

THE APPLICATION OF INVENTORY ACCOUNTING INFORMATION SYSTEMS AT MANUFACTURING ENTERPRISES

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Abstract: Accounting Information System for material inventory is a very important part for manufacturing companies to carry out supervision in order to avoid risks during the production process. Internal control over material inventory is expected to be able to reduce the possibility of collusion, human error and various other frauds on material inventory. To avoid this, it is necessary to know the internal control system for raw material inventory. Every activity that involves the inventory of materials must be guided by standard operating work procedures attached to an adequate internal control system. All management and employees of manufacturing companies have roles and responsibilities in improving the quality and implementation of the internal control system, as well as the supervisory function.

Keywords: Accounting Information System, Inventory, Manufacturing Enterprises

INTRODUCTION

Introduction

Accounting Information System (SIA) is a continuous process in the company to record its business activities, as well as inform the results to investors and parties related to the company in the form of financial statements. The Financial Accounting Standards Board of the Indonesian Institute of Accountants (DSAK IAI) gives companies the freedom to apply accounting methods in the preparation of financial statements, in accordance with the characteristics of the company. This freedom results in different accounting methods embraced by each company, for the same conditions.

In manufacturing enterprises, the inventory of goods consists of the inventory of raw materials, the inventory of goods in progress and the inventory of finished goods. The Accounting Information System (SIA) of a manufacturing company, will be different from a trading company, with regard to the nature of its inventory of goods. The problem related to raw material inventory is how to carry out internal control of raw material inventory so that the company can achieve its goal of obtaining optimal profits. One way to make it happen is to implement an Accounting Information System for raw material inventory, as a form of internal supervision of raw material inventory in accordance with applicable regulations. Internal control over raw material inventories, is also inherent in the operational activities of an enterprise, and is an integral part of basic management activities such as planning, implementing, and monitoring operating activities. The internal control system of raw material inventory is a very important part for industrial companies to carry out supervision to avoid risks during the production process. This control is expected to be able to reduce the possibility of collusion, human error and various other frauds. To avoid this, it is necessary to know the information system of accounting for raw material inventory.

Application of accounting information systems in the development of commercial enterprise is important. By because it, in order to generate financial reports are both needed an information system that well anyway. With the computerized accounting information system accounting information systems are expected to be running better and the financial statements produced will be more complete and accurate (Agusti & Setiawan, 2019).

Accounting Information System for raw material inventory are running well even though it's still manual. It supported by the implementation of procedures that related to the supply of raw materials by involving various functions with their respective duties and responsibilities and is equipped with the documents that can be accounted for (Lailiyah & Dewi, 2021).

Research purposes

The research method used is a qualitative research method with the object of research in manufacturing enterprise. The purpose of this study was to examine the application of Accounting Information Systems for raw material inventories in manufacturing enterprise.

LITERATURE REVIEW

Each type of company has its own characteristics or characteristics, as well as industrial or manufacturing enterprises, namely; Its activities process raw goods into a semi-finished or ready-made product; Its revenue comes from the sale of the resulting products; There is a cost of goods sold to determine the profit/loss in the company; Production costs consist of raw material costs, transportation costs, labour costs, and factory overhead costs.

The Accounting Information System (SIA) is applied to the company to assist management in organizing the running of organizational activities. Control of the established system is indispensable to ensure that the system has been implemented effectively. The purpose of the Accounting Information System is to provide adequate confidence in the achievement of three groups of goals, Reliability of financial information, Compliance with applicable laws and regulations, Effectiveness and efficiency of operation.

Systems and procedures related to inventory accounting, namely; The procedure for recording finished products; The procedure for recording the cost of goods sold for finished products; The procedure for recording the cost of goods of the finished product received back from the buyer; Additional recording procedures and readjustment of the cost of goods supplied by products in the process; The procedure for recording the cost of goods purchased; The procedure for recording the cost of goods returned to the supplier; The procedure for the demand and expenditure of warehouse goods; The procedure for recording additional cost of goods of inventory due to the return of warehouse goods; Physical calculation system of inventory (Mulyadi, 2016).

An accounting information system (SIA) is a structure within an entity, such as a business enterprise, that employs physical resources and other components. SIA can add value to a company by producing accurate and timely information.

Each company has goods that are classified as different supplies. This is due to the differences in the types and activities owned by the company. For a trading company the goods it owns are intended for resale and are called merchandise inventories. In contrast to industrial enterprises and plantations that hold purchases of raw materials and auxiliary materials to be processed in the production process.

Mulyadi (2016) mentioned that there are systems and procedures related to inventory accounting, namely The procedure for recording finished products; The procedure for recording the cost of goods sold for finished products; The procedure for recording the cost of goods of the finished product received back from the buyer; Additional recording procedures and readjustment of the cost of goods supplied by products in the process; The procedure for recording the cost of goods purchased; The procedure for recording the cost of goods returned to the supplier; The procedure for the demand and expenditure of warehouse goods; The procedure for recording additional cost of goods of inventory due to the return of warehouse goods; Physical calculation system of inventory.

Internal control components needed in raw material inventory accounting information system. Internal control is a policy and procedure used for the operational interests of the

company in protecting its assets in order to avoid all forms of misappropriation and to obtain adequate confidence regarding the objectives of internal control.

Internal control has three general objectives in designing an effective internal control system (Arens, 2014), including: Reliability of Financial Reporting, Efficiency and Effectiveness of Operation, Observance of Laws and Regulations.

RESEARCH METHODOLOGY

This research used qualitative approach. Descriptive method is used in this research. To collect the data, this research used interview, documentation and observation. Interview method is used to find in-depth information from company staff and academic experts by giving questions.

Documentation method is used to support and strengthen the data in this study. Observation method is used to record the information and activities that occur during field research.

RESULTS AND ANALYSIS

This article discusses the manufacturing company that is the furniture industry. To find out the quality of a product, one of them can be seen from how the company utilizes the raw materials used. Procurement of raw materials is one of the most important elements to run the production process smoothly, but if the procurement of raw materials is late, the overall production process can be delayed. On the other hand, if the company holds a supply of raw materials that is too large compared to its needs, it will result in greater storage costs in the warehouse, which can result in losses due to damage, a decrease in the quality of goods and the loss of use of funds too long to be tied in raw material inventory.

The company's production management is faced with efforts in controlling inventory, because control of raw materials is very important to ensure smooth production. In accordance with these circumstances, it is necessary to strive for the use of funds for the provision of appropriate raw materials so that efficiency and effectiveness can be achieved in accordance with the company's goals. If the supply of raw materials is lacking, the company cannot work optimally, causing unemployment of machines and other applied costs. One of the main issues that often concerns raw material inventory is how to carry out internal control of raw material inventory so that the company can achieve its goal of obtaining optimal profits, namely conducting inventory supervision properly in accordance with applicable regulations.

Related functions as well as documents and records used in the information system of accounting for raw material inventory at manufacturing enterprises are as follows: General Part Unit, Field Administration, and Raw Material Supervisor. The general section unit is a part that directly assesses the quality of raw materials when received from suppliers. This section is the earliest part of handling raw material inventory activities. In addition, it is also responsible for documenting the data of each raw material in accordance with the transportation time and origin of the raw material supplier by completing the raw material documents. This document will be installed in each of the already grouped raw materials.

In the field administration section is the part responsible for the entry and exit of documents regarding the activity of raw material supplies. The field administration is also in charge of recapitulation of each raw material inventory document, both from suppliers and from general section units. The raw material supervisor is responsible for all activities that occur in the general section starting from the receipt of raw materials, checking the calculation of all records and documents to making a decision whether the raw materials obtained are in accordance with the data entered from the supplier and in accordance with the quality desired by the company or not.

The documents used in a series of information systems for accounting raw material inventory are as follows; Purchase Note, Raw Material Bundle, Log Receipt Form, and Raw

Material Assessment Memo. Accounting records used in the raw material inventory accounting information system: Daily Reports and Weekly Reports.

Internal control components contained in the raw material inventory accounting information system: **(1) Control Environment**, consisting of actions, policies and procedures, reflecting the attitudes of management, as well as employees. The existence of written or unwritten regulations or policies is a reflection of the integrity and ethical values applied. Commitment to competence can be seen in every position through the recruitment system by prioritizing competence and skills. Placing employees according to their competence and skills in carrying out duties and responsibilities. The participation of the board of commissioners or the audit committee in has not been implemented effectively and efficiently. The supervisory function is carried out in each section by the head of the respective section. As in the raw material inventory activity, direct supervision is carried out by the raw material supervisor once a month by conducting stock-taking of the raw material inventory. The philosophy is instilled in all employees in order to understand that the success and achievement of company goals cannot be separated from the contribution of all employees. The organizational structure of the enterprise describes the separation of functions in each section. The separation of functions is carried out so that each part can understand its own duties and responsibilities. **(2) Risk Estimation**, arises due to several things, including due to the delivery of incorrect information (miss communication) or due to errors from employees. In raw material inventory activities, there are several risks that can be estimated, including, employee work accidents, the occurrence of work accidents during the unloading of raw materials received from suppliers is one of the risks that can be estimated, damage to raw material inventory, and miscalculation and recording of raw materials. **(3) Internal control activities**, are an effort in order to prevent losses for the company that may arise from the risks experienced by the company. Control activities also help ensure that raw material inventory activities can be carried out efficiently. The control activities for each risk arising are as follows: Employee Work Accidents, by emphasizing the regulations regarding K3 in working, it helps minimize the existence of these risks. In addition, the company also prepares P3K posts if these risks occur, Damage to Raw Material Inventory. In raw material activities, there are often too many supplies in the warehouse, resulting in some raw materials being damaged and dropping in quality value. Therefore, the company carries out control by implementing a first in first out or FIFO system, and Miscalculation and Recording of Raw Materials. Errors in terms of calculation and recording can be overcome by re-checking before the raw materials are continued in the production process. **(4) Information and Communication**, In inventory activities, clear information and communication have been provided as stated in daily and weekly reports. This report has been authorized or known by the raw material supervisor as well as the supplier. This shows that the report shows the calculations and records are correct between the two sides. **(5) Monitoring**, is an assessment of the quality of the performance of round-the-clock internal control carried out by personnel who are supposed to perform the work. In relation to control objectives related to financial reporting, compliance with applicable laws and regulations, as well as the effectiveness and efficiency of operations, it is necessary to monitor control activities.

CONCLUSION

Accounting Information System for material inventory in manufacturing companies has been implemented and executed properly. This is evidenced by the implementation of internal control in each related section in accordance with their responsibilities. The documents used in the material inventory activity have also been made in duplicate and sorted according to date. Manufacturing companies with an SME scale do not yet have an internal supervisor (audit) and there is no section specification that meets the qualifications as a board of commissioners, so there is a double job at the head of the section. In addition, attention to the philosophy and

management style of the company is still not maximized, which results in the documentation of the company's vision and mission not being carried out properly.

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