THE ANALYSIS OF INTERNAL CONTROL SYSTEMS
IN IMPLEMENTING THE BUDGET
FOR POS OPERATION
(A Case Study of PT Adira Quantum Multifinance)

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PANEL OF EXAMINERS

APPROVAL SHEET

The panel of Examiners declare that the thesis entitled “The Analysis of Internal Control Systems in Implementing Budget for POS Operation (A Case Study of PT Adira Quantum Multifinance)” that was submitted by Tatyana Adilla majoring in Management from the Faculty of Economics was assessed and approved to have passed the Oral Examination on 6 October 2010.

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DECLARATION OF ORIGINALITY

I declare that this thesis, entitled “The Analysis of Internal Control Systems in Implementing Budget for POS Operation (A Case Study of PT Adira Quantum Multifinance)” is, to the best of my knowledge and belief, an original piece of work that has not been submitted, either in whole or in part, to another university to obtain a degree.

Cikarang, Indonesia, 4 October 2010

Tatyana Adilla
ABSTRACT

This research is created to investigate whether the budget that is applied in PT. Adira Quantum Multifinance has run effectively based on the criteria of COSO Internal Control and find out the best budget scenario to be applied. The reason to do this research is to improve the performance of PT. Adira Quantum Multifinance in budgeting. The researcher creates this research by doing content analysis for pre-analysis and doing analysis of secondary data for construct the result.

Focusing on certain expenditures in the part of General and Administrative Expense in widening POS (Point of Sales) which has been run for at least 5 months, the researcher uses their financial statements to be compared with the criteria of COSO Internal Control.

For the information and data processing, the researcher adopted quantitative analysis by using analyzing secondary data. As the results, the researcher concludes that the previous budget that is applied for 2009 is not effective. The researcher also creates some scenarios using nationalized expense which are low cost, moderate cost and high cost scenarios.

The researcher concludes that the best solution to PT. Adira Quantum Multifinance is to use moderate cost scenario. The researcher also gives several recommendations, so the performance of PT. Adira Quantum Multifinance will get better.
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CHAPTER I
INTRODUCTION

1.1 Background of Study

Expense has an important role in every business firm. It can be said that expense takes a big control in positioning business’ profit. An uncontrolled expense may give a company many disadvantages and, even, loss.

In avoiding leak in expense of a company, there is a budget. Budget can control expense, so that the company will not have reduction instead of gaining profit. But a budget can not always be right or match to the company. It can be assessed by using many criteria or theories and one of them is internal control. The most common internal control’s theory is the one made by COSO (Committee of Sponsoring Organizations of the Treadway Commission) that can provide assurance to a company by considering its three categories, effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

Growing company, in this case, PT. Adira Quantum Multifinance, tends to have uncontrolled expense, because the company itself still has to think about many things to grow for becoming a better company. This may lead to an unprepared management that may be an internal barrier to control its expenses of its Head Office and also its branches.

According to the data of PT. Adira Quantum Multifinance, until October 2009, it has 31 active branches and 100 active Point of Sales (POS) in all over of Indonesia. A
POS is just like a branch, where customers can make their credit for things that they want, but a POS operates under a branch. Therefore, a branch can have one or more POS. It is certain that a POS is located in regency or subdistrict, while a branch is located in a big city. Some of POS are located far away from the branches (widening POS), but some are located near the branches (deepening POS). Even, there are some branches that have to travel 10 hours drive by car in order to reach their POS for conducting a regular visit.

Widening POS are responsible to all of their expenses while deepening POS charge most of their expenses to their own branches. Therefore, widening POS is predicted to have a larger expense that the deepening one, moreover, widening has an internet connection and the location is further. Certainly, telephone and fax expense of widening POS will be huger, because when a problem occurs, it will be not easy for the branch to visit widening POS just like visiting deepening POS that is located nearby its branch.

Based on the interview from Mr. Hariman Nugraha, Head of Business Management Department, PT. Adira Quantum Multifinance has difficulties in “General and Administrative Expense”, especially telephone and fax, courier service, office supplies, electricity and water expenses. PT. Adira Quantum Multifinance has already had its budget of those expenses for 2009, but Mr. Hariman also stated that the making of the budget was not made by exact calculation.

Ahalik (2008, pp. 2) stated that budgeting is essential for planning and control. A budget is the quantitative expression of a proposed plan of action by management for a specified period and is an aid to coordinating what needs to be done to implement that plan. The information used to develop budgets includes past and non-financial information routinely recorded in accounting systems.

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1 See Appendix 3
Because a budget is really crucial to a company, a budget has to be definitely effective. That is why the researcher wants to prove whether the budget has run effectively theoretically, not by assumption. The researcher will assess PT. Adira Quantum Mutifinance budget of selected general and administrative expense for 2009 of widening POS based on three categories of COSO Internal Control.

1.2 Company Profile

1.2.1 History of Adira
Adira Finance was established in 1990 by Adi Rahmat and Stanley Atmadja, which later has two subsidiaries, Adira Insurance and Adira Quantum. In the year 2002, Adira Quantum was first established as a financing company specializes in electronics, computers, furniture and other home appliances. In 2004, Adira Quantum was taken over by Danamon Company and in 2008, the company was fully and officially absorbed rules and regulation of Danamon Company. It also re-branded its logo to be Adira Kredit – A Danamon Company.

1.2.2 Vision and Mission
1. Adira Quantum minds and is willing to help million of people in reaching prosperity.

   Everyone in Danamon/Adira Quantum, Ltd. has sincere and intense attention toward the entire group who are responsible to facilitate and accomplish a result for all clients, employees, partners and shareholders – anywhere, thus accomplish a better life financially, intellectually and socially.

2. Danamon would like to be “The Best Financing Firm” in Indonesia which is acceptable by public.
An organization which is focused on clients and serves all segments by raising unique values for each segment based on the performance of sales and service and is supported by world class technology.

3. Our aspiration is to become a chosen company which is capable of producing and is respected by clients, employees, shareholders, regulator, and the communities.

1.2.3 Adira Quantum’s Growth

<table>
<thead>
<tr>
<th>Table 1.1</th>
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*Source: Adira Quantum Multifinance – Company Profile*

1.3 Problem Identification

Management control system is crucial to a company, and one of its elements is budgeting that is used as a planning and controlling tool. Budgeting can limit expense of a company so that the cash flow will be controlled. Sometimes, uncontrolled expense happens because of ineffective budget applies in a company and PT. Adira Quantum Multifinance is one of the examples.

Based on the interview, the budget of PT. Adira Quantum Multifinance for 2009 and its practices is seemed not really be the best budget towards PT. Adira Quantum Multifinance. Mr. Hariman clearly stated that the process of making the budget of
PT. Adira Quantum Multifinance for 2009 does not follow exact calculation and analysis. Therefore, it can be roughly concluded that the budget has not run maximally effective.

Based on the interview\(^2\) with Mrs. Rima Riandari, Head of Quality Assurance Department, PT. Adira Quantum Multifinance’s monthly operation goal of POS is to not having expense that exceeds the budget. While in fact, looking at the financial statements as the budget’s practices, many POS have their expenses exceed the budget.

According to Gelinas, et al. (2005), one criterion to have effective and efficient operational activities is to ensure security of resources both physical and non-physical. Based on the researcher’s observation in PT. Adira Quantum Multifinance, PT. Adira Quantum Multifinance still allows people to put flash disk to the office’s computer, so it will be easy for someone to get confidential data that is really important to PT. Adira Quantum Multifinance. Besides, data that is sent from POS (Point of Sales) is not protected by any password, so anyone can also access the data.

According to Gelinas, et al. (2005), ensure input completeness is criterion of having health and effective budget. PT. Adira Quantum Multifinance makes its budget for POS based on the report made by Accounting Department. Unfortunately, PT. Adira Quantum Multifinance can not really rely to its financial reporting, because looking at the financial statements of them\(^3\), there is always a month or several months missing from the expense’s report.

Beside that criterion, ensure input accuracy is also a criterion of having health and effective budget. Looking at the financial statements of POS, some of them have

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\(^2\) See Appendix 6  
\(^3\) See Appendix 8-37
positive number on expense report where it has to be negative. It means accounting
team made a correction, or in accounting word, reverse, so it shows that the team did
not put the number accurately when the team was making the financial statements.

Completeness and accuracy are extremely important to the reliability of financial
reporting and all of the facts stated above show that PT. Adira Quantum Multifinance
does not fulfill the criteria.

A healthy and effective budget should also comply with general laws and regulation
internally and externally. According to the interview with Mr. Hariman, PT. Adira
Quantum Multifinance has an internal policy of having 20% tolerance in exceeding
budget, but in fact, many POS exceed that policy. And externally, a budget should
follow GAAP (Generally Accepted Accounting Principles). Looking at the result of
interview\(^4\) with Mrs. Ida, the company has already followed the standard procedures
of GAAP.

The summary of problems is:

1. The process of making the budget of PT. Adira Quantum Multifinance for
   2009 does not follow exact calculation and analysis.
2. Monthly operation goal of POS is to not having expense that exceeds the
   budget. While in fact, looking at the financial statements as the budget’s
   practices, many POS have their expenses exceed the budget.
3. PT. Adira Quantum Multifinance does not secure its non-physical resources.
4. The financial statements of POS in PT. Adira Quantum Multifinance for 2009
   are not complete and accurate.
5. The POS budget’s practices have exceeded tolerance policy of 20%.

\(^4\) See Appendix 7
Those several facts that are gained by doing interview and direct observation make the researcher wants to evaluate the budget of PT. Adira Quantum Multifinance and its practices in 2009 theoretically. The researcher decided to use three categories published by COSO to assess the budget and its practices. Therefore, the researcher will know whether PT. Adira Quantum Multifinance needs recommendation for fixing its budget. The researcher analyzes secondary data gained from PT. Adira Quantum Multifinance, the financial statement of widening POS concentrates in selected General and Administrative Expense from December 2008 until October 2009.

1.4 Problem Statement

The following problem statements that have been used to guide this research work:

1. Is the budget of PT. Adira Quantum Multifinance for 2009 effective based on three categories of COSO Internal Control?
2. What is the best budget scenario for PT. Adira Quantum Multifinance?

1.5 Research Objectives

In order to achieve this overall research aim, the following objectives are offered:

1. To investigate whether the budget of PT. Adira Quantum Multifinance for 2009 is effective based on three categories of COSO Internal Control.
2. To propose the best budget scenario to be applied in PT. Adira Quantum Multifinance to minimize the internal control violations that create over budget.
1.6 Significance of Study

This research is aimed to give a valuable knowledge for:

1. PT. Adira Quantum Multifinance
   This research will help them to find whether the budget has been run effectively or not, so that PT. Adira Quantum Multifinance can decide the best decision towards the result.

2. President University Community
   Provide references and literature review for students who are eager to learn about doing budgeting for a certain company. Also, it could become a reference for students to do the next research in doing a study case about budgeting in another company.

3. The researcher
   Give better and deeper understanding about the research topic, because the researcher has the opportunity to do it practically. Besides, the researcher has also involved directly within the process in analyzing and processing the data. In the future, the researcher expects this study could give valuable knowledge in working field after graduated.

1.7 Theoretical Framework

This research is about analyzing the realization of expense budgeting for the period of December 2008 until October 2009 and recommending the best budget scenarios for PT. Adira Quantum Multifinance, especially in POS (Point of Sales).
Figure 1.1 Theoretical Framework

Source: Researcher
1.8 Scope and Limitation of Study

1.8.1 Scope

This study is conducted to create a recommendation of best budget scenarios for PT. Adira Quantum Multifinance. The data will be gathered from the Business Management department of PT. Adira Quantum Multifinance Head Office in Jakarta only.

1.8.2 Limitation

1. This study will only focus on selected General and Administrative expense budget, such as telephone, courier service and office supplies expenses as variable expenses.
2. This study will only focus on the expense of widening POS (Point of Sales) of PT. Adira Quantum Multifinance that minimal has already operated for 5 months.
3. This study will only take place in the Head Office of PT. Adira Quantum Multifinance Jakarta.
4. This study will not use any questionnaire.
5. This study will only take the data from financial statement for the period of December 2008 until October 2009 and the budget of POS in PT. Adira Quantum Multifinance Jakarta for 2009.
6. In conducting the study, the researcher will use secondary data.

1.9 Definition of Terms

Expenditure: decreases in economic benefits during the accounting period on form of loss or reduction of assets or incurrence of liabilities that result in decreases in equity.
Internal Control: a process, affected by a company’s board of directors, management and other employees, created to provide reasonable assurance regarding the achievement of objectives in the categories of (1) effectiveness and efficiency of operations, (2) compliance with applicable laws and regulations, and (3) reliability of financial reporting.

Budget: a document that translates plans into money - money that will need to be spent to get your planned activities done (expenditure) and money that will need to be generated to cover the costs of getting the work done (income).

Efficiency: concerns the provisions of information through the optimal (most productive and economical) usage of resources.

Effectiveness: deals with information being relevant and pertinent to the business process as well as being delivered in a timely, correct, consistent, usable and complete manner.

Reliability: relates to systems providing management with appropriate information for both to use in operating the entity, in providing financial reporting to users of the financial information and in providing information to regulatory bodies with regard to compliance with laws and regulations.

Compliance: deals with complying with those laws, regulations, and contractual obligations to which the business process is subject, that is, externally imposed business criteria.
CHAPTER II
LITERATURE REVIEW

2.1 Budget

Definition:
A budget is a document that translates plans into money - money that will need to be spent to get your planned activities done (expenditure) and money that will need to be generated to cover the costs of getting the work done (income). It is an estimate, or informed guess, about what you will need in monetary terms to do your work. (www.civicus.org)

As human being who has mind and passion, people tend to buy many things beside their basic needs. Buying things like that needs money and not every person can afford all of things they want. Besides, people also have to fulfill their basic needs. In order to fulfill both their needs and things that they want, they need to have a plan of money that they are willing to spend. Therefore, people know when and how much money should they spend to buy the things and fulfill their needs.

If people do not have any plan in spending their money, their life will be uncontrolled. At the end, it is possible if some people suffer because they are lack of money. That’s why, the sensible way to go is to make a plan of spending. That plan of spending is very important to be done in every person’s life and even more important if that plan is done in any business or financial situation.
Brock, et al. (2007) stated that budget is a business’s financial plan for a specific period. Once financial goals are established, the budget is used to check and control operations using a budgetary control system. Brock also stated that budgetary control system is a system for comparing actual results with budgeted goals that covers all phases of business activity: sales, production, administration and finance.

Simply can be said that budget is like a financial map that is written in terms of numbers or money and usually used to prepare an organization for the future. A budget can provide answers to questions like:

1. What financial situation that an organization expects at the end of the year?
2. How much expense that an organization has to spend to get there?
3. How much profit that an organization expects during the year?
4. How is an organization’s performance at the moment?

(www.marcbowles.com)

In a large company, there is a budget committee under the supervision of budget director who is responsible in coordinating the budget, who usually reports to the controller. Besides, there are many individuals that usually involve in coordinating the budget for the company. While in a small company, frequently the accountant serves as a budget director. The budget director suggests procedures for budget preparation and gives assistance and information to those responsible for preparing the budget proposal of each department.

In conclusion, budget is a financial or more general quantitative terms plan which can be used to see forward for a period into the future. Budgets are usually used in organizations of all types and sizes. It means that budget can be used in all kinds of organizations, including, for example, school, charities, health group. Budgets are also possible to be used individually, for example, in planning a mortgage. (Gowthorpe, 2005)
There are two keys of budget which are income and expenditure. One aim of budget is to ensure that an organization’s expenditure does not exceed its income. A good budget will show a good performance at the end of the year. An organization will be claimed well if its income is really huge and it has a proper expenditure, meaning minimum but fulfill the needs.

In order to achieve a certain level of efficiency and continuously achieve expected profit, the organization implements some functional activities in the promotion, production, financial control and administration. Each of this section will demand a specific specialization and programs. Unfortunately, the specific specialization and programs demanded usually becomes the barrier to achieve the main goal which is profit. It happens because there are some differentiation that create problem between one and another. To avoid this problem, the organization needs a solid and well-prepared planning, coordinating and controlling mechanism.

### 2.1.1 Purposes of Budgeting

There are three common major purposes of budgeting:

a. Planning

This includes helping a company to create a program in achieving the objectives and also creating the alternative when there are problems occur. This can also include prioritizing, means a company can prioritize which program that can be done first to achieve the objectives faster. This purpose of budgeting can also be a motivator to the employees.
b. Controlling
This is defined as monitoring, comparing information to a standard and taking corrective action. A budget that will serve this function well must have 4 characteristics:
1. It must be well-conceived and be approved by the board
2. It must be broken down into increments corresponding to the periodic financial statements
3. Financial statements must be prepared on a timely basis and compared to the budget
4. The board and staff must take action where such comparison indicates a potential problem

c. Managing
This purpose allocates resources intentionally and carefully to achieve the objectives. This includes programming approved goals into specific projects and activities, the design of organizational units to carry out the programs, staffing and procurement of resources.

2.1.2 Approaches of Budgeting
This research focuses on expenditure budgeting and there are four common approaches in expenditure budgeting (Atkinson, et al., 2001):
1. Incremental Budgeting
This approach lets the current period’s expenditure level depends on the amount spent during the previous period. For example, if the total budget for expenditure increases by 10%, it means that each expenditure variety can increase by 10%. If in reality, the expenditure just increases 5%, then the department may spend the remaining 5% based on the needs during the
period. Some people clearly criticized this incremental budgeting because this approach does not require justification in using the budget. all of the departments just stay on the budget although actually they can spend less than it.

2. Zero-based Budgeting (ZBB)

ZBB is not recommended to be used for engineered costs because it varies in proportion to production. The starting point for each budgeted item is zero in this approach. ZBB is activated mostly to avoid misallocation of the budget and also to avoid projects that will need a lot of money and time to be done. Under this approach, planner allocates the budget to projects that are match to the company’s goal. This approach mostly used to assess government’s expenditures, while in a profit-seeking company, ZBB is mostly just used in the budget of research and development, advertising and employee training.

3. Activity-based Budgeting

This approach of budgeting uses knowledge about the relationship between production units and the activities required to produce the units to develop detailed estimation of activities required. There are two major benefits if a company uses this approach. First, it identifies situations when production plans require new capacity. Second, it provides a more accurate way to project future cost. For example, a company that produces shampoo, soap and toothpaste has a different budget in producing those three different units. If the company uses this approach, its master budget will include the activities in producing those units, such as moving, fabricating and assembly. Therefore, when the proposed uses of capacity exceeds the available capacity, the company will either have to take steps to expand capacity or find another plan that required capacity does not exceed availability.
4. Project Funding
Many people criticize zero-based budgeting as an expensive approach, because it requires so much employee time to prepare. Therefore, there is an intermediate solution between the two extreme approaches, zero-based budgeting and incremental budgeting to minimize disadvantages of each. The solution is this approach, project funding. In a company which applies this approach, the budget proposal will be requested in terms of project proposal that includes project duration and cost for each period during the project’s life. It means that the planners will provide all of the requirements in the project and when there is a request to extend or modify the project, it must be approved by the planners separately.

2.1.3 The Budget Process
The three most common methods of setting budgets in the research of Atkinson, et al. (2001):

1. Authoritative Budgeting
This kind of process will occur when a manager directly tells subordinates what their budget will be. The benefit is the efficiency because the budget does not need a long time and process to be made. The managers have a full authority and it makes the budget come from a single perspective. The disadvantage that a company will have is the lack of motivation and commitment to achieve the goals. This is because the employees or subordinates do not fully participate in creating the budget. It will get worse if the managers set the goals high and only provide a small budget to spend, motivation can decrease significantly and the employees will fail to attain their goals.
2. Participative Budgeting
   This is the method of a joint decision-making process in which all parties, both managers and subordinates, agree about the setting of budget targets. This method makes the subordinates more or less participate in creating the budget. The benefits of that will be formed as greater feeling of commitment and higher motivation in attaining the goals. This will encourage subordinates to reveal “private information” about their ability to attain the goal. Besides, the subordinates can also give some ideas that can improve existing process. This means a higher performance will be shown.

3. Consultative Budgeting
   This method will occur when managers ask subordinates to discuss their ideas about the budget, but no joint decision-making occurs. For instance, the managers take the subordinates’ ideas and determine the final budget alone. For some large organization in which complete participation is impractical, consultation is the norm.

2.1.4 Behavior and Budgeting

Reeve, et al., (2009) found that there are three major problems and consequences which are influenced by behavior of human that can arise in budgeting process:

1. Setting Budget Goals Too Tightly
   In this case, the budget is viewed unachievable and set too high, so it tends to discourage employees. It gives negative effects to the ability of a company in achieving the goals. Reasonable and attainable goals are more likely to motivate employees. It would be better if both managers and employees involve in budgeting process. Therefore, the commitment made is stronger to
achieve the goals. It is good when a company let all of the departments contribute and be responsible to the budgeting process.

2. Setting Budget Goals Too Loosely
This case is like the other case of case above. In this case, the budget is set lower than usual in order to fulfill the unexpected expenditure. The problem will occur usually at the end of the period when the actual spending is less than the budget. It makes the managers to decide whether they want to spend it or loose the remaining budget. The managers tend to spend the remaining budget on unnecessary objects in order to avoid having their budget reduced for the next period. This kind of case can be reduced by holding some training for managers and employees of the importance of realistic and attainable budget.

3. Setting Conflicting Budget Goals
Goals conflict may occur when the employees’ or the managers’ self-interest are different from the company’s objectives and goals. The occurrence of goals conflict is when there are different goals of responsibility from each department. To illustrate, assume that in a manufacturing company, the purchasing department want to purchase an item which is priceless, but finance department will give the budget less than its price. It makes the purchasing department has to buy an item which is less expensive, but certainly in a lower quality. As a result, many complaints of the customer will come and it will more or less affect the profitability of the company itself.

2.1.5 Benefits of Effective Budgeting
Gowthorpe (2005) touch on benefits of effective budgeting in her book that are summarized as follow:
1. Planning and Coordination of Operations and Activities
   Setting a budget concentrates the minds of all of the employees involved on the objectives of the organization. This allows for coordinated, planned actions to take place and should minimize fraud that can bring bad effects to the organization. The efficient coordination is extremely important in a large organization where each departments or divisions may not have an adequate perspective on the objectives.

2. Providing Motivation
   When a budget process is effective, it may help to promote chances to obtain the targets and objectives of the organization and it will automatically encourage the staff to work harder in obtaining the goals. In reverse, if the budget process is ineffective, the staff can be discouraged and it will give a fatal effect to the organization itself.

3. Control of Operations and Activities
   Because a budget is a plan that is made carefully, it should allow managers to control business activity. Once the budget has been set and approved, the managers will compare the actual outcomes to the budget. It can be said that the budget acts as a direction in achieving the goals. When there is a problem occurs, the managers shall take a quick respond to fix it.

4. Basis for Performance Evaluation
   An effective budget provides targets that each division has to achieve in a period of time. It means that the budget can be used to assess performance of the employee. By looking thoroughly at the budget, managers can conclude which division that can achieve the target and which one can not. This can also be a chance for the employee to get rewards from the managers.
2.1.6 Problems with Budgeting

Some problems that can be occurred are usually affected by human behavior. The following problems are also stated by Gowthorpe (2005):

1. Demotivational Budgets
   In creating the budget, there has been already purpose or target that has to be obeyed. When in practical, the plan does not run as well as the budget, the staff and middle managers may feel angry and the worst, they refuse to participate to work to budget.

2. Setting Unrealistic Targets
   This has been already explained by the researcher above in ‘behavior and budgeting’. This is when the managers create an over-optimistic target in a budget. Therefore, the staff will think that it will be useless to work hard in achieving the goals, because whatever that they do, the goals will not be obtained.

3. Budgetary Slack
   In creating the budget, people who are usually involved are managers and staff. They may try to give themselves an ‘easy’ life by setting a low target in the budget so that they do not have to work hard in achieving the target. Therefore, senior managers shall be aware of the possibility that their staff will build a budgetary slack.

2.2 Internal Control

Internal control can be defined as a process that includes authority chart in an organization, the work, the people and management information system which is used to help the company to attain goals. In other words, the company’s resources
will be monitored, directed and measured in order to reduce risks in achieving the goals. Control is designed to safeguard the organization’s assets are relevant to an audit if they affect reliability of financial reporting. The quality of an internal control in a company shows the ability of a company to stand as a competitor in business world.

The most widely known framework is COSO (Committee of Sponsoring Organizations of the Treadway Commission). For those who are unfamiliar with COSO, COSO is an organization that firstly established in 1970s to study how to face fraudulent financial reporting. Since then, the five sponsoring organization for COSO at that time – Financial Executive International, American Institute of Certified Public Accountants, American Accounting Association, The Institute of Internal Auditors and The Institute of Management Accountants – have continued to frequently discuss how to develop guidance and further the organization’s work.

The theory that the researcher uses is The Internal Control – Integrated Control Framework which is published by COSO in 1992. It is known as the central internal control framework in United States and has been translated to several languages around the world. The framework emphasizes, but it is not limited to, internal control over financial reporting. COSO has also published separate guidance on Enterprise Risk Management in 2004 and Guidance for Smaller Public Companies in 2006.

“Internal control is defined as a process, affected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations, (2) reliability of financial reporting, and (3) compliance with applicable laws and regulations” (COSO (cited in Rittenberg, 2008, p.190))

Internal control varies significantly from one organization to another, depending on some factors, such as size, nature of operations and objectives. Internal control’s main purpose is to protect and prevent fraud and theft. The other purpose of internal
control is to prepare accurate financial information for internal decision-making and external reporting to the investor.

There are three important concepts that are involved in the COSO framework:

1. Internal control is related to the organization’s objectives.
2. There are five components of internal control that are logically and operationally interrelated to accomplish the objectives.
3. International control is applied across all activities of the organization.

2.2.1 Categories of Internal Control System

As stated before, there are three categories of COSO Internal Control:

1. Effectiveness and Efficiency of Operations

Controls within an organization are meant to encourage efficient and effective use of its resources, including personnel, to optimize the company’s goals. There are three criteria based on Gelinas, et al. (2005):

   a. Ensure effectiveness of operations by achieving the operations process goals. Gelinas, et al. (2005) stated that effectiveness is a measure of success in meeting one or more operations process goals which reflect the criteria used to judge the effectiveness of various business processes. For example, if a company’s operations process goal is to deposit cash receipts on the day received, the operations process is effective if cash receipts are deposited each day when received.

   b. Ensure efficient employment of resources.

   Gelinas, et al. (2005) stated that efficiency is a measure of the productivity of the resources applied to achieve a set of goals. For example, to achieve operations process goal, what is the cost of the people, computers and other resources needed.
c. Ensure security of resources

According to Gelinas, et al. (2005) stated that security of resources is protecting an organization’s resources from loss, destruction, disclosure, copying, sale or other misuse. For example, are both physical (cash) and non-physical (information) resources available when required? Are they put to unauthorized use?

2. Reliability of Financial Reporting

Management is responsible for preparing financial statements for investors, creditors, and other user. Management has both legal and professional responsibility to be sure that the information is fairly prepared in accordance with reporting requirements. According to Arens, et al. (2005), those reporting requirements are closely related to Generally Accepted Accounting Principles (GAAP). These are part of the criteria that management uses to record and disclose accounting information in financial statements.

GAAP classifies requirements into five broad categories:

1. Existence or occurrence

Requirements about existence deal with whether assets, obligations and equities included in the balance sheet. The statement of occurrence concern whether recorded transactions included in financial statements actually occurred during the accounting period. For example, management declares that merchandise inventory included in the balance sheet exists and is available for sale at the balance sheet date. Similarly, managements declare that recorded sales transactions represent exchanges of goods and services that actually took place.
2. Completeness
This management requirement states that all transactions and accounts that should be presented in the financial statements are included. For example, management declares that all sales of goods and services are recorded and included in financial statements. The completeness requirement deals with matters conflicting from those of the existence or occurrence requirements. The completeness requirement is concerned with the possibility of neglecting items from the financial statements that should have been included, whereas the existence or occurrence declaration is concerned with addition of amount that should not have been included. Therefore, the violations of the existence declaration relate to account overstatements, whereas violations of the completeness declaration relate to understatements. The recording of a sale that did not take place would be a violation of the occurrence declaration, whereas the failure to record a sale that did occur would be a violation of the completeness declaration.

3. Valuation or allocation
These requirements deal with whether assets, liability, equity, revenue and expense accounts have been included in the financial statements at appropriate amounts. For example, management declares that property is recorded at historical cost and that such cost is systematically allocated to appropriate accounting periods through depreciation. This declaration is similar to the requirements of accuracy in recording the data.

4. Rights and obligations
These management requirements deal with whether assets are rights of the entity and liabilities are the obligations of the entity at a given date. For example, management declares that assets are owned by the company or
that amounts capitalized for leases in the balance sheet represent the cost of the entity’s rights to rented property and that the corresponding rent liability represents an obligation of the entity.

5. Presentation and disclosure

These requirements deal with whether components of the financial statements are properly combined or separated, described and released. For example, management declares that obligations classified as long-term liabilities in the balance sheet will not mature within 1 year.

3. Compliance with Laws and Regulations

Sarbanes-Oxley Act of 2002 requires all public companies to issue an “internal control report” that includes the following:

1. A statement that management is responsible for establishing and maintaining an adequate internal control structure and procedures for financial reporting.

2. An assessment of the effectiveness of the internal control structure and procedures for financial reporting as of the end of the company’s fiscal year.

For a statement that management is responsible for establishing and maintaining internal control, the report must identify the framework used by management to evaluate the effectiveness of internal control. Management’s evaluation must be based on a recognized control framework that has been established following a due-process procedure that allows for public comment.
The policies and procedures must provide the following:

1. Sufficiently detailed records to accurately and fairly reflect the company’s transactions and asset disposals.

2. Reasonable assurance that financial statements are prepared in accordance with GAAP, management and directors have properly authorized receipts and expenses, and prevention and detection procedures exist to prevent or detect unauthorized acquisitions and disposals of material assets.

2.2.2 Components of Internal Control System

The five components of the internal control process are as follow (Whittington and Pany, 2004):

1. Control Environment

   The control environment sets the tone of organization by influencing the control consciousness of people. This may be viewed as the foundation of all components of internal control. Board of directors, audit committee and management as the group of leader in a company sets the standard acceptable conduct through policies, codes of ethics and effective governance. The control environment is important to establish and encourage the employee’s commitment to strong internal control and management through their own actions and words. Control environment includes:

   a. Integrity and Ethical Values

   The effectiveness of internal control depends on integrity and ethical values of the employees who are directly responsible for creating, administrating and monitoring controls. Management should protect the company from dishonesty, unethical behavior and illegal action. One way to reduce those possibilities is that the management shall avoid making unrealistic goal.
b. Commitment to Competence
Employees shall have skills and knowledge that is relevant with the job that they have to do in the company. If the employees lack of knowledge, they can not perform well in the company. Ideally, the management shall commit to hire employees with appropriate skills and knowledge and also provide them with adequate supervision and training.

c. Board of Directors or Audit Committee
These two components are very crucial in a company. Both of them shall do the best and are hired after going through a tight qualification. And it will be suggested that both of them should come from outside party, means not officers and employees of the company and do not have other relationships that can encourage interdependency. Therefore, they will have a different view from the employees inside the company itself.

d. Management’s Philosophy and Operating Style
Performance of a company will be more or less affected by the management’s philosophy. Each management has its different style, whether philosophy toward financial reporting or its attitudes toward taking business risks. These different philosophies and operating style may have an impact on the overall reliability of the financial statement. Therefore, a company needs control toward these management’s philosophies and operating styles through written policies, performance reports and exception reports to control activities.

e. Organizational Structure
A well-designed organizational structure provides a basis for planning, directing and controlling operations. It divides authority, responsibilities and duties among members of an organization. There are two kinds of
decision making in a company, centralized, dominated by an individual and decentralized, many managers will involve in decision making. An organizational structure should separate responsibilities for (a) authorization of transaction, (b) recordkeeping for transaction and (c) protection of assets. The effectiveness of an organizational structure is completely crucial. It can be done by having a qualified head of department and also having executives of major departments consequently report to the vice president or president director of the company itself.

f. Assignment of Authority and Responsibility
Employees within a company need to have a clear understanding of their responsibility and the rules and regulation that control their action. Therefore, management should develop a clear job description and also the policies that describe appropriate business practices, knowledge and experience of key personnel and the use of resources.

g. Human Resource Policies and Practices
Human resource is a department that can develop policies and practices for hiring, providing orientation for, training, evaluating, counseling, promoting and compensating employees. It is very crucial if human resource department run effectively in a company. Effective human resource policies often can reduce other weaknesses in control environment.

2. Risk Assessment
This is a process designed to identify some potential events that can affect a company in a bad way during the period of achieving their goals. This assessment has to be done thoroughly, because there are many different levels
of risks and the responses of the risks itself. After the assessment, the management may create plans, programs and actions to cope with the risks. In short, the process of risk assignment includes identifying relevant risks, estimating the significance of those risks and then deciding on action to manage the risks. The following factors might become indicators of the increasing percentage of risk:

a. Changes in the organization’s regulatory or operating environment.
b. Changes in the members of team.
c. New or restore information systems.
d. Quick growth of the company.
e. Changes of technology that affect production processes or information systems.
f. New business models, products or activities.
g. Corporate restructurings.
h. Expansion or acquisition of foreign companies or operations.
i. Adoption of new accounting principles or even changing the principles.

Those factors above are they which have to be avoided to reduce risks. When it becomes unavoidable, management should take serious action to save the company from facing a bigger risk.

3. Information System and Communication

Information is crucially needed at all levels of organization to assist management in achieving company’s targets. This includes the company’s accounting system that consists of the methods and records established to record, process, summarize and report an entity’s transactions and to maintain accountability for related assets, liabilities and equity. Management’s ability to make appropriate decisions in managing and controlling the company’s
activities and to prepare proper financial reports depends on the effectiveness of the information. An accounting information system should:

a. Identify and record all valid transaction.
b. Describe on a timely basis the transactions in a proper detail.
c. Measure the value of transactions in a manner.
d. Determine the time period in which transactions occurred
e. Present properly the transactions and related admission in the financial statements.

Proper communication involves providing employees with an understanding of their individual roles and responsibilities relating to financial reporting. Open communication channels are essential to proper functioning of an information system. The employee that processes information should understand how their activities relate to the work of others and the importance of reporting exceptions and other unusual items to an appropriate level of management.

4. Control Activities

These activities are the policies and procedures that are established to help in achieving the goals and reduce the risks. One thing that is really important to be remembered is that in controlling something, there is no formal standard that can be applied in any situation. There are many kinds of control activities that are used to reduce risks. The following types are they who are generally relevant to evaluate a company’s financial statement:

a. Performance Reviews

These controls include reviews of actual performance as compared to budgets, forecasts and periodically performance. By doing performance reviews, management can evaluate whether the employees have already effectively tried to achieve the goals or not. By investigating for unexpected performance, management may make
timely changes in strategies and plans or take other appropriate corrective and effective plan.

b. Information Processing Controls
There are many kinds of control activities that are performed to check accuracy, completeness and authorization of transactions. The two broad categories of information processing controls include **general control activities**, which apply to all information processing procedures and **application control activities**, which apply only to one particular activity. An important aspect of information processing controls is the proper authorization of all types of transactions. A control of wide applicability is the use of serial number on documents. This has been done in most of formal company in the country so that every transaction in the company can be easily controlled. And it will become more practical if the company provides computerized accounting systems so that the computer may assign number to the transaction and documents.

c. Physical Controls
These controls include those that provide physical security over both records and other assets. Those activities may include maintaining control at all times over un-issued pre-numbered documents, as well as journals and ledgers and also restricting access to computer programs and data files. It means that only authorized individuals who are allowed to access the company’s assets or valuable documents. Direct physical access to assets may be controlled through the use of safes, locks, fences or even guards. Faking financial reports are also activities that should be prevented. Therefore, the proper action that should be taken is to periodically compare accounting records and
physical assets in hand. Investigation is a must action when inconsistency occurs so that the next right step can be taken. Without these comparisons, waste, loss or theft of the related assets may be undetected.

d. Separation of Duties
A fundamental and essential concept of internal control is that no one department or person that handle all aspects of a transaction from beginning to end. In other words, no one individual performs more than one of the functions of authorizing transactions, recording transactions and maintaining protection over assets. A company should also avoid an employee who can run incompatible duties that allows the employee to both make and cover a fraud or error. Therefore, the separation of duties in a company is really important and if it is done successfully, the jobs can be done effectively but maybe not so efficient. Because, more employees mean more money to pay them, but once again, it will be worth if we are talking about the effects of fraud itself.

5. Monitoring
This last component provides feedback on the effectiveness of the other four components. It is about a process to assess the quality of internal control performance over a period of time. It is important for a company to know whether it is operating as expected and whether it needs any modifications. Monitoring can be achieved by performing ongoing activities or by separate evaluations. **Ongoing activities** include regularly performed supervisory and management activities, such as continuous monitoring of customer complaints or reviewing the reason and the affect of the result in management report or manage a consequent direct survey by management itself. **Separate**
evaluations are monitoring activities that are performed on a non-routine basis, such as periodic audits by the internal auditors. Internal auditors investigate and appraise internal control and the efficiency with the performance from the employee and report the results to the management.

2.2.2 Limitation of Internal Control

Internal control surely can do much to protect against both errors and fraud and to ensure the reliability of accounting data. Still, it is important to recognize the possibilities of mistakes as a result of misunderstanding of instructions, mistakes of judgment, carelessness, distraction or exhaustion. Errors may also occur in designing, maintaining or monitoring automated controls.

The control that is applied in the business world is also limited by cost considerations. From the view of cost, it is not reasonable to establish controls that provide absolute protection from fraud and waste.
CHAPTER III

METHODOLOGY

3.1 Research Method

There are three most common methods that are used in creating a thesis which are qualitative, quantitative and mixed methods. In the social sciences, quantitative research refers to the systematic empirical investigation of quantitative properties and phenomena and their relationships. The objective of quantitative research is to develop and employ mathematical models, theories and/or hypotheses pertaining to phenomena. (Creswell, 2004)

In accordance with the research objective, to analyze internal control systems in implementing the budget, the researcher will analyze numbers and decided to use quantitative method. In gathering data, the researcher uses content analysis by doing interview.

Content analysis is a methodology in social sciences for studying the content of communication. (Krippendorff, 2004). Earl Babbie (1997) defines it as the study of recorded human communication, such as books, websites, paintings and laws. It is most commonly used by researcher in social sciences to analyze recorded transcripts of interview with participants.

In accomplishing this research, the researcher gathered data in two departments, which were Business Planning division in Finance department and Business Management department. In processing the data, the researcher analyzes the secondary data.
3.2 Research Instrument

3.2.1 Data Collection Method
The researcher gathered the data for pre-analysis by doing content analysis through interview. The researcher also gets secondary data which is directly given by PT. Adira Quantum Multifinance. The source of data, Financial Statements (December 2008 – October 2009), Number of Account Report and Number of Booking are given by Business Planning division in Finance Department and the Budgeted Expense Reports are given by Business Management Department.

3.2.2 Data Analysis Method
The analysis of data is done by analyzing secondary data gathered from PT. Adira Quantum Multifinance Jakarta. From financial statement gathered, the researcher recommends best budget scenarios to be applied by PT. Adira Quantum Multifinance Jakarta.
4.1 Data Collection

This research uses secondary data that is budget concentrates on General and Administrative Expenses for widening POS (Point of Sales) for 2009 and its practices by looking at financial statements of the POS from December 2008 until October 2009.

4.2 Research Process and Result

The research assesses the budget for 2009 and its practices by considering three categories made by COSO Internal Control:

1. Effectiveness and Efficiency of Operations

   One of the criteria of this category is to ensure effectiveness of operations by achieving the operations process goals. Gelinas, et al. (2005) stated that effectiveness is a measure of success in meeting one or more operations process goals which reflect the criteria used to judge the effectiveness of various business processes. PT. Adira Quantum Multifinance’s monthly operation goal is to not exceed the budget. The following table is the comparison between the budget and its practices in averaged widening POS’s expense in telephone, courier service and office supplies expenses:
## Table 4.1

**Average Annual Telephone & Fax Budget and Expense Performance**

**By Widening POS per Customer**

<table>
<thead>
<tr>
<th>No.</th>
<th>POS</th>
<th>Budget/Customer (IDR)</th>
<th>Actual/Customer (IDR)</th>
<th>Difference (IDR)</th>
<th>Percentage of Differential</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Siantar</td>
<td>5,000</td>
<td>4,620</td>
<td>380</td>
<td>-7.60%</td>
</tr>
<tr>
<td>2</td>
<td>Bengkalis</td>
<td>5,000</td>
<td>1,029</td>
<td>3,971</td>
<td>-79.43%</td>
</tr>
<tr>
<td>3</td>
<td>Baganbatu</td>
<td>5,000</td>
<td>871</td>
<td>4,129</td>
<td>-82.58%</td>
</tr>
<tr>
<td>4</td>
<td>Ujungbatu</td>
<td>5,000</td>
<td>2,952</td>
<td>2,048</td>
<td>-40.96%</td>
</tr>
<tr>
<td>5</td>
<td>Tjg Pinang</td>
<td>5,000</td>
<td>1,613</td>
<td>3,387</td>
<td>-67.74%</td>
</tr>
<tr>
<td>6</td>
<td>Pangkal pinang</td>
<td>5,000</td>
<td>2,899</td>
<td>2,101</td>
<td>-42.03%</td>
</tr>
<tr>
<td>7</td>
<td>Solok</td>
<td>5,000</td>
<td>3,950</td>
<td>1,050</td>
<td>-21.00%</td>
</tr>
<tr>
<td>8</td>
<td>Metro</td>
<td>5,000</td>
<td>5,840</td>
<td>840</td>
<td>16.80%</td>
</tr>
<tr>
<td>9</td>
<td>Singkawang</td>
<td>5,000</td>
<td>1,772</td>
<td>3,228</td>
<td>-64.56%</td>
</tr>
<tr>
<td>10</td>
<td>Mempawah</td>
<td>5,000</td>
<td>6,601</td>
<td>1,601</td>
<td>32.02%</td>
</tr>
<tr>
<td>11</td>
<td>Bontang</td>
<td>5,000</td>
<td>9,204</td>
<td>4,204</td>
<td>84.07%</td>
</tr>
<tr>
<td>12</td>
<td>Tenggarong</td>
<td>5,000</td>
<td>4,788</td>
<td>212</td>
<td>-4.23%</td>
</tr>
<tr>
<td>13</td>
<td>Grogot</td>
<td>5,000</td>
<td>9,460</td>
<td>4,460</td>
<td>89.19%</td>
</tr>
<tr>
<td>14</td>
<td>Palangkaraya</td>
<td>5,000</td>
<td>2,761</td>
<td>2,239</td>
<td>-44.79%</td>
</tr>
<tr>
<td>15</td>
<td>Kapuas</td>
<td>5,000</td>
<td>4,302</td>
<td>698</td>
<td>-13.95%</td>
</tr>
<tr>
<td>16</td>
<td>Sukabumi</td>
<td>5,000</td>
<td>7,060</td>
<td>2,060</td>
<td>41.20%</td>
</tr>
<tr>
<td>17</td>
<td>Garut</td>
<td>5,000</td>
<td>3,812</td>
<td>1,188</td>
<td>-23.77%</td>
</tr>
<tr>
<td>18</td>
<td>Sumedang</td>
<td>5,000</td>
<td>8,403</td>
<td>3,403</td>
<td>68.06%</td>
</tr>
<tr>
<td>19</td>
<td>Subang</td>
<td>5,000</td>
<td>2,121</td>
<td>2,879</td>
<td>-57.59%</td>
</tr>
<tr>
<td>20</td>
<td>Klaten</td>
<td>5,000</td>
<td>1,174</td>
<td>3,826</td>
<td>-76.52%</td>
</tr>
<tr>
<td>21</td>
<td>Purwodadi</td>
<td>5,000</td>
<td>2,587</td>
<td>2,413</td>
<td>-48.26%</td>
</tr>
<tr>
<td>22</td>
<td>Cilacap</td>
<td>5,000</td>
<td>1,941</td>
<td>3,059</td>
<td>-61.19%</td>
</tr>
<tr>
<td>23</td>
<td>Kebumen</td>
<td>5,000</td>
<td>6,104</td>
<td>1,104</td>
<td>22.07%</td>
</tr>
<tr>
<td>24</td>
<td>Gianyar</td>
<td>5,000</td>
<td>2,940</td>
<td>2,060</td>
<td>-41.20%</td>
</tr>
<tr>
<td>25</td>
<td>Negara</td>
<td>5,000</td>
<td>2,832</td>
<td>2,168</td>
<td>-43.36%</td>
</tr>
<tr>
<td>26</td>
<td>Singaraja</td>
<td>5,000</td>
<td>4,010</td>
<td>990</td>
<td>-19.79%</td>
</tr>
<tr>
<td>27</td>
<td>Palopo</td>
<td>5,000</td>
<td>11,516</td>
<td>6,516</td>
<td>130.32%</td>
</tr>
<tr>
<td>28</td>
<td>Sengkang</td>
<td>5,000</td>
<td>5,174</td>
<td>174</td>
<td>3.48%</td>
</tr>
<tr>
<td>29</td>
<td>Kepanjen</td>
<td>5,000</td>
<td>1,370</td>
<td>3,630</td>
<td>-72.60%</td>
</tr>
<tr>
<td>30</td>
<td>Pandaan</td>
<td>5,000</td>
<td>3,574</td>
<td>1,426</td>
<td>-28.52%</td>
</tr>
<tr>
<td>31</td>
<td>Tomohon</td>
<td>5,000</td>
<td>2,188</td>
<td>2,812</td>
<td>-56.25%</td>
</tr>
</tbody>
</table>

Source: Researcher, cited by permission of PT. Adira Quantum Multifinance

From the table, there are 9 POS whose expense exceed the budget and 7 POS or 22.58% widening POS whose expense exceed the tolerance policy of PT. Adira Quantum Multifinance.
Table 4.2
Average Annual Courier Service Budget and Expense Performance
By Widening POS per Booking

<table>
<thead>
<tr>
<th>No.</th>
<th>POS</th>
<th>Budget/Booking (IDR)</th>
<th>Actual/Booking (IDR)</th>
<th>Difference (IDR)</th>
<th>Percentage of Differential</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Siantar</td>
<td>2,500</td>
<td>4,272</td>
<td>1,772</td>
<td>70.89%</td>
</tr>
<tr>
<td>2</td>
<td>Bengkalis</td>
<td>2,500</td>
<td>9,240</td>
<td>6,740</td>
<td>269.59%</td>
</tr>
<tr>
<td>3</td>
<td>Baganbatu</td>
<td>2,500</td>
<td>12,711</td>
<td>10,211</td>
<td>408.46%</td>
</tr>
<tr>
<td>4</td>
<td>Ujungbatu</td>
<td>2,500</td>
<td>25,703</td>
<td>23,203</td>
<td>928.14%</td>
</tr>
<tr>
<td>5</td>
<td>Tig Pinang</td>
<td>2,500</td>
<td>13,179</td>
<td>10,679</td>
<td>427.16%</td>
</tr>
<tr>
<td>6</td>
<td>Pangkal pinang</td>
<td>2,500</td>
<td>29,394</td>
<td>26,894</td>
<td>1075.75%</td>
</tr>
<tr>
<td>7</td>
<td>Solok</td>
<td>2,500</td>
<td>21,509</td>
<td>19,009</td>
<td>760.36%</td>
</tr>
<tr>
<td>8</td>
<td>Metro</td>
<td>2,500</td>
<td>42,219</td>
<td>39,719</td>
<td>1588.74%</td>
</tr>
<tr>
<td>9</td>
<td>Singkawang</td>
<td>2,500</td>
<td>12,143</td>
<td>9,643</td>
<td>385.72%</td>
</tr>
<tr>
<td>10</td>
<td>Mempawah</td>
<td>2,500</td>
<td>17,978</td>
<td>15,478</td>
<td>619.13%</td>
</tr>
<tr>
<td>11</td>
<td>Bontang</td>
<td>2,500</td>
<td>28,931</td>
<td>26,431</td>
<td>1057.24%</td>
</tr>
<tr>
<td>12</td>
<td>Tenggarong</td>
<td>2,500</td>
<td>58,950</td>
<td>56,450</td>
<td>2258.01%</td>
</tr>
<tr>
<td>13</td>
<td>Grogot</td>
<td>2,500</td>
<td>18,517</td>
<td>16,017</td>
<td>640.70%</td>
</tr>
<tr>
<td>14</td>
<td>Palangkaraya</td>
<td>2,500</td>
<td>13,588</td>
<td>11,088</td>
<td>443.50%</td>
</tr>
<tr>
<td>15</td>
<td>Kapuas</td>
<td>2,500</td>
<td>29,976</td>
<td>27,476</td>
<td>1099.05%</td>
</tr>
<tr>
<td>16</td>
<td>Sukabumi</td>
<td>2,500</td>
<td>5,872</td>
<td>3,372</td>
<td>134.86%</td>
</tr>
<tr>
<td>17</td>
<td>Garut</td>
<td>2,500</td>
<td>7,622</td>
<td>5,122</td>
<td>204.88%</td>
</tr>
<tr>
<td>18</td>
<td>Sumedang</td>
<td>2,500</td>
<td>6,614</td>
<td>4,114</td>
<td>164.57%</td>
</tr>
<tr>
<td>19</td>
<td>Subang</td>
<td>2,500</td>
<td>890</td>
<td>1,610</td>
<td>-64.40%</td>
</tr>
<tr>
<td>20</td>
<td>Klaten</td>
<td>2,500</td>
<td>7,730</td>
<td>5,230</td>
<td>209.22%</td>
</tr>
<tr>
<td>21</td>
<td>Purwodadi</td>
<td>2,500</td>
<td>4,399</td>
<td>1,899</td>
<td>75.97%</td>
</tr>
<tr>
<td>22</td>
<td>Cilacap</td>
<td>2,500</td>
<td>5,914</td>
<td>3,414</td>
<td>136.55%</td>
</tr>
<tr>
<td>23</td>
<td>Kebumen</td>
<td>2,500</td>
<td>3,746</td>
<td>1,246</td>
<td>49.83%</td>
</tr>
<tr>
<td>24</td>
<td>Gianyar</td>
<td>2,500</td>
<td>3,318</td>
<td>818</td>
<td>32.73%</td>
</tr>
<tr>
<td>25</td>
<td>Negara</td>
<td>2,500</td>
<td>5,712</td>
<td>3,212</td>
<td>128.48%</td>
</tr>
<tr>
<td>26</td>
<td>Singaraja</td>
<td>2,500</td>
<td>8,455</td>
<td>5,955</td>
<td>238.19%</td>
</tr>
<tr>
<td>27</td>
<td>Palopo</td>
<td>2,500</td>
<td>28,978</td>
<td>26,478</td>
<td>1059.13%</td>
</tr>
<tr>
<td>28</td>
<td>Sengkang</td>
<td>2,500</td>
<td>11,150</td>
<td>8,650</td>
<td>345.99%</td>
</tr>
<tr>
<td>29</td>
<td>Kepanjen</td>
<td>2,500</td>
<td>6,649</td>
<td>4,149</td>
<td>165.95%</td>
</tr>
<tr>
<td>30</td>
<td>Pandaan</td>
<td>2,500</td>
<td>7,770</td>
<td>5,270</td>
<td>210.79%</td>
</tr>
<tr>
<td>31</td>
<td>Tomohon</td>
<td>2,500</td>
<td>10,700</td>
<td>8,200</td>
<td>327.98%</td>
</tr>
</tbody>
</table>

Source: Researcher, cited by permission of PT. Adira Quantum Multifinance

From the table, there are 30 POS whose expense exceed the budget and all of them or 96.77% widening POS whose expense exceed the tolerance policy of PT. Adira Quantum Multifinance.
### Table 4.3
Average Annual Office Supplies Budget and Expense Performance
By Widening POS per Booking

<table>
<thead>
<tr>
<th>No.</th>
<th>POS</th>
<th>Budget/Booking (IDR)</th>
<th>Actual/Booking (IDR)</th>
<th>Difference (IDR)</th>
<th>Percentage of Differential</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Siantar</td>
<td>1,500</td>
<td>42</td>
<td>1,458</td>
<td>-97.22%</td>
</tr>
<tr>
<td>2</td>
<td>Bengkalis</td>
<td>1,500</td>
<td>661</td>
<td>839</td>
<td>-55.91%</td>
</tr>
<tr>
<td>3</td>
<td>Baganbatu</td>
<td>1,500</td>
<td>741</td>
<td>759</td>
<td>-50.58%</td>
</tr>
<tr>
<td>4</td>
<td>Ujungbatu</td>
<td>1,500</td>
<td>827</td>
<td>673</td>
<td>-44.87%</td>
</tr>
<tr>
<td>5</td>
<td>Tjg Pinang</td>
<td>1,500</td>
<td>1,371</td>
<td>129</td>
<td>-8.59%</td>
</tr>
<tr>
<td>6</td>
<td>Pangkal pinang</td>
<td>1,500</td>
<td>1,934</td>
<td>434</td>
<td>28.95%</td>
</tr>
<tr>
<td>7</td>
<td>Solok</td>
<td>1,500</td>
<td>8,628</td>
<td>7,128</td>
<td>475.18%</td>
</tr>
<tr>
<td>8</td>
<td>Metro</td>
<td>1,500</td>
<td>1,044</td>
<td>456</td>
<td>-30.43%</td>
</tr>
<tr>
<td>9</td>
<td>Singkawang</td>
<td>1,500</td>
<td>2,298</td>
<td>798</td>
<td>53.17%</td>
</tr>
<tr>
<td>10</td>
<td>Mempawah</td>
<td>1,500</td>
<td>1,416</td>
<td>79</td>
<td>-5.38%</td>
</tr>
<tr>
<td>11</td>
<td>Bontang</td>
<td>1,500</td>
<td>3,371</td>
<td>1,871</td>
<td>124.74%</td>
</tr>
<tr>
<td>12</td>
<td>Tenggarong</td>
<td>1,500</td>
<td>4,034</td>
<td>2,534</td>
<td>168.92%</td>
</tr>
<tr>
<td>13</td>
<td>Grogot</td>
<td>1,500</td>
<td>705</td>
<td>795</td>
<td>-52.98%</td>
</tr>
<tr>
<td>14</td>
<td>Palangkaraya</td>
<td>1,500</td>
<td>4,325</td>
<td>2,825</td>
<td>188.33%</td>
</tr>
<tr>
<td>15</td>
<td>Kapuas</td>
<td>1,500</td>
<td>1,695</td>
<td>195</td>
<td>13.02%</td>
</tr>
<tr>
<td>16</td>
<td>Sukabumi</td>
<td>1,500</td>
<td>165</td>
<td>1,335</td>
<td>-89.01%</td>
</tr>
<tr>
<td>17</td>
<td>Garut</td>
<td>1,500</td>
<td>0</td>
<td>1,500</td>
<td>-100.00%</td>
</tr>
<tr>
<td>18</td>
<td>Sumedang</td>
<td>1,500</td>
<td>0</td>
<td>1,500</td>
<td>-100.00%</td>
</tr>
<tr>
<td>19</td>
<td>Subang</td>
<td>1,500</td>
<td>0</td>
<td>1,500</td>
<td>-100.00%</td>
</tr>
<tr>
<td>20</td>
<td>Klaten</td>
<td>1,500</td>
<td>397</td>
<td>1,103</td>
<td>-73.53%</td>
</tr>
<tr>
<td>21</td>
<td>Purwodadi</td>
<td>1,500</td>
<td>1,280</td>
<td>220</td>
<td>-14.67%</td>
</tr>
<tr>
<td>22</td>
<td>Cilacap</td>
<td>1,500</td>
<td>1,479</td>
<td>21</td>
<td>-1.14%</td>
</tr>
<tr>
<td>23</td>
<td>Kebumen</td>
<td>1,500</td>
<td>1,536</td>
<td>36</td>
<td>2.43%</td>
</tr>
<tr>
<td>24</td>
<td>Gianyar</td>
<td>1,500</td>
<td>29</td>
<td>1,471</td>
<td>-98.04%</td>
</tr>
<tr>
<td>25</td>
<td>Negara</td>
<td>1,500</td>
<td>36</td>
<td>1,464</td>
<td>-97.62%</td>
</tr>
<tr>
<td>26</td>
<td>Singaraja</td>
<td>1,500</td>
<td>18</td>
<td>1,482</td>
<td>-98.83%</td>
</tr>
<tr>
<td>27</td>
<td>Palopo</td>
<td>1,500</td>
<td>1</td>
<td>1,499</td>
<td>-99.95%</td>
</tr>
<tr>
<td>28</td>
<td>Sengkang</td>
<td>1,500</td>
<td>6</td>
<td>1,494</td>
<td>-99.63%</td>
</tr>
<tr>
<td>29</td>
<td>Kepanjen</td>
<td>1,500</td>
<td>37</td>
<td>1,463</td>
<td>-97.55%</td>
</tr>
<tr>
<td>30</td>
<td>Pandaan</td>
<td>1,500</td>
<td>80</td>
<td>1,420</td>
<td>-94.69%</td>
</tr>
<tr>
<td>31</td>
<td>Tomohon</td>
<td>1,500</td>
<td>0</td>
<td>1,500</td>
<td>-100.00%</td>
</tr>
</tbody>
</table>

Source: Researcher, cited by permission of PT. Adira Quantum Multifinance

From the table, there are 8 POS whose expense exceed the budget and 6 POS or 19.35% widening POS whose expense exceed the tolerance policy of PT. Adira Quantum Multifinance.
2. Reliability to Financial Reporting
   
   Two criteria of this category are:
   
   a. Completeness

   This management requirement states that all transactions and accounts that should be presented in the financial statements are included. The following table is some examples of financial statements of POS that violate this criterion:

   **Table 4.4**

   **Monthly Courier Service, Telephone and Office Supplies Expense of POS Siantar**

<table>
<thead>
<tr>
<th></th>
<th>Courier (IDR)</th>
<th>Telephone (IDR)</th>
<th>Off. Supplies (IDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec'08</td>
<td>354,360.00</td>
<td>188,857.70</td>
<td>-</td>
</tr>
<tr>
<td>Jan'09</td>
<td>797,039.00</td>
<td>524,462.10</td>
<td>-</td>
</tr>
<tr>
<td>Feb'09</td>
<td>131,198.00</td>
<td>696,443.30</td>
<td>-</td>
</tr>
<tr>
<td>Mar'09</td>
<td>7,628,754.00</td>
<td>1,050,907.00</td>
<td>-</td>
</tr>
<tr>
<td>Apr'09</td>
<td>232,753.00</td>
<td>1,227,949.00</td>
<td>-</td>
</tr>
<tr>
<td>May'09</td>
<td>145,200.00</td>
<td>1,835,915.80</td>
<td>-</td>
</tr>
<tr>
<td>June'09</td>
<td>38,676.00</td>
<td>1,833,065.70</td>
<td>-</td>
</tr>
<tr>
<td>July'09</td>
<td>325,600.00</td>
<td>1,305,835.00</td>
<td>1,021,680.00</td>
</tr>
<tr>
<td>Aug'09</td>
<td>718,549.00</td>
<td>2,433,849.00</td>
<td>-</td>
</tr>
<tr>
<td>Sept'09</td>
<td>-</td>
<td>4,150,077.00</td>
<td>-</td>
</tr>
<tr>
<td>Oct'09</td>
<td>453,573.00</td>
<td>3,009,884.00</td>
<td>-</td>
</tr>
</tbody>
</table>

   *Source: Researcher, cited by permission of PT. Adira Quantum Multifinance*

---

5 Complete financial statement can be seen in appendix 8-37
Table 4.5
Monthly Courier Service, Telephone and Office Supplies Expense of POS Gianyar

<table>
<thead>
<tr>
<th></th>
<th>Courier (IDR)</th>
<th>Telephone (IDR)</th>
<th>Off. Supplies (IDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec'08</td>
<td>174,778.00</td>
<td>643,048.10</td>
<td>27,646.00</td>
</tr>
<tr>
<td>Jan'09</td>
<td>250,303.00</td>
<td>607,183.90</td>
<td>-</td>
</tr>
<tr>
<td>Feb'09</td>
<td>284,120.00</td>
<td>762,776.60</td>
<td>-</td>
</tr>
<tr>
<td>Mar'09</td>
<td>94,092.00</td>
<td>697,127.10</td>
<td>90,000.00</td>
</tr>
<tr>
<td>Apr'09</td>
<td>79,235.00</td>
<td>763,500.00</td>
<td>-</td>
</tr>
<tr>
<td>May'09</td>
<td>72,600.00</td>
<td>666,806.00</td>
<td>200,000.00</td>
</tr>
<tr>
<td>June'09</td>
<td>9,111.00</td>
<td>707,107.80</td>
<td>59,000.00</td>
</tr>
<tr>
<td>July'09</td>
<td>147,400.00</td>
<td>733,179.00</td>
<td>162,000.00</td>
</tr>
<tr>
<td>Aug'09</td>
<td>113,660.00</td>
<td>1,155,856.00</td>
<td>-</td>
</tr>
<tr>
<td>Sept'09</td>
<td>-</td>
<td>1,369,333.00</td>
<td>293,000.00</td>
</tr>
<tr>
<td>Oct'09</td>
<td>124,265.00</td>
<td>1,001,927.00</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Researcher, cited by permission of PT. Adira Quantum Multifinance

The researcher takes the examples of POS Siantar and POS Gianyar randomly. Over 31 financial statements of widening POS in PT. Adira Quantum Multifinance, there are not only these two POS whose financial statements are incomplete, but also all of them, especially in office supplies section. This means the budget has violated this criterion.

b. Valuation or allocation
These requirements deal with whether assets, liability, equity, revenue and expense accounts have been included in the financial statements at appropriate and accurate amounts. The following table is the example of non-accuracy in entering the data:
Table 4.6

Monthly Courier Service, Telephone and Office Supplies Expense
of POS Tanjung Pinang

<table>
<thead>
<tr>
<th></th>
<th>Courier (IDR)</th>
<th>Telephone (IDR)</th>
<th>Off. Supplies (IDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb'09</td>
<td>1,098,780.00</td>
<td>2,560.80</td>
<td>-</td>
</tr>
<tr>
<td>Mar'09</td>
<td>4,591,235.00</td>
<td>221,956.70</td>
<td>235,600.00</td>
</tr>
<tr>
<td>Apr'09</td>
<td>334,564.00</td>
<td>597,324.00</td>
<td>205,000.00</td>
</tr>
<tr>
<td>May'09</td>
<td>522,330.00</td>
<td>837,068.00</td>
<td>61,500.00</td>
</tr>
<tr>
<td>June'09</td>
<td>(430,323.00)</td>
<td>540,635.40</td>
<td>-</td>
</tr>
<tr>
<td>July'09</td>
<td>595,800.00</td>
<td>744,970.30</td>
<td>152,500.00</td>
</tr>
<tr>
<td>Aug'09</td>
<td>1,076,306.00</td>
<td>961,888.00</td>
<td>-</td>
</tr>
<tr>
<td>Sept'09</td>
<td>430,000.00</td>
<td>957,564.00</td>
<td>234,000.00</td>
</tr>
<tr>
<td>Oct'09</td>
<td>976,008.00</td>
<td>1,109,301.00</td>
<td>351,000.00</td>
</tr>
</tbody>
</table>

Source: Researcher, cited by permission of PT. Adira Quantum Multifinance

The researcher takes the example of POS Tanjung Pinang randomly. Over 31 financial statements of widening POS in PT. Adira Quantum Multifinance, there are not only this POS, whose financial statements are entered inaccurately, but also 7 more POS.

From the table, in courier expense in June 2009, there is reverse. Reverse is caused by inaccuracy in entering the data. It can be concluded that the budget has violated this criterion.

3. Compliance with Laws and Regulations
A healthy and effective budget should also comply with general laws and regulation internally and externally. PT. Adira Quantum Multifinance has an internal policy of having 20% tolerance in exceeding budget. Looking at Table 4.1, 4.2 and 4.3, it can be concluded that most POS which exceed the budget do also exceed the tolerance policy. While externally, PT. Adira Quantum Multifinance has followed the procedure of GAAP. It can be
concluded that PT. Adira Quantum Multifinance has violated this criterion internally.

4.3 Data Analysis and Result Interpretation

PT. Adira Quantum Multifinance has been proven for violating some criteria in each categories of COSO Internal Control. The summary of results of data analysis is:

1. From Table 4.1, focusing on telephone and fax expense, there are 7 POS out of 31 POS or 22.58% widening POS whose expense exceed the tolerance policy of PT. Adira Quantum Multifinance.

2. From Table 4.2, focusing on courier service expense, there are 30 POS out of 31 POS or 96.77% widening POS whose expense exceed the tolerance policy of PT. Adira Quantum Multifinance.

3. From Table 4.3, focusing on office supplies expense, there are 6 POS out of 31 POS or 19.35% widening POS whose expense exceed the tolerance policy of PT. Adira Quantum Multifinance.

4. Looking at the widening POS’s financial statements, all of widening POS’s monthly financial statements are incomplete, especially in office supplies section. For inaccuracy, 8 POS out of 31 widening POS’s monthly financial statement are inaccurate.

5. PT. Adira Quantum Multifinance’s actualizations of widening POS’s budget for 2009 have violated internal laws and regulations which do not allow POS exceeds 20% tolerance of budget.
From that summary, the researcher concludes that the budget of PT. Adira Quantum Multifinance, concentrates in widening POS for 2009 is ineffective based on three categories of COSO Internal Control.

The previous or experienced budget made by PT. Adira Quantum Multifinance, concentrates in widening POS for 2009 is:

Table 4.7
Monthly Budget for Widening POS
(Dec’08 – Dec’09)

<table>
<thead>
<tr>
<th>General Services and Administration</th>
<th>Budget (IDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed</strong></td>
<td></td>
</tr>
<tr>
<td>Internet</td>
<td>300,000</td>
</tr>
<tr>
<td>Electricity</td>
<td>200,000</td>
</tr>
<tr>
<td>Water</td>
<td>50,000</td>
</tr>
<tr>
<td>Security and garbage</td>
<td>30,000</td>
</tr>
<tr>
<td><strong>Variable (per transaction)</strong></td>
<td></td>
</tr>
<tr>
<td>Telephone</td>
<td>5,000</td>
</tr>
<tr>
<td>Courier Service</td>
<td>2,500</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>1,500</td>
</tr>
</tbody>
</table>

*Source: Business Management Division – PT. Adira Quantum Multifinance*

Assuming the budget is applied effectively, the following table will show the impact towards the profit of PT. Adira Quantum Multifinance:
By month 6, the YTD (Year to Date)\textsuperscript{6} has to be break even, but in this model the YTD still reaches more or less deficit IDR 27 million. This encourages the researcher to propose the best budget scenarios to be applied in PT. Adira Quantum Multifinance. The calculation\textsuperscript{7} uses financial data of widening POS from December 2008 until October 2009 and has been averaged nationally. There are three best budget scenarios using the result of the calculation which are low cost scenario, moderate cost scenario and high cost scenario.

1. Low Cost Scenario

The budget to be applied in this scenario:

\textbf{Table 4.9}

\textbf{Monthly Low Cost Budget for Widening POS}

<table>
<thead>
<tr>
<th>General Services and Administration</th>
<th>Budget (IDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>\textit{Fixed}</td>
<td></td>
</tr>
<tr>
<td>Internet</td>
<td>150,000</td>
</tr>
<tr>
<td>Electricity</td>
<td>60,000</td>
</tr>
<tr>
<td>Water</td>
<td>10,000</td>
</tr>
<tr>
<td>Security and garbage</td>
<td>30,000</td>
</tr>
<tr>
<td>\textit{Variable (per transaction)}</td>
<td></td>
</tr>
<tr>
<td>Telephone</td>
<td>2,500</td>
</tr>
<tr>
<td>Courier Service</td>
<td>1,000</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>1,000</td>
</tr>
</tbody>
</table>

\textit{Source: Researcher, cited by permission of PT. Adira Quantum Multifinance}

Using that budget above, the impact for PT. Adira Quantum Multifinance is presented in the following table:

\textsuperscript{6} YTD is accumulative profit month to month
\textsuperscript{7} See Appendix 38-39
2. Moderate Cost Scenario

The budget to be applied in this scenario:

Table 4.11
Monthly Moderate Cost Budget for Widening POS

<table>
<thead>
<tr>
<th>General Services and Administration</th>
<th>Budget (IDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed</strong></td>
<td></td>
</tr>
<tr>
<td>Internet</td>
<td>200,000</td>
</tr>
<tr>
<td>Electricity</td>
<td>100,000</td>
</tr>
<tr>
<td>Water</td>
<td>20,000</td>
</tr>
<tr>
<td>Security and garbage</td>
<td>30,000</td>
</tr>
<tr>
<td><strong>Variable (per transaction)</strong></td>
<td></td>
</tr>
<tr>
<td>Telephone</td>
<td>3,500</td>
</tr>
<tr>
<td>Courier Service</td>
<td>4,000</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>3,000</td>
</tr>
</tbody>
</table>

Source: Researcher, cited by permission of PT. Adira Quantum Multifinance

Using that budget above, the impact for PT. Adira Quantum Multifinance is presented in the following table:
3. High Cost Scenario

The budget to be applied in this scenario:

Table 4.13
Monthly High Cost Budget for Widening POS

<table>
<thead>
<tr>
<th>General Services and Administration</th>
<th>Budget (IDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed</strong></td>
<td></td>
</tr>
<tr>
<td>Internet</td>
<td>300,000</td>
</tr>
<tr>
<td>Electricity</td>
<td>130,000</td>
</tr>
<tr>
<td>Water</td>
<td>30,000</td>
</tr>
<tr>
<td>Security and garbage</td>
<td>30,000</td>
</tr>
<tr>
<td><strong>Variable (per transaction)</strong></td>
<td></td>
</tr>
<tr>
<td>Telephone</td>
<td>4,500</td>
</tr>
<tr>
<td>Courier Service</td>
<td>5,500</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>4,000</td>
</tr>
</tbody>
</table>

Source: Researcher, cited by permission of PT. Adira Quantum Multifinance

Using that budget above, the impact for PT. Adira Quantum Multifinance is presented in the following table:
Based on the impact of three scenarios above to PT. Adira Quantum Multifinance, the researcher decides to choose moderate cost scenario. The reasons are because with moderate cost scenario, an adequate profit will be achieved and massive loss is avoided. The adequate profit has been reached by using a realistic budget.
CHAPTER V

CONCLUSION

5.1 Conclusion

After comparing PT. Adira Quantum Multifinance’s budget concentrates in widening POS for 2009 with the realization, there is a huge difference between the budget and the actual. Most of the differences reach more than 20% which PT. Adira Quantum Multifinance’s internal policy of having its realization from a budget. Widening POS’s financial statements are incomplete and also inaccurate.

The researcher also constructs three recommendation budget scenarios which are low cost, moderate cost and high cost budget scenarios to be applied in PT. Adira Quantum Multifinance. Those three scenarios give each different impact toward PT. Adira Quantum Multifinance. All of them are seemed not really helping in the view of profit because if using the scenario’s budgets, it still gives deficit to PT. Adira Quantum Multifinance. But, among those entire three budget scenarios, the researcher has chosen the best budget scenario to be applied in PT. Adira Quantum Multifinance that is moderate cost budget scenario.

From that brief explanation of the result, it can be concluded that:

1. After comparing to the criteria of three categories of COSO Internal Control, it has been proved by the researcher that PT. Adira Quantum Multifinance has an ineffective budget concentrating on widening POS for the period of 2009.

2. Based on the three tested budget scenarios, the researcher decides to use the moderate cost scenario for widening POS.
5.2 Recommendation

5.2.1 For PT. Adira Quantum Multifinance

The researcher decided to separate the recommendations into two parts:

a. Operational

1. Focusing on telephone and fax expense, the researcher suggest PT. Adira Quantum Multifinance to limit the usage of the telephone by forbidding staff do long distance call and only allowing the manager of the POS to do long distance call.

2. Focusing on courier service expense, the researcher suggests PT. Adira Quantum Multifinance to evaluate the distance of POS to its branch, so if necessary, PT. Adira Quantum Multifinance could re-allocate POS to be nearer with its branch. It will make the courier service expense cheaper. Besides, PT. Adira Quantum Multifinance could change the courier to deliver its product.

3. Focusing on office supplies expense, the researcher suggests PT. Adira Quantum Multifinance to not allow POS having budget of this expense. Therefore, the head office will buy every POS, office supplies in the same amount. It means that the head office who will decide everything related to office supplies. Although this action will be quite unpractical, but this will avoid fraud.

4. In order to have a complete and accurate financial statements of POS, PT. Adira Quantum Multifinance should be strict in asking the POS to send their expenditure reports so accounting department in head office will be able to input the data completely. The managers should be more concern on its financial statements by conducting regular evaluation so the accounting department will be encouraged to enter the data accurately.
5. PT. Adira Quantum Multifinance should investigate the reason why its widening POS have their expenses exceed the budget and afterwards find the best solution toward them. It will be whether the budget has to be reformed or the realization that has to be strictly more controlled.

b. Human Resource

All of operational problems occur in PT. Adira Quantum Multifinance are caused by human error. That is why, PT. Adira Quantum Multifinance should also concern on the development of its human resources. PT. Adira Quantum Multifinance should give information about how important is a budget and also its function and how the situation will be if a budget will be done effectively. Therefore, the employees understand the importance of having under budget expense.

5.3.2 For Other Researcher

1. The researcher suggests to the other researchers to do a deeper research focusing on all of the expenditures, so it can be seen what expenditures that really need reparation.

2. The researcher suggests the other researchers to do survey to nearby Point of Sales (POS), so the result will be more practical.

3. The researcher suggests the other researchers to have more interviews with employees in PT. Adira Quantum Multifinance, so the result will be more accurate and thorough.
REFERENCES

A. BOOKS


B. INTERNET or ELECTRONIC PUBLICATION


APPENDICES
INTERVIEW 1

Interviewer  : Ms. Tatyana Adilla, the researcher (T)
Interviewee : Mr. Hariman Nugraha, Head of Business Management PT. Adira Quantum Multifinance (H)
Location     : PT. Adira Quantum Multifinance Head Office, Kuningan, Jakarta

Monday, 4 January 2010

Deliver the purposes and objectives of the research to interviewee and ask related report to conduct the research immediately.

T  : Do you think that the budget of 2009 has run effectively or it needs changes?

H  : Honestly, the budget was not made based on an exact calculation and in appropriate way, because the company has just adjusted themselves with the situation and condition. Well, you know, the company has just run for about 4 years since it is taken by Danamon. Therefore, I am not really sure that the budget for 2009 has run effectively.

T  : Actually, I really want to focus on the expense of this company’s Point of Sales (POS) only. In your opinion, what variety of expenditures should I focus on?

H  : We have difficulties in controlling our general and administrative expense, especially telephone and fax, office supplies, courier service, electricity and water expenses. Those expenses are so high and have already exceeded the tolerance policy in the company. Lately, my team found that some employees manipulated the report so that we can not monitor the expense. But, I just can give you our financial statement of the last 11 months. It is because the latest financial statement of November and December 2009 has not been published yet and financial statement before December 2008 can not be joined in this research. The condition of the company before that time was different from nowadays, the POS has not been classified and the report has not be so
complete to be analyzed. Like I have said before that we can not always monitor our entire POS well, because we were adjusting at that time.

T : What is the tolerance policy of the company?
H : A branch or POS, even Head Office can not exceed 20% tolerance of the budget. Unfortunately, many POS exceed this tolerance policy.
T : Is there no action taken to make them follow this policy?
H : Until now, there is not any. But, we are now constructing department that will focus on the performance of POS. They who will do regular visit and see directly the performance of the POS. Hopefully, it will decrease the expenses made by the POS.
T : Okay, so what do you expect from this research?
H : I just expect that the budget you are going to create can be more profitable than the previous year and also can be followed by the POS without any significant difficulties. I expect that an appropriate budget for our POS is lower than the previous budget. Honestly, I am quite worried that the expense will go higher than the previous budget. I hope that you will create an exact and realistic budget which can be obeyed by the POS.
T : In brief, how is the process of budgeting in PT. Adira Quantum Multifinance?
H : For the whole company, most of our processes of budgeting are done in PT. Bank Danamon. They will give important numbers that should be calculated during creating a budget for the company. They will give the numbers to Accounting and Finance Department, Business Planning Division. The division will then analyses and do rest of the works in creating a budget. When the budget is finished, the president directors of our company will deliver the budget to PT. Bank Danamon. If the budget has been approved, it means that the process of budgeting is finished and ready to be applied. But, those processes are done if we want to create a budget for the entire company. If we just want to create an expense budget for POS, it is the job description
of my department. Until now, I create the budget by myself and based on my feeling. I feel confident in that way, because I have joined this company since the company has not been officially created. Therefore, I was very helped if you want to create a budget based on an exact calculation. I really want to know whether my ‘budget’ is appropriate.

T : I see, so for the first step, what do you recommend me to do in creating this budget for POS?

H : You can start with looking at the POS carefully and picking some POS that can be models for others just to be a comparison when your real budget is done. After that, you classify widening and deepening POS, because I want to have different budgets according to the variety of the POS itself. You standardized the expenditures nationally and select expenditures below IDR 2 million, because the data is abnormal. The expenditure becomes that high, possibly because the POS has just opened, so they need high expenditure. And if you keep inputting that to the calculation, the result will be bias. The last, we need denominator for those expenditures. What do you think the best denominator in this case?

T : I think those expenditures are closely related to customers then maybe the best denominator is the number of customers in one POS. This company must have that kind of report, mustn’t it?

H : Yeah! I could not agree more. I also think that way. You can ask the report to Business Planning division later. I think the expenditure that has the strongest relationship with the number of customers is telephone and fax expenditure. The rest, office supply and courier service, are more closely related to the number of booking.

T : What is the number of booking?

H : Booking is a name that we called for product. Thus, number of booking is the amount of product that customers buy in each POS monthly. Last, for electricity and water, as the denominator, we can use the number of active
POS, because I think they are not closely related to number of customers and booking.

T: Okay, maybe I should start working now. I really appreciate your time and suggestion, sir. Thank you.
INTERVIEW 2
Interviewer : Ms. Tatyana Adilla, the researcher (T)
Interviewee : Mr. Andy C. Jonathan, Business Planning Officer of PT. Adira Quantum Multifinance (A)
Location : PT. Adira Quantum Multifinance Head Office, Kuningan, Jakarta

Wednesday, 6 January 2010
Deliver the purposes and objectives of the research to interviewee and ask related report to conduct the research immediately.

T : I talked to Mr. Hariman and he said to me that I have to ask Number of Accounts (NOA) Report and Number of Booking (NOB) Report to you. But first, I want to ask, whether these reports are made by the POS or there is a team that can monitor the POS directly and send the reports to you?

A : Unfortunately, we just believe in the employees of the POS itself. The company still can not afford to place a team from Head Office to be at a POS everyday and truly count the number of accounts and booking. Until now, we just accept the reports and gather them into a national report. We just have a team that will visit the POS regularly regarding internal control. It is one of the job descriptions in Quality Assurance Department.

T : What will the company do every month to control the performance of the POS?

A : Adira Quantum has monthly performance report, but I think it focuses more on the whole company. Like I have said before, the detail performance of the POS monthly is the part of Quality Assurance’s duty.

T : Well, thank you for your appreciation and the time
INTERVIEW 3
Interviewer : Ms. Tatyana Adilla, the researcher (T)
Interviewee : Mr. Hariman Nugraha, Head of Business Management PT. Adira
Quantum Multifinance (H)
Location : PT. Adira Quantum Multifinance Head Office, Kuningan, Jakarta

Wednesday, 10 February 2010
Deliver the result of analysis and discuss about it.
H : How is the result?
T : I divide the result to average, minimum, median and maximum, so that we can see the range of the budget itself. But, I wonder if there is a way to define the impact on the company using the result.
H : Yes, there is. I think you can use my financial model. You can just input the result and the program will show the effect to the company, especially, the net profit. Thus, we can see whether your new budget is more profitable or not.

Input the result and discuss about it.
T : Well, the result is not really significant whereas we have made three scenarios for each variety of POS.
H : At least, the deficit has gone lessen in month 6.
T : Why do we always have to see the profit in month 6? Is it the standard?
H : Yeah. The company should reach at least break even point in that month if it wants to be labeled “have good performance”. These results are maybe the best results that we can afford for now. From those three scenarios, which scenario will you think be best applied in this company?
T : For both of them, I think moderate cost scenario, because it is reasonable. Although it does not give the best performance for the company, it is still be the best for now.
H : Well, I will see if we can really use these results of analysis to be our real budget for 2010 focusing on POS. Thank you.

T : Your welcome, Sir. Thank you for all your help during this process.
INTERVIEW 4
Interviewer : Ms. Tatyana Adilla, the researcher (T)
Interviewee : Mrs. Rima Riandari, Head of Quality Assurance PT. Adira Quantum Multifinance (R)
Location : PT. Adira Quantum Multifinance Head Office, Kuningan, Jakarta

Wednesday, 18 August 2010

T : What is the main purpose of this division?
R : The main purpose is to review the process of the POS whether it has obeyed the standard operational procedures (SOP) of the company. It will automatically detect mistakes made and we are responsible to give solutions.

T : Does this department stand for Internal Control Department?
R : No, we stand for Operation Department.

T : So, what is this company’s operation goal actually?
R : Because we are focusing on POS operation, I can say that the POS operation goal generally is to not having expense that exceed budget. It seems simple but we have difficulties in controlling their expense.

T : What does your department do in order to minimize that to be happened?
R : Well, first, I want you to know that the method that is done in Quality Assurance (QA) division is named Quality Assurance Regular Review. There are 4 steps that are taken in this method which are planning, on-site review, reporting and monitoring. QA must apply this method in every visit they did to the branch, RO and POS. The main point in the procedures is scoring assessment. There are three results of scoring assessment, low – moderate – high, the lower the better.

T : Could you explain further about planning, on-site review, reporting and monitoring?
R : First, planning, QA division will discuss about the previous scoring assessment of every POS that they visit. QA division will check the ENR,
risk, Number of Account (NOA), Number of Booking (NOB), etc. This scoring assessment determines the frequency of the visit by the QA division. If the scoring is low, than QA division will visit the POS two times in a year. If the scoring is moderate, than QA division will visit the POS three times in a year. If the scoring is high, than QA division will visit the POS four times in a year. Forming the group, including deciding the leader, the member and the POS to be visited are also done in this step. QA division also request the data that is needed to be checked before the visit is due. Therefore, QA division can firstly discuss together about the performance of the POS they want to visit. Next, on-site review, in this step, the document given by the POS is checked and a test named compliance test is done. Compliance test is like a comparison between the actual performance of the POS and SOP in the company. QA division has a work paper consists of the list that a POS has to have or obey and the draft of mistakes that the POS did before the visit. After that, reporting, QA will arrange a meeting to discus the validity of the document and also select some corrective action and decide the deadline. All of them will be summarized in a final draft. The final procedure of this step is when QA division put this errors or mistakes done by POS to ORMS, a database system created by PT. Bank Danamon. Last, monitoring, QA division acts as a reminder to the POS that have to fix their performance. The provision of the reminders is divided into three steps, reminder 1, this will be done a day after the POS meet the deadline. Reminder 2, QA division will give 7 (seven) days after reminder 1 is given and reminder 2 will be given a day after the POS meet the second deadline and so on.

T : I got it. Is there other method or job related to POS that QA has to do?
R : Yes. It is POS certification that is included in job description of QA division. When a POS is wanted to be opened, it is the duty for Business Management Department, especially the Project Team to search the best location, decide the budget and anything that is related. POS certification is
like the next step before a POS is really opened. QA will check the job of project team whether the document has been completed, how much is the budget, whether the proposal to approve the opening has been approved, etc. In doing that, there are two kinds of processes which are pre-screen test and compliance test.

T: Could you explain more?

R: Pre-screen test is done before a POS is formally opened. First, QA division checks the thoroughness of the documents related, such as opening proposal and leasing contract. Next, QA division also checks the infrastructure of the POS itself, such as the electricity, telephone, manpower, office equipment, etc.

T: What about the other one?

R: Compliance test is done after a POS has been opened for more or less 2 months. QA division checks the loyalty of the POS to the rules and regulations have been made. QA also checks the thoroughness of Memorandum of Understanding (MOU) of merchant and partner of PT. Adira Quantum Multifinance in being a supplier. QA division recheck infrastructure of the POS.

T: According to you, there should not be significant problem occurs in PT. Adira Quantum Multifinance. But, what are the common mistakes in the company?

R: The most common mistakes made by a POS are (1) the unorganized management of customers’ documents (some are not recorded or wrong), (2) the cash in the office is mixed with the employee’s personal cash and (3) the thoroughness of MOU merchant whose performance is still poor. We are trying to fix that immediately.

T: Okay then. I hope that the company will have better performance in the future. Thank you for your appreciation and time.
INTERVIEW 5
Interviewer : Ms. Tatyana Adilla, the researcher (T)
Interviewee : Mrs. Ida, Head of Accounting Department of PT. Adira Quantum Multifinance (I)
Location : Interview held by phone

Friday, October 01, 2010
T : Is the budget of PT. Adira Quantum Multifinance for 2009 made based on the standard procedures in GAAP?
I : Yes, it is.
T : How can you say that?
I : We have internal auditor who will assess our standard procedure of budgeting twice a year. They who will tell us whether there is something violates procedure of GAAP.
T : I am now doing research of this company by using financial statement as my secondary data, focusing on POS. Why there are always incompleteness in their financial statement?
I : Actually, that is my team’s mistake. In 2009, the employees are still few while the data has to be entered are many. Sometimes, the POS itself who are late in sending the information and report to us. That is why my team used to gather two months data in 1 month.
T : I understand. How about the positive value in expense section? It should be negative, right?
I : Yeah. With the same reason, I can say that my team has made mistakes in entering the data. The data is non-accurate so we have to reverse it and the mistake will be covered.
T : Okay. I hope that the system will be getting better and better. Thank you for your time and attention, Mam.
I : You are very welcome.