campbell (2002), there are three general areas of control at which point action can be taken to bring about control of accounts receivable. The three fields are:

1. Granting trade credit.
2. Billing (Collections).
3. Determination and implementation of appropriate internal controls

**2.3. The effectiveness of acceptance of receivables**

According to Usman Sastradipraja 2010, accounts receivable turnover can be determined by dividing the amount of credit sales during a certain period by the average amount of accounts receivable. The formula used to measure the effectiveness of cash receipts from receivables is as follows:

$$\text{Receivable Turn Over} = \frac{\text{Net Credit Sales}}{\text{Average Receivable}}$$

$$\text{Average receivable} = \frac{\text{Beginning Receivable} - \text{Ending Receivable}}{2}$$

**2.4. Theoretical framework**

The results of his research prove that the accounting information system has a very important role in the implementation of the structure of accounts receivable internal control. This is one of the tools management in the company's operations. Hastoni and Dewi Susanti Aprilisabeth (2009) research prove accounting information systems 25 credit sales have a significant role to increase the effectiveness of internal control of receivables and cash receipts at PT Trinunggal Komara. This research is also in line with Noviani (2004), Hutapea (2011) and Ompusunggu (2002) in their research also proves that the accounting information system together affects the effectiveness of the implementation of internal control.

Based on this description, the following hypothesis can be formulated:

- Ho: The Role of internal control influences effectiveness of acceptance of account receivable receives.  
 Ha: The role of internal control does not influence the effectiveness of acceptance account receivable

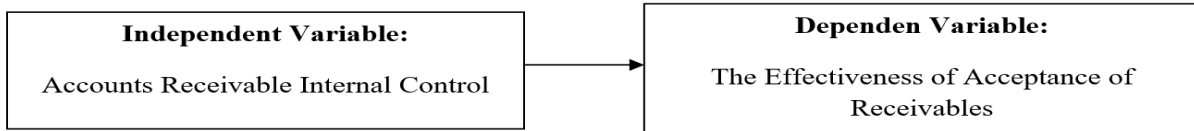


Figure 1. Theoretical framework

3. Research Method

Techniques for collecting data are through scientific texts, companies' financial statements; official websites download which are related to research variables.

3.1. Classical assumption test

This study uses the classical assumption assessment aimed at determining the accuracy of the relationship between variables (normally distributed or not) contained in the study. Types of classical assumption tests used are normality test (Kolmogrov Smirnov), Multicollinearity Test (VIF and Tolerance), heteroscedasticity test (Glejser), and autocorrelation test (run test) (Ghozali, 2018).

3.2. Hypothesis testing

This study uses the t test that is testing the regression coefficient of each independent variable on the dependent variable to determine how much influence the independent variable has on the dependent variable. The criteria for making this hypothesis are taken as follows:

- 1)  $H_0$  rejected if  $t \text{ statistic} < 0,05$  or  $t_{\text{calculated}} > t_{\text{table}}$ ;
- 2)  $H_0$  accepted if  $t \text{ statistic} > 0,05$  or  $t_{\text{calculated}} < t_{\text{table}}$  (Ghozali, 2018)

3.3. Independent variable illustration

The independent variable is a stimulus for variables that affect other variables that are measured, manipulated or selected by the researcher to determine its relationship with an observed symptom (Jonathan Sarwono, 2006). In this study, there are independent variables (X) that is the role of internal control.

3.4. Dependent variable illustration

The dependent variable is the variable that responds when connected to the independent variable. The dependent variable is the variable whose variable is observed and measured to determine the effect caused by the independent variable (Jonathan Sarwono, 2006). In this study, the dependent variable (Y) is effectiveness acceptance account receivable.

3.5. Operationalization of variables

The following table shows the operationalization of the variables:

Table 1. Operationalization of variables

Variable	Indicator	Sub Indicator	Scale	
The Role of Internal Control (Variable X) (Agoes, 2012; Romney, 2015)	Control Environment	Integrity and ethical value	Ordinal	
		Commitment to competence		
		Participation of the board of commissioners and audit committee		
		Management philosophy and operating style		
		Organization Structure		
		Authority and Responsibility		
	Risk Assessment	Human resource policies and practices		
		Job Rotation		Ordinal
		Clear Procedure		
		Transaction Responsibility		

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Effectiveness of Acceptance of Account Receivable (Variable Y) (Indriyo & Girosudarno, 2002)	Control Activity	Segregation of duties	Ordinal
		Proper authorization of transaction	
		Sufficient documents and records	
		Physical control over assets and records	
		Internal verification or inspection	
	Information and Communication	Relevance	Ordinal
		Completeness	
		On time	
	Monitoring	Clarity	Ordinal
		Supervision of the accounts receivable collection cycle	
	Terms-conditions for effective collection of account receivable	Management supervision	Ordinal
		Well-formulated goals and policies	
		Classification and identification of receivables appropriately	
		Sufficient notes and reports	
		Sufficient working time	
	Billing Procedure	A satisfying workforce	Ordinal
		Preparation of a list of receivables that are due	
		Billing goes directly to the customer	
		Submission of billing	
		Evaluate billing results and bill lists	
		Submission of a list of invoices to accounts receivable and accounting	

#### 4. Results and Analysis

The data obtained from the results of distributing questionnaires to several respondents will be used as a basis for providing responses regarding the Internal Control of Accounts Receivable which is measured using five indicators which are operationalized into 25 statement items. To find out the scores of respondents' answers related to each indicator of Internal Control Accounts Receivable at PT. X, then it is presented in tables.

**Table 2.** Recapitulation of respondents' responses about internal control variables accounts receivable (X)

No.	Indicator	Actual Score	Ideal Score	%	Criteria
1	Control Environment	2,151	2,400	89.63%	Good
2	Risk Assessment	806	900	89.56%	Good
3	Control Activity	2,153	2,400	89.71%	Good
4	Information and Communication	807	900	89.67%	Good
5	Monitoring	805	900	89.44%	Good
	Total	6,722	7,500	89.60%	Good

Table 3 shows that the average score of respondents' answers to statement items regarding indicators on Internal Control of Accounts Receivable, the percentage of respondents' answers obtained is 89.6% when referring to the response rate, and then the value is included in the "Good" category. That is because the value is in the percentage between "76% -100%.

The data obtained from the results of distributing questionnaires to a number of respondents will be used as a basis for providing responses regarding the Effectiveness of Receivables which are measured using two indicators which are operationalized into 18 statement items. To find out the scores of respondents' answers related to each indicator of the Effectiveness of Receivables from PT. X, then it is presented in tabular form.

**Table 3.** Recapitulation of respondents' responses about the effectiveness of acceptance of accounts receivable (Y)

No.	Indicator	Actual Score	Ideal Score	%	Criteria
1	Effective Receivables Collection Terms	2,431	2,700	90.04%	Good
2	Billing Procedure	2,426	2,700	89.85%	Good
	Total	4,857	5,400	89.94%	Good

Table 3 shows that the average score of respondents' answers to eighteen statement items regarding indicators on the Effectiveness of Accounts Receivable Receivables, the total percentage score of respondents' answers obtained is 89.94% when referring to the response rate, then the value is included in the category " Good "because the value is in the percentage between" 76% -100%.

**4.1. Linear regression analysis**

**Table 4.** Multiple regression coefficient results  
**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.
		B	Std. Error	Beta			
1	(Constant)	87.403	6.212			14.070	.000
	X	.058	.055	-.136		-1.042	.302

a. Dependent Variable: Effectiveness of Acceptance of Account Receivable  
Source: SPSS 22 Output Results

Based on the table above, it can be seen that the regression coefficient value is on the Unstandardized Coefficient "β" value, so the regression equation can be presented as follows:

$$Y = 87.403 + 0.058X_1$$

The interpretation of the results of the regression equation for each of the above variables is as follows:

- a. The constant value is 87.403, which means that if all the independent variables, namely the role of internal control, have a value of 0 (zero) and there is no change, it is predicted that effectiveness of acceptance of account receivable will be worth 87.403%.
- b. The role of internal control value is 0.058, which means that there is an increase of 0.058% in effectiveness of acceptance of account receivable when there is a one-unit increase in the role of internal control.

**4.2. Determination coefficient test (R<sup>2</sup>)**

**Table 5.** Coefficient of determination

**Model Summary**

Model	Model	R Square	Adjusted R Square	Std. Error of the Estimate
1	1	.301	.276	5.82503

Predictors: (Constant), the role of internal control

Dependent Variable: effectiveness of acceptance of account receivable

Source: SPSS 22 Output Results

Based on the table above, the correlation coefficient value X with Y is obtained from the R value of 0.301, so that it has a strong relationship. Meanwhile, the magnitude of the influence of X on Y is in accordance with the R Square value of 0.276. So that the coefficient of determination of 0.276 shows that the role of internal control effect of 27.60% on effectiveness of acceptance of account receivable (Y). While the remaining 72.4% is influenced by other factors not observed in this study.

**4.3. Hypothesis test**

The role of internal control affects the effectiveness of acceptance of account receivable due to sig. the role of internal control is less than 0.05 and the t<sub>value</sub> of 14.070 is in the rejection area for Ho.

## 5. Discussion

Internal control of trade accounts receivable to support the effectiveness of the collection of accounts receivable at PT X which is adequate as reflected in:

1. Overall there is a segregation of duties, namely a sales division and a billing division which is carried out by different people.
2. There is a culture of control in which supervisors are responsible for enhancing work ethics and high integrity and creating an organizational culture that supports and emphasizes to all employees of PT X the importance of internal controls that are being carried out.
3. There are monitoring activities and actions to correct deviations.
4. There are information and communication capable of facilitating the implementation of adequate operational activities.
5. The achievement of the objectives of internal control, namely compliance with applicable regulations, the availability of accurate and complete information, the effectiveness and efficiency of operational activities, and the effectiveness of the risk culture in the organization of PT. X thoroughly.

However, there are still several weaknesses in the internal control of trade accounts receivable in supporting the effectiveness of the collection of accounts receivable, including the following:

1. Current accounts are not routinely sent every month to customers that have been matched with credit cards by people who are not related to cash receipts, cash disbursements, and credit notes.
2. There are still heads of departments who do not supervise the divisions they head and there is still a lack of special training provided by management.
3. There are still some branches where the sales and billing departments are carried out by the same person so that collusion is still found.
4. Still not good at analyzing the feasibility of providing credit.

## 6. Conclusion

In general, the internal control for accounts receivable at PT X is very adequate and the effectiveness of acceptance of accounts receivable at PT X has been effective. The role of internal control was effect the effectiveness of acceptance of account receivable.

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