

Operation Audit of Sales and Cash Receipt in Retail Industry

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Abstract: The purposes of research were to explore and evaluate a weakness of sales and receive cash functions in retail industry. The method applied was a literature study and a field study by doing observation, interviews, and collecting documents from a part of the division in retail industry. The research results indicated that sales and receive cash functions are effective and efficient but there were things that didn't work in line with its procedures. It was suggested that the company has a policy for sales returns, late payment of accounts receivable, and bad debts, also has a written policy and procedure. In conclusion, overall the company has an oral policy and procedure thus the company can do quite effectively and efficiently, although there are still some weaknesses to improve, such as: clear three-way regulations, a computerized system, clear sanctions for violating regulations, and a neater and structured administrative system.

Keywords: audit, operation, sales, cash, receipt, retail

1. Introduction

In the rapid economic development resulting in intense competition with competitors in the business world, so companies are required to be able to create a good business strategy in order to maintain the existence of the company and even outperform other competitors in the business world. Companies that cannot keep up with the development of the business world today, are very at high risk of facing difficulties and threatened to fail. To be able to follow the development of the business world, companies must be able to create good management and be able to carry out operational activities effectively, efficiently and economically. According to [1] said Efficiency is the relative amount of resources used to achieve a predetermined objective. For example, if two different production processes manufacture a product of identical quality, the process with the lower cost is considered more efficient. According to [2] said effectiveness is the degree to which a predetermined objective

target is met. For example, the production of parts without defects. Efficiency concerns whether those parts are produced at minimum cost.

In the paper by [3] it is said that efficiency is how we maximize output or resources by getting maximum results while effectiveness is our success in releasing output or resources in accordance with the initial goal. Every company certainly has the functions of operational activities in running the company to run well. One of the important functions of operational activities in running a company is the function of sales and cash receipts at the company. There have been mistakes and weaknesses in the procedures or policies that have been set by the company, so that fraud can occur and things that can harm the company such as, there are differences inventory records with physical inventory at the time of stock taking at the end of the period, mismatch between the cash balance according to the company ledger and the physical

cash in hand, the computerized system that is not appropriate so that the company does not run effectively and the things that are in the sales function and the function of cash receipts at the company. Based on this, the author is interested in conducting research to analyze and evaluate whether the operational audit activities on the sale and cash receipts function at Retail Company has been running effectively and efficiently.

A previous research by [4] conduct research about practice in solution sales. The results of this study note that the management of sales activities is quite effective, the results of the study also showed that the company in the last 4 years experienced a significant increase in sales volume. As for the shortcomings found in the company, in one year sales declined, the sales planning system was not convincing and not yet used effectively, as well as the structural separation of the company's sales and marketing departments.

Another previous research by [5] took research about sales recovery audit. The results of this study concluded that it was not sufficient appropriate sales process, because there were still some weaknesses that needed to be fixed. The results achieved are recommendations and suggestions for improvements to the company's operational activities that affect the function of credit sales and cash receipts. The conclusions obtained are that there are some shortcomings in the company's operational activities that affect the function of credit sales and cash receipts, are considered less effective and efficient in carrying out its operations.

1.1. Problem Identification

Based on the background of the problem outlined above, the researcher identifies the problem as follows:

1. Does the company's operational activities in the sales and cash receipts function run effectively and efficiently?

2. What are the weaknesses in the operational activities of the sales and cash receipts function of Retail Company?
3. How do companies improve weaknesses in the sales function and cash receipt functions of Retail Company?

1.2. Research Scope

Given the breadth of discussions on operational audits, the authors limit the scope of the research to only about:

1. Evaluating the functions of sales and cash receipts, whether management control in the functions of sales and cash receipts at Retail Company has been running effectively and efficiently.
2. Discussing the company's sales activities starting from receiving customer orders, shipping goods, collecting debt to recording cash receipts transactions whether there are weaknesses in these sales activities that can cause ineffectiveness and inefficiency in the company's sales activity procedures.
3. Discussing cash receipts activities starting from invoicing, billing to consumers, consumers paying, recording cash transactions on consumer payments, until the results of payments deposited to the bank.
4. Analyze and evaluate the findings of the examination and provide conclusions and recommendations to the company.

2. Theoretical Framework

2.1. Operation Audit

Operation audit is an examination of company activities, including accounting policies and operational policies that have been determined by management to determine whether the operational activities that have been determined by management to determine whether the operational activities have been carried out effectively, efficiently, and economically [6]

According to [7], operational auditing is the review of each part of the procedures and methods applied by an organization with the aim

of evaluating efficiency and effectiveness. The final results of an operational audit are usually in the form of recommendations to management for improving operations. In operational audits, the assessment is not only limited to accounting but can also include organizational structure, computer operations, production methods, marketing, and other fields as long as the auditor controls the area being audited.

From some of the above understanding, the authors conclude that operational audit is a process to evaluate thoroughly whether the activity has been running effectively and efficiently or in accordance with established procedures. The main purpose of an operational audit is:

1. Evaluating Performance
2. Identify opportunities for improvement
3. Make recommendations for improvement or further action.

In summary, it can be concluded that operational audits are carried out to evaluate the economic level, efficiency, and effectiveness of the implementation of an organization's activities

2.2. Sales

According to [5] sales are integrated activities to develop plans aimed at meeting the needs of buyers and customers, the need to get sales that generate profits or profits, or in accordance with the activities carried out by 2 / k using a legitimate payment instrument .

According to [8] stated, "sales is a process required to transfer ownership of goods and services that are available for sale to customers".

From some of the resolutions above, the author concludes that sales represent an activity of moving goods and services carried out for profit.

2.3. Cash Receipt

According to [9] cash receipts are cash received by companies both in the form of cash and securities that can be used immediately, originating from company transactions or cash

sales, paying off loans or other transactions that can add to the company's cash.

According to [10], cash is the most current asset, a standard exchange medium and basis for measurement and accounting for all other items.

According to some of the experts above, the authors conclude that the receipt of money or checks or other instruments that can be accepted as a means of payment for obligations in accordance with its nominal, both from cash sales, payment of receivables and other receipts.

2.4. Internal Control

According [11] internal control is a situation where there is an adequate accounting system, so that the company accountants can provide financial information for each level of management, the owners or shareholders of creditors and other users of financial statements (stakeholders), which are used as the basis of economic decision making. Internal control is a plan and procedure designed by management or certain parties to provide adequate guarantees for the achievement of operational efficiency and effectiveness.

According to the Committee of Sponsoring Organizations of Treadway Commission (COSO) in [12], internal control has three objective categories, namely:

1. Purpose of Operation

This objective is related to the effectiveness and efficiency of the entity's operations, including the objectives of operational and financial performance, and safeguarding assets against losses.

2. Purpose of Reporting

This objective relates to financial reporting and non-financial reporting, both internal and external, which include reliability, timeliness, transparency, or other requirements set by the regulator, requirements recognized by the standard makers, or the entity's own policies.

3. Purpose of Compliance

This objective relates to compliance with laws and regulations in which the entity complies.

3. Research Methodology

The research method used by the authors is qualitative research and data collection techniques used to obtain relevant information.

3.1. Library Research

In this study the authors conducted data collection by reading, searching and studying data and information from various media such as articles, books, lecture material and electronic media such as the internet. This research seeks materials and data regarding related discussions, namely operational audits of the sales and cash receipts functions of the company.

3.2. Field Research

In field research, the author comes directly to the retail company to collect information and data needed to support this research to be more convincing and more accurate. What is done in the field research is carried out in the following manner: Interview The interview activity is carried out with employees who are involved and responsible for the operational activities of the sales and cash receipts function. In the interview activity is carried out by giving questions related to sales activities and cash receipts that are in the company.

Observation is a data collection technique that is done by direct observation of company activities, especially in sales activities and cash receipts activities. Observation activities are used to find out how internal controls are contained in sales activities and cash receipt activities. Documentation is carried out to trace and study company documents related to cash sales and cash receipts.

4. Research Result and Findings

According to [13], in general there are several stages that must be carried out in operational audits, namely: Preliminary Audit, Review and Testing Management Control Systems and Detailed Audits, therefore we explain the results and discussion according to the theory.

4.1. Preliminary Audit

This audit activity is carried out to identify the regulations and company policies regarding the sales function and cash receipts function. Also we analyze various information that we obtained directly from interviews and direct observations on company [14].

Based on a survey that has been done, here is some information obtained about the company, namely: obtaining company data such as company background, organizational structure, job descriptions and responsibilities. The company sells car spare parts, especially undercarriage parts such as brake linings, brake rubber, shock breakers, belts, spark plugs, filters and others. Car spare parts are sold, especially transport cars such as trucks, box cars, larges sedans. The company sells products in the city and out of town. More focused outside the city. The company has consumers consisting of other distribution companies and car spare parts shops/workshops. Almost all customers pay receivables with cash / transfer and get a 5% discount directly or use current accounts with a maximum payment period of 3 months.

Goods out of town like city of Makassar, Balikpapan, Samarinda, Pontianak who are the main consumers. The company uses shipping services by sea from Tanjung Priok port with the name of the source of the fortune. For shipping goods in the city (Jakarta), the company has its own expedition. Documents used by company are sales order, sales price, purchase invoice, sales invoice, purchase returns, sales returns, non cash, cash, road and receipt

4.2. Testing Management Control System

The stage carried out to carry out this evaluation is by interviewing relevant parties and conducting direct observations and preparing Internal Control Questionnaires (ICQ) which contain questions about all activities that cover sales and cash receipts at the company [15].

Based on the results of the questionnaire on the

internal control system at the company then obtained advantages regarding the company's internal control system, namely: Company documents have a serial number and complete Periodic checking of incoming goods or purchases. The company has used a computerized system, has a computer program and a multi-functional data base so that the company can run with pretty good. The company has a clear list of prices for each item made by the director. When collecting accounts receivable from customers, sales invoices are always accompanied by sales invoices. true. The company provides cash receipts for employees. Deliveries are always accompanied by a travel document. The recording of cash for daily office needs is always equipped with proof of purchase.

The company has a fairly good internal control, but weaknesses can also be owned by internal controls that require more attention by the company's management. Weaknesses that still exist in the company is the absence of a policy on sales returns, the goods in the warehouse sometimes do not match what is there is a database due to the large number and lack of management supervision of the warehouse. The director does not immediately check the stock of goods when making a sales order so that the goods the customer wants are not available. shipped sometimes not in accordance with sales invoices due to the number of goods shipped so much, there is no policy on witnesses or fines for late payment, the warehouse is sometimes less careful in entering goods such as defective goods or the condition of the goods inappropriate and still included and sent, so customers give complaints also sales returns, lack of checks on the due date of collection of accounts receivable, computer rogues owned sometimes not adequate because too much data is accommodated so it is difficult to make a stock taking. Financial section compiles financial statements only based on sales invoices and cash, because the money for the sale is fully in the hands of the director.

4.3. Detailed Audits

In conducting a detailed audit, the authors carry out operational audits in assessing also testing procedures and policies on the functions of sales and cash receipts, whether it is running in accordance with procedures and policies that apply in the company. The following are the audit procedures and results. Audit Procedures for Receiving Customer Orders: The audit results obtained are that the company does not have written procedures and policies on sales, only verbally. Sales Order is complete in the form of consumer data and ordering of consumer goods in the form of the number of goods ordered and the type of goods ordered, for the price, the Director does not check the goods in advance when the customer orders the goods due to the number of items too much. Audit Procedure for Making Sales Invoice and Travel Document. The audit results obtained are the Company has procedures and policies for making sales invoices and travel documents verbally and supervised by managers. The procedure for making sales invoices and travel documents is effective because it uses an adequate computer and system. Sales invoices are not based on sales orders because the Director does not check the goods in advance when the customer orders so there are items that are not in the sales order. Sales invoices and travel documents are always authorized by the authority, the manager.

4.4. Audit Procedures

Audit Procedures for Shipping Goods, the audit results obtained are the Company has procedures for the delivery of goods verbally. Delivery of goods is always checked beforehand whether the amount of goods is in accordance with the sales invoice. There is no checking of the goods regarding quality because so many goods are not possible to check one by one (Checking the goods only at the time of purchase of goods only). Audit Procedure on Sales Returns The audit results obtained are that the company does not have a clear sales policy both written and oral, because it does not have a clear policy on sales returns, the company does not have applicable standards for sales returns. This makes the company's cash receipts ineffective. When returning a customer,

show the proof of purchase and provide the director with the reason for the sales return.

Audit Procedures for the Use of Cash, The audit results obtained are the company has procedures and policies regarding the use of cash orally. Only the authorities can give money to other employees for office needs such as gasoline, expedition cars, lights out, paper runs, pay for electricity, buy gallons of water, and so on to support daily activities in the office. The use of cash has been accompanied by proof of purchase and has been recorded as an office expense for the financial statements. Audit Procedures for Cash Bon, The audit results obtained are the company has a policy in cash receipts verbally. Employees can borrow money from the director for household needs for the employee or the employee's daily needs. Requirements for borrowing are clearly notified to employees regarding the maximum nominal loan. Audit Procedures for Cash Receipts, Audit results obtained are the Company has an audit policy and procedures verbally. The director holds full money from the sale because the director himself meets customers in person both in town and out of town. ineffective Audit Procedure for Collecting Receivables, The audit results obtained are the company has a verbal policy related to collection of receivables. The director comes directly to the customer with a sales invoice. Accounts receivable collection does not have a time period because it depends on when the director will come to the customer. So there are sales that are uncollected / not too long, which certainly reduces the effectiveness of the company's cash receipts.

Audit Procedure on Uncollectible Receivables, The audit results obtained are the Director will withdraw current accounts to the bank when it is time and when it cannot be withdrawn, the Director will contact the customer and inform him that the current account cannot be withdrawn. The customer will put the money in the account for the demand deposit or ask for the time to withdraw again. There are no sanctions for late payment or when the current account fails

to withdraw, making cash receipts ineffective because of reduced capital turnover.

5. Conclusion and Suggestions

5.1. Conclusion

Based on the results of research on operational audits of the function of sales and cash receipts at company site, in this last chapter the author tries to provide conclusions and suggestions for improvement that might be useful for companies to overcome the weaknesses that exist in carrying out their business activities in the future. The following is the conclusion obtained by the author: company has a verbal job desk, procedures and policies. Documents in the company such as sales orders, sales invoices, purchase invoices, sales returns, travel documents, cash receipts, cash, and purchase returns have been completed in accordance needs such as sender's name, recipient's name and other things so that the sales and cash receipts function is quite effective and efficient. The company has a clear price list so that when the director sends sales orders from out of town, the Administration has no problems in making sales invoices. Delivery of goods to the city using its own expedition while for outside the island of Java to use shipping services at the port of Tanjung Priok. The existence of cash receipts in the company and employees can repay loans in installments so as to improve the quality and performance of employees. Every month to the director is only based on sales invoices, not based on physical evidence because the director fully collects receivables and holds the money from the sale. There is no policy on sales returns. There is no policy for payment delinquency or uncollectible receivables so that it gives leak on cash receipts. Daily use of cash is authorized by the manager and equipped with CCTV also proof of purchase so as to minimize fraud in the use of cash. Often there are errors in the quantity of goods when sending because there are so many items. The director never checks the availability of goods before making a sale.

5.2. Suggestions

Some suggestions for improvement from the author related to weaknesses in the function of sales and cash receipts, so that it can improve company performance for the better, the following suggestions can be given: Companies should have job descriptions, policies and procedures in writing so that employees can understand each responsibility that must be carried out and the procedures for selling and receiving cash can run more efficiently and effectively. The director made a new system that could connect the ipad or electronic devices brought by the director to the office system, which made it easy to find goods quickly and in detail so that when customers want goods or order goods, the Director can immediately check the availability of goods in advance quickly and also does not interfere with sales activities so that sales activities can be more efficient and effective. Conduct Stock Name taking to support advice number 2 above, as follows: so that the inventory is more accurate and there are no dead items or items that do not leave the warehouse because they are considered to have been lost. (Moreover, there are so many items) Companies should make sanctions or penalties in writing if clearing current accounts cannot be withdrawn so there are rules governing delays payment and customers can pay on time. The Administration Section should prepare special notes for areas with low sales or special time-based receipts so that if there is a sale that has not been collected long enough, the administration can notify the director that there are uncollected sales in the area so the director can prioritize going to the area first. This can make cash receipts more effective and efficient because sales that have not been uncollected are not missed or for too long they are not billed.

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