

The Effect of Sales System Effectiveness on Internal Control of Receivables in a Company

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Abstract: *The study goal is to explore the effect of the effectiveness of the sales system on the control of accounts in a company. The research sorts out the population as the entire members of the company, including leaders and employees. Furthermore, the purposive sampling technique was employed to take a sample of 30 participants, while questionnaires are used in data collection techniques. The data analysis technique uses classical assumption test, simple linear regression analysis and hypothesis testing. Based on the data result, it is known that the calculated t value is greater than t table ($17,147 > 3,182$) with a significance of $0.000 < 0.05$, so it can be assumed that the effectiveness of the sales system has a positive and significant effect on the receivables internal control system.*

Keywords: Effectiveness of Sales System, Internal Control of Receivables, Company, Employee.

1. Introduction

Internal control is a policy created by a company in protecting company assets or assets from fraudulent actions. Internal control is carried out to ensure that the company's assets are used appropriately, minimize fraudulent use, and ensure that the regulations made by the company have been implemented properly [1]. Companies in conducting business activities, often get sales on credit. The emergence of sales on credit, raises the importance of internal control of accounts receivable with the reason for the success of the company's goals. In controlling receivables, companies need to implement credit policies. A management needs to maintain the assets owned, the need for a business process or method, namely internal control of receivables [2]. Companies in carrying out their business activities need an integrated sales system to satisfy the needs of buyers or consumers. The system is a collection of elements or components that the company operates to achieve goals [3]. The sales system is a unified process that supports each other in order to meet the needs of buyers so that they get satisfaction and profit [4].

2. Theories and Literature

2.1 Internal Control of Receivables

Warren et al. [5] states that receivables are all claims in the form of money against other parties, including individuals and organizations. Moreover, Nedyalkova defined the internal control as all process activities carried out by the board of commissioners, management or other employees designed to provide reasonable assurance about the achievement of the following three classes of objectives: (a) reliable financial reporting; (b) Operations carried out effectively and efficiently; and (c) compliance with applicable laws and regulations [6]. Internal handling of trade receivables is a major problem in the business world, taking into account economic protection methods and assisted by careful accounting records [7]. In line with this, Hamel [8] stated that internal control of receivables is an act

of anticipating fraud and anticipating the possibility of bad debts. Management efforts in avoiding fraud, asset misappropriation, and recording errors, it is necessary to carry out internal control. According to Leitch [9], the internal control system includes the company's organizational structure, procedures for protecting organizational assets, supervising accounting information, and emphasizing compliance with management policies. If the internal control is successful then the industry goals are automatically achieved. In credit sales, management should evaluate the creditworthiness of a givens. There are several objectives of internal control are as follows [9]:

- 1) Wealth owned by the company can be protected
- 2) Control the accuracy and reliability of accounting information
- 3) Improve efficiency
- 4) Creation of management policy

Giving accounts receivable is usually used to increase sales volume in a business, but it can pose a risk with the existence of these receivables and bring company losses, namely bad debts, therefore an internal control of receivables is needed. The accuracy of considering the amount of additional costs to be incurred with the benefits to be obtained is the responsibility of management. The need for segregation of duties, between the credit approval section, sales department, recording section, and billing section. This internal control of receivables requires a credit policy which will later be used as a standard.

Agoes [10] argued that internal control is carried out by managers, the board of commissioners, and other personnel boards formed to provide confidence in the achievement of company goals, namely, reliable financial reporting, achieving compliance with applicable regulations, and the effectiveness and efficiency of the organization's operations. According to the Committee of Sponsoring of Organizations (COSO) [11], internal control has interrelated components, namely:

- 1) Control Environment

It is a set of standards, flows, and structures that underlie the implementation of internal control in every

organization.

- 2) Risk Assessment
It is an assessment of the risks that may occur from the actions or activities to be carried out.
- 3) Control Activities
These are actions in the form of policies and procedures that help reduce risk by carrying out designed management orders.
- 4) Information and Communication (Information and Communication)
The information needed by management is relevant and quality information from both internal and external sources, as well as information that can support the functions of other components of internal control.
- 5) Monitoring Activities
It is a form of evaluation that is carried out either continuously or independently, it aims to find out whether the five control components above affect the function of the existence of each component.

2.2 Sales System Effectiveness

The company's progress lies in the performance of managers in managing activities or operational activities in order to achieve company goals. According to Jogiyanto [12], the system is a combination of elements that interact with each other in achieving goals. The purpose of the system is to meet user needs and provide a clear picture of the design of the system. Furthermore, Romney and Steinbart [13] said that the system is a series of two or more components that are interconnected, which interact to achieve a goal. Then, McLeod and Schell [14] stated the sales system is a system designed to support the fulfillment of buyer needs to achieve buyer satisfaction.

There are several functions which are as follows [15]:

- 1) Sales function
This function is responsible for receiving orders from consumers, making cash sales invoices and submitting them to consumers. This function is categorized as a sales order section.
- 2) Cash Function
This function is useful for managing cash income from consumers and categorized as part of cash.
- 3) Warehouse Function
This function is responsible for the stock of merchandise in the warehouse, until the time this merchandise is handed over to the receiving function.
- 4) Delivery Function
This function is responsible for recording sales and cash receipts and making sales reports. This function is categorized as a journal section.
- 5) Accounting Function
This function is responsible for journalizing all sales transactions and cash receipts and continuing to prepare financial statements.

According to Lestari and Amri [16], the indicators used in an effective sales system consist of 4 (four) activities, namely:

- 1) Transaction Authority
- 2) Safeguarding assets and records
- 3) Segregation of duties

- 4) Adequate documents and records

3. Methodology

The type of data used in this research is quantitative data. The data source uses primary data. The data analysis technique in this study used simple regression analysis. The sample used in this study were 30 people consisting of the President Director, Head of Finance, Employees of Finance, Employees of Administration, Project Manager and Engineering. The quality of the data was then tested with validity and reliability tests. The classical assumption test uses the normality test, and the heteroscedasticity test. The hypothesis test of this study uses the t test

4. Result and Discussions

4.1 Instrument Test

The validity of an indicator if $r_{count} > r_{table}$ with the provisions of degree of freedom $(df) = n - 2$, where n is the number of samples, then obtained $70 - 2 = 68$ with a significant level of 5% $(0.05\%) = 0.03610$ [17]. The validity test of this research is shown in Table 1.

Table 1: Validity Test Result

Variable	Item	Correlation coefficient	R Table	Status
Sales System Effectiveness (X)	SSE1	0.783	0.3610	Valid
	SSE2	0.778	0.3610	Valid
	SSE3	0.844	0.3610	Valid
	SSE4	0.600	0.3610	Valid
	SSE5	0.520	0.3610	Valid
	SSE6	0.796	0.3610	Valid
	SSE7	0.760	0.3610	Valid
	SSE8	0.798	0.3610	Valid
Internal Control of Receivables (Y)	ICR1	0.392	0.2352	Valid
	ICR2	0.594	0.2352	Valid
	ICR3	0.497	0.2352	Valid
	ICR4	0.366	0.2352	Valid
	ICR5	0.387	0.2352	Valid
	ICR6	0.793	0.3610	Valid
	ICR7	0.753	0.3610	Valid
	ICR8	0.777	0.3610	Valid
	ICR9	0.555	0.3610	Valid
	ICR10	0.575	0.3610	Valid
	ICR11	0.707	0.3610	Valid
	ICR12	0.693	0.3610	Valid
	ICR13	0.690	0.3610	Valid
	ICR14	0.801	0.3610	Valid
	ICR15	0.724	0.3610	Valid
	ICR16	0.791	0.3610	Valid
	ICR17	0.760	0.3610	Valid
	ICR18	0.635	0.3610	Valid

Based on Table 1, it is explained that all the items on the variable of sales system effectiveness are valid. The value of correlation coefficient is greater than the value of R table or greater than 0.3610. Table 1 also shows that the items of the internal control of receivable variable are valid. The value of the correlation coefficient is also greater than the value of R

table or greater than 0.3610. Moreover, the reliability test in this study is shown in Table 2.

Table 2: Reliability Test Result

Variable	Cronbach Alpha Value	Cut off Value	Status
Sales System Effectiveness (X)	0.905	> 0.60	Reliable
Internal Control of Receivables (X2)	0.763	> 0.60	Reliable

Based on Table 2, variable of Sales System Effectiveness (X) is reliable, has the Cronbach Alpha value of 0.905, which is greater than 0.60. So, it can be concluded that the items have a great reliability. Furthermore, the Internal Control of Receivables variable (Y) shows reliable status, with the Cronbach Alpha value of 0.763 which is greater 0.60.

4.2 Classical Assumption Test

In this study, the classical assumption test uses normality test and heteroscedasticity test. The normality test was carried out by researchers to test the normality of the variables before carrying out the actual analysis. Normality can be

seen from the normal p-plot and histogram graph. The data can be said to be normal if the image of the data points is in the same direction following the diagonal line. The data is also said to be normal if the shape of the curve forms like a bell which has a balanced slope [18]. The test results can be seen in the following Table 3.

Table 3: Kolmogorov and Smirnov Test

		Unstandardized Residual
N		30
Normal Parameters ^{a,b}	Mean	0.0000000
	Std. Deviation	2.98904724
Most Extreme Differences	Absolute	0.163
	Positive	0.163
	Negative	-0.112
Kolmogorov-Smirnov Z		0.163
Asymp. Sig. (2-tailed)		0.604

Based on Table 3, it can be seen that the significance value is $0.604 > 0.05$ [19], so it can be concluded that the residual value is normally distributed. This is also supported by the histogram image as illustrated in Figure 1.

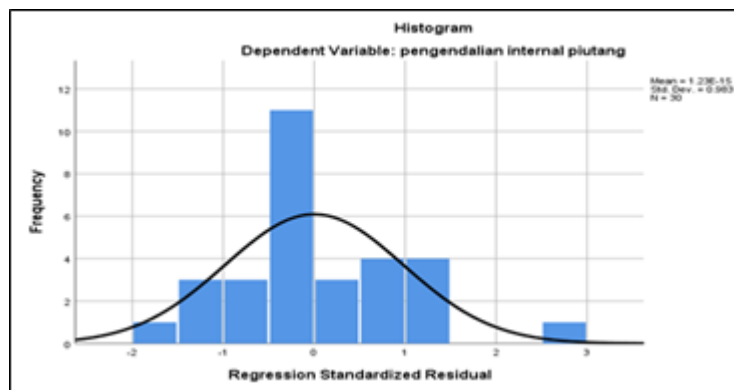


Figure 1: Histogram

Based on the Figure 1, it can be seen that the receivables internal control curve has a slope that resembles a bell, so the data meets the normal assumption [19]. Additionally, to determine a robust conclusion of the normality, the test also reveals the Normal Probability-Plot (P-P Plot) as illustrated in Figure 2.

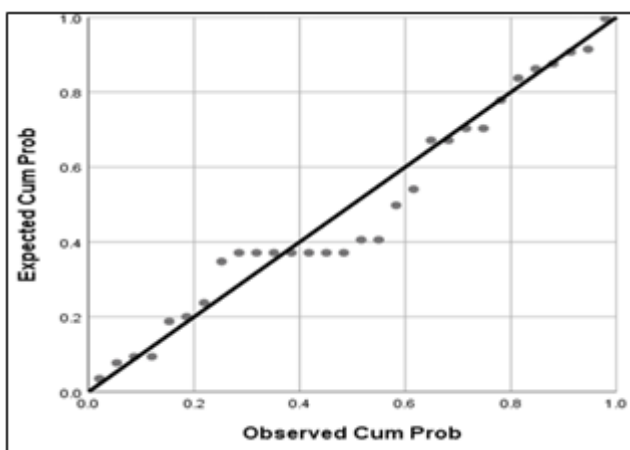


Figure 2: Normal Probability-Plot (P-P Plot)

Based on the graph above, it shows that all existing data are normally distributed, because the data spreads close to a straight diagonal line, the data fulfills the normal assumption [19].

Heteroscedasticity test was conducted to determine whether in the regression model there was an inequality of variance from the residual of one observation to another observation. When there is a certain pattern in the graph, such as dots forming a regular pattern, then heteroscedasticity occurs. If there is no clear pattern, such as the dots spread above and below zero on the y-axis, then there is no heteroscedasticity [18]. The result of heteroscedasticity test is carried out by Scatterplot as illustrated in Figure 3.

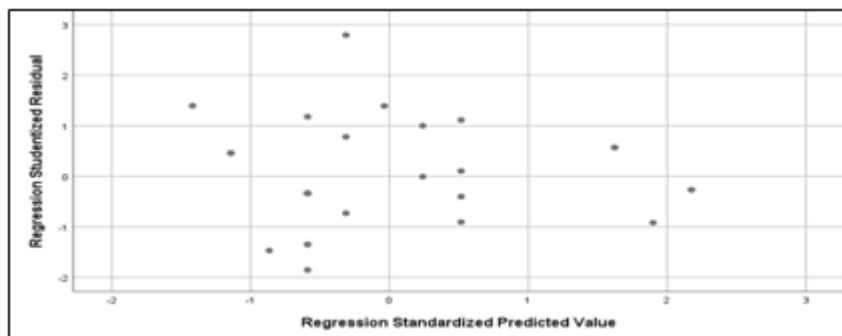


Figure 3: Scatterplot

Based on Figure 3, it can be seen that the dots spread randomly, do not form a clear or regular pattern, and spread above and below zero. It can be concluded that there is no heteroscedasticity problem in the regression model.

4.3 Simple Linear Regression

In this study, the independent variable (X) is the effectiveness of the sales system, while the dependent variable (Y) is the internal control of accounts receivable. The result of simple linear regression analysis test results is shown in Table 4.

Table 4: The Simple Linear Regression Analysis Test result

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	2.950	2.294	1.286	.209
	Effectiveness of the sales system	.512	.030	.956	17.147

Based on Table 4, the significant value of 0.00 is smaller than 0.05, this indicates that the effectiveness of the sales system has a significant effect on internal control of accounts receivable. The table also shows that constant value (a) of 2.950, while the value of the effectiveness of the sales system is 0.512.

$$Y = 2.950 + 0.512X$$

Then, the t-test starts with the determination of the null hypothesis and alternative hypotheses, statistical test research and statistical test calculations, hypothesis calculations, determination of significant levels and drawing conclusions. The hypothesis that will be used in this study relates to the presence or absence of the influence of the variable (X) on the variable (Y) and how much influence it has. The results of the hypothesis research reveals that that the value of t count is greater than t table (17,147 > 3,182) with a significance of 0.000 < 0.05, it is indicated that H₀ is rejected and H_a is accepted. Therefore, it can be concluded that the effectiveness of the sales system has a positive and significant effect on the receivables internal control system.

5. Conclusion

The research pointed out that the effective sales system is able to influence the good internal control of receivables as

well. The sales system with segregation of duties can control the company's receivables. The phenomenon that occurs is still finding the merging of the sales function with the cash function, resulting in an ineffective sales system whose impact will affect the internal control of accounts receivable. Control activities against receivables are still experiencing problems, namely there are still many customers who are in arrears in paying their debts, with these obstacles causing a lack of company cash receipts. Therefore, the company's internal control needs to be improved.

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