

## ANALYSIS OF INTERNAL CONTROL STRUCTURE ON CASH DISBURSEMENTS AT ABC HOTEL MEDAN, INDONESIA

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### ABSTRACT

This study aims to determine whether the systems and procedures for cash disbursements accounting information systems in conformity with the rules. This study also aims to determine the effectiveness of the internal control structure of cash disbursements. Cash is the most liquid financial asset used for company operations and pays company's liability. Cash is the only asset that is ready to be converted into other types of assets. Cash is very easy to hide, carry and most risky to fraudulent activities. The cash disbursement accounting information system is a system that receives special attention in terms of monitoring assets in a company. The research was conducted at ABC Hotel Medan, Indonesia. The study was conducted by taking the data used for the study include the systems and procedures expenditure cycle. The data have been analyzed with descriptive methods with qualitative approach, this study intends to make a picture of a situation or event, and compares the systems and procedures for cash disbursements at ABC Hotel with the rules set. The results showed that the cash disbursement accounting information system at ABC Hotel was generally adequate associated with the characteristics of the internal control structure.

Keywords: *Accounting Information Systems, Cash Disbursements, Internal Control Structure, Expenditure Cycle.*

### 1. INTRODUCTION

Competition requires business to innovate and evaluate its business process to be more effective, efficient, and fraud avoidance. Lack of evaluation can reduce early detection of mismatches in functions and workflows which is impact on the lack of accuracy of information for decision making purpose. Information systems are a set of formal procedures where data is collected, processed into information, and distributed to users. The accounting information system is the procedures and tools used to manage data regarding the business of an economic entity such as a company, with the aim of generating feedback both in the form of reports that are necessary and coordinated in such a way, in accordance with the management's need to oversee its business, and for other interested parties such as shareholders, creditors and government agencies to assess the results of operations in order to facilitate company management.

It is necessary to do an assessment of the problems that arise in an accounting information system in a company. For example, there is a delay in work caused by poor and unclear division of labor. In addition, companies need to keep abreast of the development of new systems and need to be balanced by creating a good internal control structure in order to direct the company's operations and prevent system abuse that results in losses. ABC Hotel is an international standard three-star hotel with 151 rooms, equipped with various outlets, including a restaurant, coffee shop, coffee bar, room service, café, mini bar, swimming pool, drugstore, laundry, telecommunication facilities and space meeting or conference hall.

As a service seller, ABC Hotel must provide three things, namely adequate facilities, skilled human resources to serve, and professional management. If these three things have been fulfilled, the hotel service users will be satisfied. Each company has various systems in managing its company, including: a system for selling and receiving money, and a system for recording time, wage lists, and spending money.

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## 2.LITERATURE REVIEW

### 2.1.Accounting Information Systems

An accounting information system can be defined as a unified structure within an entity, such as a business firm that employs physical resources and other components to transform economic data into accounting information, with the (main) purpose of satisfying the information needs of a variety of users (Wilkinson et al., 2000). The three specific objectives of accounting information systems that will help to achieve its main purpose are to support the firm's day-to-day operations, to support decision-making process, particularly by internal decision makers, and to fulfill obligations relating to stewardship (Wilkinson et al., 2000). The accounting information systems is an organization of forms, records and reports that are coordinated in such a way as to provide financial information needed by management to facilitate company management (Mulyadi, 2002). Accounting information systems is the forms, records, procedures, and tools used to process data regarding the business of an economic entity with the aim of producing good feedback in the form of reports required by management to oversee its business, and for other interested parties such as shareholders, creditors, and government agencies to assess the results of operations (Baridwan, 1990). Accounting information systems are methods and procedures for collecting, classifying, summarizing, and reporting information about company finances and operations (Niswonger et al., 1999).

From the above definitions we conclude that the accounting information system is the organization of forms, records, methods, procedures, and tools used to manage data regarding feedback by collecting, classifying, summarizing in the form of reports. necessary and coordinated reports, to provide financial information needed by management to supervise its business, and for other interested parties such as shareholders, creditors, and government agencies to assess the results of operations in order to facilitate company management. An accounting information system in a company must be able to provide the information required by management as much as possible. To encourage the improvement of the quality of information, it is necessary to pay attention to the growth of the company by adjusting the needs of the parties who use information about the company and how the information is provided.

### 2.2.Expenditure Cycle

Romney and Steinbart (2018) define expenditure cycle as a recurring set of business activities and related data processing operations associated with the purchase of and payment for goods and services. The primary purpose in the expenditure cycle is to minimize the total cost of acquiring and maintaining inventories, supplies, and the various services the organization needs to function (Romney & Steinbart, 2018). Moreover, to facilitate the exchange of cash with supplies (vendors) for needs goods (materials) and services (Wilkinson et al., 2000). The three underlying business activities in the expenditure cycle are ordering goods, supplies, and services; receiving and storing goods, supplies, and services; and paying for goods, supplies, and services. Wilkinson et al. (2000) summarize the documents pertaining to the expenditure cycle, which are purchase requisition, purchase order, receiving report, supplier's (vendor's) invoice, disbursement voucher, disbursement check, debit memorandum, new supplier (vendor) form, request for proposal (or quotation).

The expenditure cycle includes the ordering of goods and offerings from suppliers and consequent payments to the suppliers. The common transaction flow inside the expenditure cycle may be defined as follows: inventory control reviews inventory records to determine order

necessities. A purchase requisition is created and forwarded to the purchase division. The requisition contains details of gadgets and quantities required. the purchase department selects suppliers by the usage of the permitted listing of suppliers or any other standard operating procedure set up by means of the company. The supplier is chosen and a buy order is created and forwarded to that supplier. every other copy of the acquisition order is going to the inventory manage division to notify it that items are on order. The supplier ships items to the warehouse, and a receiving record is created. The receiving report is forwarded to inventory control and accounts payable. inventory manage updates inventory data based at the receiving file. The debts payable department gets a bill from the supplier and creates a voucher package through reconciling the important files, inclusive of purchase requisition, purchase order, receiving document and invoice. The voucher bundle is then authorized with corrections, if any. The accounts payable subsidiary ledger is up to date and summary totals are forwarded to the overall ledger. The voucher package is forwarded to the cash disbursement department. A check is prepared and mailed to the supplier.

The common steps in the expenditure cycle are comparable across companies; however, implementation of these techniques spans a complete spectrum, from manual methods to web enabled computerized methods, to innumerable mixtures in among. there may be nobody well known answer that suits all companies.

### 2.3. Internal Control Structure

According to Arens at al. (2003), internal control can be identified as policies and procedures designed to provide management with reasonable assurance that the company achieves its objectives and goals. Based on Romney and Steinbart (2006), the internal performs three different types of controls: (1) Preventive Controls, which deter problems before they arise. (2) Detective Controls are needed to discover problems as soon as they arise. (3) Corrective Controls remedy control problems that have been discovered. Romney and Steinbart (2006) segregate internal controls into two categories: (1) General Controls: to make sure an organization's control environment is stable and well managed. General Controls regarding the expenditure cycle can be categorized into seven different types of controls, and they are organizational, documentation, asset accountability, management practices, data center operations, authorization, and access controls. (2) Application Controls: to prevent, detect, and correct transaction errors and fraud. These controls on the expenditure cycle can be arranged into three major categories, which are the input, processing, and output. Each control would enhance the systems' credibility of a business through its assertions, specifically those related with the expenditure cycle. Their amalgamation would result in a fully-integrated and complete application control necessary in managing the expenditure cycle.

A company that uses internal controls to direct operations and prevent system abuse. Some of the characteristics of good internal control that need to be considered in supporting a good accounting information system are as follows: an organizational plan that allows for the proper separation of responsibilities, the existence of an appropriate system of authorization and accounting recording procedures, healthy practice in carrying out the duties and functions of every part of the person, and the quality of employees that match their responsibilities.

### 3. METHODS

In this study, researchers used a descriptive method with a qualitative approach. This research method is a particular way of uncovering and analyzing problems by describing and explaining phenomena that occur based on facts, resulting in descriptive data in the form of written and spoken words from people and observable behavior. The approach in this study includes an interpretive approach as suggested by Mulyana (2013), arguing that the focus of attention to the subjective approach is a part of human behavior called action, not just body movement. The subjective approach assumes that knowledge does not have an objective and fixed nature, but is

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interpretive as stated by Jalbert in the book of Mulyana (2013) that social reality is considered as a communicative social interaction. Qualitative research is research that produces analysis without going through statistical analysis procedures. Qualitative research aims to obtain a complete picture of a social phenomenon according to the views of the actors studied. Research in the interpretive paradigm is used to help interpret these social phenomena. The interpretive paradigm is taken in this study because this study tries to understand the social reality regarding the application of accounting information systems and internal control structure to the effectiveness of the accounting information system in depth and interpret the meaning behind the existing reality, both regarding the application of the accounting information system and internal control structure used, as well as regarding the reasons behind it. So that researchers are expected to gain understanding and be able to interpret it. The object of this research is the cash disbursement accounting information system used at ABC Hotel Medan, Indonesia.

## 4.RESULTS AND DISCUSSION

### 4.1. Result

The cash disbursement accounting information systems at ABC Hotel are basically created to assist companies in controlling costs (expenses) which are more effective and efficient in their use, even though there are differences between one hotel service company and another. The control of these costs is possible to increase company profits and protect company assets. ABC Hotel Medan divides the company's internal and external expenditures. Internal company expenditures are expenses that occur within the company for expenses used by the company, including salaries, employee benefits and payment lists for services, purchases of goods, whether cash or credit made by the company and other financing for company needs, for example : cost of electricity, water, telephone, etc. The company's internal expenditure consists of the following procedures: employee salary expenses, allowances and service payments, purchase of goods (collecting goods), and purchase of necessities suddenly.

Meanwhile external expenditures are expenses that occur outside the company which are the company's needs. The company's external expenditure is the expense of the company that is located outside the company for the needs of the company to have a procedure in its payment which is first examined by the Cost Controller and the General Manager's approval. If you pass this procedure, the debt (fee) is paid by asking for a receipt for the payment in advance.

In terms of the accounting information systems, some of the main elements that have been implemented are as follows:

1. Forms  
Forms to record cash disbursements that occur, such as the Purchasing Requisition form, Purchase Order of Goods (Form to Fulfill Goods Requests), Purchasing Order (Goods Procurement Form), Receipt of Incoming Goods (Proof of Incoming Goods Form), and Voucher Payment (Payment Form). These forms already use internal control norms.
2. Journal  
The journals are the first accounting record used by ABC Hotel in recording financial transactions carried out by the bookkeeper in working on all technical accounting problems from beginning to end.
3. Ledgers  
ABC Hotel Medan uses a general ledger to summarize financial data and uses a sales subsidiary ledger in the form of revenue summary generated by Night Audit and monthly summary of purchases made by account payable which is submitted to the bookkeeper.
4. Reports  
In presenting reports on cash disbursements by the bookkeeper which is submitted to the Accounting Manager and continued to the General Manager later.



## 4.2. Discussion

ABC Hotel has made a division of works and there has been a division of duties which has resulted in no accumulation of work and also reduced errors in carrying out existing procedures. In addition, the linkages between one part and another in the procedure will protect each other from unwanted things, such as for example: error and fraud. In this case, Internal control structure also plays an important role in the supervision of these procedures. The procedure for purchasing goods at ABC Hotel Medan is sufficient. One example is the need for approval from each competent supervisor at every stage of the required purchasing procedure. This shows optimal protection against the use of company assets. Judging from the use of the forms used, it is sufficient to secure transactions that occur, as well as very strict payment agreements.

ABC Hotel has a fairly good alternative in meeting sudden needs for the best service provided by the company. In meeting a sudden need, one department can buy goods directly with the manager's approval if the manager is there, and if no trusted person can give approval to buy the item or the employee is given the trust to take the initiative to buy the needed item and the money made to buy these items can be used money originating from the department concerned (department cashier and will be returned soon) of course you have to provide a bill of proof of payment to be recorded as an expense later.

Nonetheless, there were found deficiencies in the use of cash disbursement procedures in purchasing goods in the use of flowcharts.

## 5. CONCLUSION

The cash disbursement accounting information systems contained in ABC Hotel Medan is adequate in relation to the characteristics of internal control. These can be seen as follows:

1. The existence of an organizational structure and proper division of tasks in proper separation of functions (Job Description) helps the accounting information system for cash receipts and disbursements used at the ABC Hotel.
2. The accounting information system for cash disbursements at ABC Hotel uses appropriate procedures because the accounting information system used has been adjusted to the needs of the company, although there are slight differences from other hotel service companies this is related to the policies used in a company for the sake of the best possible use of procedures in a company.
3. The accounting information system at ABC Hotel is in accordance with the use of the system, especially the accounting information system for cash receipts and disbursements and the proper authorization system for its use, such as: (a) The forms are used according to the needs in each department by using duplicate forms and form/bill codes as protection for form abuse. The form used is signed by the user of the form, checked by Internal control and approved by the party concerned by following the prescribed procedure. (b) The journal is the first accounting record used by ABC Hotel in recording financial transactions. (c) ABC Hotel Medan uses a ledger in summarizing financial data. And use company subsidiary books like summary revenue. (d) Reports of cash receipts are found in the company's cash and bank. In presenting reports on cash receipts and disbursements assisted by accurate data.
4. Supervision of healthy practices in carrying out duties and functions in each department properly under the supervision of an experienced and reliable Internal control structure in their duties at ABC Hotel Medan, thereby helping the objectives of the system used.
5. Creating the system flowcharts that will be used as a reference in carrying out existing procedures must really meet the needs and meet the rules of the internal control structure.

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