REENGINEERING THE BUSINESS PROCESS OF PURCHASING DEPARTMENT AND INVENTORY CONTROL PROCEDURE FOR MANUFACTURING FISH COMPANY
(CASE STUDY OF CV. INTI MAKMUR)

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In partial fulfillment of the requirement for Bachelor Degree in Economics Major in Management

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PANEL OF EXAMINERS
APPROVAL SHEET

Herewith, the Panel of Examiners declares that the Thesis entitled “REENGINEERING THE BUSINESS PROCESS OF PURCHASING DEPARTMENT AND INVENTORY CONTROL PROCEDURE FOR MANUFACTURING FISH COMPANY (CASE STUDY OF CV. INTI MAKMUR)” Submitted by Dewi Pelangi majoring in Banking and Finance, Faculty of Economics was assessed and proved to have passed the Oral Examination on 2012, 6 March

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This Thesis is entitled “REENGINEERING THE BUSINESS PROCESS OF PURCHASING DEPARTMENT AND INVENTORY CONTROL PROCEDURE FOR MANUFACTURING FISH COMPANY (CASE STUDY OF CV. INTI MAKMUR)” prepared and submitted by Dewi Pelangi in partial fulfillment of the requirements for Bachelor Degree in Economics – Major in Banking and Finance, has been reviewed and found to have satisfied the requirements for a thesis fit to be examined. We therefore recommend this thesis for Oral Defense.

Cikarang, Indonesia, March 6th, 2012

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DECLARATION OF ORIGINALITY

This Thesis is entitled “REENGINEERING THE BUSINESS PROCESS OF PURCHASING DEPARTMENT AND INVENTORY CONTROL PROCEDURE FOR MANUFACTURING FISH COMPANY (CASE STUDY OF CV. INTI MAKMUR)” prepared and submitted by Dewi Pelangi in partial fulfillment of the requirements for Bachelor Degree in Economics – Major in Banking and Finance, has been reviewed and found to have satisfied the requirements for a thesis fit to be examined. We therefore recommend this thesis for Oral Defense.

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ABSTRACT

Business process reengineering help the company analyze and improve the transaction process within the firm. Its help the company remove the unnecessary business process and rethinking the new process should be used to improve the productivity process. The uses of business process were the efficiency time to conduct the data can be manageable. Business process related to the standard operational procedure and each company should created SOP to control the information flow within each division.

This research aims to reengineering the business process of purchasing and inventory control procedure for manufacturing fish Company (Case Study of CV.INTIMAKMUR). In order to analyze the company problem and change the messy working process and lack of SOD in this firm, how to manage and control the problem to be better.

The research was held in CV.INTIMAKMUR Jakarta, since the researcher is trying to find out the solution for the company problem and restructure the business process for purchasing division of CV.IMK. The interview and observation was conducted by the researcher in CV.IMK office had done.

The finding shows us that this firm does not created Standard operational procedures, which are the most important things to control the business process and efficiency working process. There are lacks of control over segregation of duties that affect to the inappropriate job function.

The researcher restructure the business process of the company, aims to reorganize the working process in order to solve the problem which is lack of control in the inventory and payment procedure. The segregation of duties in this company becomes clearer. The employee would distribute the information and data faster.
ACKNOWLEDGMENT

First of all, I would like to express the gratitude to God Almighty; I believe that with the only God’s blessing, I could finally finish this research. I would also like to give the gratitude, respect and great appreciation to those who’s helped me during this research and finishing my thesis.

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2. To my entire family in Jakarta, Thank you for the kindness to give me place to live in your house.
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8. All the management staff in CV.INTIMAKMUR Company who has given me an information and data related to my research, answer my entire question.
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CHAPTER I
INTRODUCTION

1.1. Research Background

The rapid growth of business world makes the economic growth in Indonesia keep growing. The increasing number of developing company resulted in the intense competition in the business world. In the globalization era nowadays, information technology is needed by the company. The competitive in the business environment force the company using high-technology and adapted with the environment. Some firms have begun to take advantages of these new possibilities to do transformation for organizing and managing the business enterprise. Enterprise system experienced the big change in the corporate life. Each company must be having the right business process to implementation of the business activities in daily life.

What is a business process? “Business process is a set of coordinated tasks and activities, involving both human and system interaction that will lead accomplishing a set of specific organizational goals” (Pat Krebs, 2009)

In modern era nowadays, created business process for the company is very important. It’s support the daily transaction of the company. The efficiency of accuracy time can be manageable and the report within the company might be become easier. Coordinating business process is not simple in the world of traditional task management. The employee might need time to adapt with changing of business process. However, business process helps the company changing the messy, unordered and chaotic work activities and task.
Business process always related with the Standard Operational Procedure. Every company must be created Standard Operational Procedure which may give direction to the company of the right process of distribution information or data from each division within the firm. Standard Operational procedure basically is a set of written instruction that document a routine or repetitive activity followed by an organization to ensure that all decisions and actions, as well as the use of facilities that people do in the organization runs efficiently, effectively, consistent, standardized and systematic. Standard Operational Procedure could improve the efficiency and effectiveness the performance of the company. With the standardized of work instruction, all the employee activities would be done consistently.

For this thesis, the researchers took company named CV. INTI MAKMUR to establish the business process for the purchasing department. The core business of CV.IMK is the manufacturing process of fresh and frozen fish. The most important thing is Manufacturing company constantly need raw material to turn it into semi-finished raw material. Each supplier offer different type of product and different quality of product. Selecting the raw material should be appropriate with the standardization of the production process and suitable with the quality of the production need. The most important thing is purchasing staff should know when the time to buy raw material and maintain and taking control over the raw material purchased.

The researcher decided to choose CV.IMK as the research study due to the business process within this firm still inappropriate procedure, thus the segregation of duties still unclear for each employee, where double job still occur. There is lack of internal control for each working process. “REENGINEERING THE BUSINESS PROCESS OF PURCHASING AND INVENTORY CONTROL PROCEDURE FOR MANUFACTURING FISH COMPANY (CASE STUDY OF
CV.INTIMAKMUR).” as the title of this thesis. This thesis is using an observation and interview to gathering the data.

1.2. Problem Identification
After done observation and interview with CV.IMK, can be identified several problem:
1. There is no standard segregation of duties in this firm, where the incompatible job function occurs in this firm.
   a. Purchasing staff did the job which should not part of his/her job.
   b. There is no internal control over inventory and payment
2. The working process in this firm is inappropriate with the standard operational procedure, which is affected to messy working process.

1.3. Problem Statement
Is the working process and internal control in CV.IMK has been worked effectively and efficiently based on the standardization and in appropriate documentation?

1.4. Research Objectives
“To reengineering the business process of purchasing department and inventory control procedure for CV.IMK aims to remodeling the business process into standardization and appropriate documentation”.

1.5. Research Scope and Limitation of Study
The scope and limitation of study were made in order to identify the areas to be included and those which are not included in the study, since the title of are “Reengineering the Business Process of Purchasing and Inventory Control Procedure for Manufacturing Fish Company (Case Study of CV.INTIMAKMUR).” there are several scopes and limitations that being made.
Type of the Transaction processing cycle is very large then the discussion in this thesis will be limited only to the expenditure cycle which is purchasing process and related with internal control for inventory and cash disbursement procedure.

1.6. Research Benefit

In general the researcher expects that the result of research conducted and discussed in this thesis can give consideration to the company for the importance of proper business process modeling concept for CV.IMK.

The researcher expects that the research conducted and the results will useful for:

1. For the researcher
   This research is in order to compare the application of theories that have been acquired during the lectures as well as to obtain the real picture of the company.

2. For the company
   Hopefully this research will give many benefits to the company, and give the company some advice that can provide the picture of the business process of the company which can be apply and might conduct some change or development.

3. For the readers
   The researcher does hope this thesis could be improving the knowledge about the business process, standard operating procedure and the compatible segregation of duties.
1.7. Research Method

The method of data processing for this research is qualitative research method. “Qualitative research Method is intended to penetrate to the deeper significance that the subject of the research ascribed to the topic being research” (Denzin, 2005). It involves as an interpretative, naturalistic approach to its subject matter and gives priority to what the data contribute to important research question or existing information.

The research instrument tools of this thesis uses to data collection is Field Research is the research conducted in the company and directly related to the correspondence and the object research. This conducted by reviewing directly the object of this research or company with aims to obtain the data directly from original sources by approaching the company and conduct:

a. Interview

Interview is the data collection method by question and answer (direct communication) with the respondent.

b. Observation

Observation often referred to also as a method of observation. Method of observation is an act of recognizing and noting a fact or occurrence in the company. Observation done directly at the location of the research thus, the researchers able to get the right information related with this thesis.
CHAPTER II
LITERATURE REVIEW

2. Literature Review

2.1. Business Process

“Business process is a set of logically related tasks performed to achieve a defined business outcome”. (Davenport & Short, 1990)

“Business process is consisting of transformation of input to output”. (Hammer & Champy, 2001, p35)

Based on the above theories, could be conclude that business process is a process of the enterprise which aims to maintain and control the working processes of each division to achieve the business objectives.

The benefit of Business Process Management (Michael Havey, 2005)

- Formalized existing process and spot needed improvement: BPM force the business to think through and formalize its understanding of current process, running the business potential improvement such as removal or steps, automation of manual steps or the reengineering of a part or the whole of the flow.
- Facilitate automated, efficient process flow: Given that a process spans multiple activities, the less time spent between activities, the better
- Increase productivity and decrease head count: Get work done faster with fewer people
- Allow people to solve hard problem: BPM is often about removing and decreasing human participation in a process
- Simplify regulation and compliance issues: BPM help business build auditable processes that help organization comply with various regulatory requirements.

“Business Process Reengineering is The fundamental rethinking and radical design of the business processes to achieve dramatic improvement in critical, contemporary measures of performance, such as cost, quality, service and speed” (Hammer and Champy, 1993)

Based on the above theory, could be conclude that business process reengineering is the reengineer, redesign, starting over and throwing out of how work done and deciding how it could be best done.

2.2. Business Analysis
Business Analysis is identifying business needs and determining solution to business problem, which can be define as identifying the change to an organization that are required for it to achieve strategic goals. These changes include changes to strategies, structure, policies, processes and information system. (Kathleen, Richard, Kimi, 2008)

2.3. Business Analysis Techniques
1. PEST Analysis is a scan of the external macro-environment in which an organization exists. It is useful tool for understanding the political, economic, and socio-cultural and technology that an organization operates in. it can be used for evaluating market growth or decline and such the position, potential and direction for a business.
- Political: these include government regulation such as employment laws, environmental regulations and tax policy.
- Economic: these affect cost of capital and purchasing power of an organization. Economic factors include economic growth, interest rates, inflation and currency exchange rate.
- Socio-cultural: these impact the consumer’s need and the potential market size for an organization’s goods and services. Social factors include population growth, age distribution and attitude toward health.
- Technology: these influence barriers to entry, make or buy decisions and investment in innovation, such as automation, investment incentives, and the rate of technological change.

Pest factors can be classified as opportunities or threats in a SWOT Analysis. It is often useful to complete a PEST analysis before completing a SWOT analysis. (Jim Downey, 2005)

2. SWOT analysis (Albert Humphrey) is a strategic planning method used to evaluate the strength, weaknesses, opportunity and threat involve in a project or in a business venture. It involves specifying the objectives of a business venture or project and identifying the internal and external factors that are favorable and unfavorable to achieving that objective. (Rahul ausekar, 2010)

<table>
<thead>
<tr>
<th>Internal</th>
<th>Positive</th>
<th>Negative</th>
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<tbody>
<tr>
<td>Strength</td>
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<td>Weakness</td>
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<table>
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<tr>
<th>External</th>
<th>Positive</th>
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<tbody>
<tr>
<td>Opportunity</td>
<td></td>
<td>Threat</td>
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</table>
Overviews of the four factors are:

1. Strength is the qualities that enable us to accomplish the organization mission. Strength can be tangible and intangible. The distinct feature that give your organization its consistency.

2. Weaknesses are the qualities that prevent us from accomplishing our mission and achieving our full potential. Weakness deteriorate influences on the organizational success and growth.

3. Opportunities are presented by the environment within which our organization operates. These arise when an organization can take benefit of conditions in its environmental plan and execute strategies that enable it to become more profitable. Company may gain competitive advantage by making use of opportunities.

4. Threat arises when conditions in external environment jeopardize the reliability and profitability of the organization business. They compound the vulnerability when they relate to the weaknesses. Threats are uncontrollable, when a threat comes, the stability and survival can be at stake.

The Advantages of SWOT Analysis.

a. It is a source of information for strategic planning
b. Build’s organization strength
c. Reverse its weakness
d. Maximize its response to opportunities
e. Overcome organization threats.
f. Its help in identifying core competencies of the firms
g. Its help in setting of objectives for strategic planning
h. It helps in knowing past, present and future so that by using past and current data, future plan can be chalked out.
2.4. Segregation of Duties.

“Segregation of duties is the control that represent the separation of incompatible business duties and/or responsible”. (Hirstein Dan, 2005)

Lack of SOD control can allow for circumvention of business process. To maintain proper Segregation of duties, no employee should be responsible for two or more of the four functions for a single transaction class.

<table>
<thead>
<tr>
<th>Record Keeping</th>
<th>Authorization</th>
</tr>
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<tbody>
<tr>
<td>Creating and maintaining Department record</td>
<td>Reviewing and approving transaction</td>
</tr>
<tr>
<td>Asset custody</td>
<td>Reconciliation</td>
</tr>
<tr>
<td>Access to and/or control of physical assets</td>
<td>Assurance that transactions are proper</td>
</tr>
</tbody>
</table>

Figure 2-2: Segregation of duties component
(Hirstein Dan, 2005)

Transaction Processing Cycle are consist of three major subsystem called cycles: (Bodnar and Hopwood, 1998)

1. Expenditure cycle – related to the acquisition of goods and service from other entities and the settlement of related obligations
2. Production cycle – related to transformation of resources into goods and services.
3. The revenue cycle – related to the distribution of goods and services to other entities and the collection of related payments.
2.5. Expenditure Cycle applications

Expenditure cycle includes the functions required to acquire goods and services that are utilized by the organization in conducting its operations. It’s including the acquisition of good for resale or use in production. Common functions include vendor selection, requisitioning, purchasing, receiving, account payable, and payroll accounting. (Bodnar and Hopwood, 1998)

![Diagram of Purchase Application System](source)

Figure 2-3: Purchase Application System

Source: Accounting Information Systems (Bodnar and Hopwood, 1998)

<table>
<thead>
<tr>
<th>DATA FLOW KEY</th>
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<tbody>
<tr>
<td>1. Requisition</td>
</tr>
<tr>
<td>3. Purchase order</td>
</tr>
<tr>
<td>4. Purchase advice</td>
</tr>
<tr>
<td>5. Receiving advice</td>
</tr>
<tr>
<td>6. Shipment</td>
</tr>
<tr>
<td>7. Receiving advice</td>
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</tbody>
</table>

1. Purchasing

All purchase of goods and services are channeled through and controlled by a centralized purchasing department. Centralized purchasing may yield increases quantity discounts, a stronger market position, better inventory control, buyer specialization and the like.
a. Purchase Requisitioning

Request for purchase originate outside the purchasing department. Purchase requisitioning might also originate in other department within the firm and should be approve in the originating department. Purchase requisitioning select a vendor and arrange for terms and delivery.

b. Purchase Order

Purchasing department will select a vendor then prepares and distributes a purchase order for the requisition. Copies are distributed the vendor, accounts payable, the originating/requesting department (stores) and receiving. The vendors may return a copy of the purchase order to the customer acknowledge receipt of the order. The copy of the purchase order that is sent to the originating/requesting department should be reviewed there to verify the appropriateness of the purchase order for satisfying the needs identified in the purchase requisition.

2. Receiving

Receiving is separate and independent of the stores function. The copy of purchase order sent to receiving authorizes the receiving department to accept the shipment from the vendor when it is delivered. Receiving procedures should call for an independent count of the shipment and for the preparation of a receiving report.

An independent or blind count of a shipment may be obtained by not allowing the counters to have access to the quantities shown on purchase order. A supervisor compared the quantities received with those shown on the purchase order and then prepares a receiving report for the quantities received. A copy of the receiving report should accompany the transfer of goods to stores.
3. Stores

The store department acknowledges receipt of the goods from receiving by signing the receiving report and then forwarding the receiving report to account payable. If goods are delivered directly to the requisitioning department rather than to stores, a supervisor in the requesting department should acknowledge receipt on the receiving report and then send the receiving report to payables.

4. Account payable

Account payable is responsible for initiating payments to vendors. Four forms – purchase requisition, purchase order, receiving report and invoice are required to document a purchase transaction. These documents are reviewed, certified as to completeness and assembled in a voucher package. Account payable performs payment processing-calculating the amount due, discount (if any) and other such items. A voucher check is prepared for each transaction. The voucher checks, voucher packages and control total are approved and forwarded to the cash disbursement department.

5. Cash disbursement

After voucher checks and voucher packages were reviewed, the checks are signed. The vouchers are then posted to a check register. This posting is totaled and reconciled to the control total received from account payable. Voucher checks are directly to the payees. The control total is forwarded to general ledger.

6. General Ledger

The distribution summary received from the expense ledger, and the control totals from cash disbursement are reconciled and the totals are posted to the general ledger. The distribution summary received from expense ledger, journal voucher received from account payable
department and the control total from the cash disbursement department are filed by date.

2.6. Inventory management

Inventory is the goods the organizations keep on hand for use in the production process.

Most of organizations have three types of inventory:
- Finished-goods inventory includes items that have passed through the entire production process but have not been sold.
- Work-in process inventory include the materials moving through the stages of the production process that are not completed products
- Raw material inventory includes the basic inputs to the organization production process.

2.7. Expenditure Cycle control.

1. Transaction Authorization

- Purchase subsystem.

The inventory control department monitors inventory level continually. As inventory level drop to predetermined reorder points, inventory control formally authorizes replenishment with purchase requisition. Formalizing the authorization process promotes efficient inventory management and ensures the legitimacy of purchase transactions. Without this step, purchasing agents could purchase inventories at their own discretion, being in a position both to authorize and to process the purchase transactions. Unauthorized purchasing can result in excessive inventory levels for some items, while others go out of stock. Either situation is potentially damaging to the firm. Excessive inventory tie up the organization’s cash reserve and stocks outs cause lost sales and manufacturing delays.
- Cash disbursement subsystem.

The account payable department authorizes cash disbursement via the cash disbursement voucher. To provide effective control over the flow of cash from the firm, the cash disbursement clerk should not write checks without this explicit authorization. A cash disbursement journal containing the voucher number authorizing each check provides an audit trail for verifying the authenticity of every check written.

2. Supervision

The area that benefits most from supervision in the expenditure cycle is the receiving department. Large quantities of valuable assets flow through this area on their way to the warehouse. Close supervision here reduces the chance of two types of exposure:

- Inspection of assets

When goods arrive from supplier, receiving clerks must inspect item for proper quantities and condition. For this reason, the receiving clerk received a blind copy of the original purchase order from purchasing. A blind purchase order has all the relevant information about the goods being receive except for the quantities and prices. To obtain the information of quantities, which is needed for the receiving report, the receiving personnel are forced to physically count and inspect the goods. If receiving clerk were provided with quantity information through formal documentation, they may tempt to transfer this information to receiving report without performing a physical count. Inspecting and counting the item received protects the firm from incomplete orders or damaged goods. Supervision is critical at this point to ensure the clerks properly carry out these important duties. Incoming goods are accompanied by a packing slip containing quantity information that could be used to circumvent the inspection process. A supervisor should take custody of packing slip while receiving clerk count and inspect the goods.
- **Theft of assets**

  Receiving department is sometimes hectic and cluttered during busy period. In this environment, incoming inventories are exposed to theft until they are securely place in the warehouse. Improper inspection procedures coupled with inadequate supervision can create a situation that is conducive to the theft of inventory in transit.

3. **Access Controls**

   - **Direct access**

     In the expenditure cycle, a firm must control access to physical asset such as cash and inventory. These control concern are essential the same as in the revenue cycle. Direct access controls include locks, alarms, and restricted access to areas that contain inventories and cash.

   - **Indirect access**

     A firm must limit access to documents that control its physical assets. For example, an individual with access to purchase requisitions, purchase orders, and receiving report has the ingredients to construct a fraudulent purchase transaction. With the proper supporting documents, a fraudulent transaction can be made to look legitimate to the system and could be paid.
CHAPTER III

METHOD OF DATA PROCESSING
AND COMPANY’S EXISTING CONDITION

3.1. Data Collecting and Processing

The researcher using “Action research is a method of research carried out with a team approach that include a researcher and member of some organization, community or network, who collectively are seeking to improve the organization situation of participants” (greenwood & Levin, 2007)

From the above statement, can be conclude that action research can be define as the approach to research that provide people with the means to take systematic action in an effort to resolve specific problems.

The basic action research procedural involves four stages:

1. Identifying the research question
   The first stage of the action research process involves the researchers assisting the people in the research population to examine their situation and to recognize their problems. The researcher decided to have an interview with the correspondent is General Manager, Ms Tracy Veronica.

2. Gathering information to answer the question
   - Interview
     Interview is an optimal for collecting data on individuals, personal histories, perspective and experiences, particularly when sensitive topics are being explored. Interview question and answer section had done in the General Manager, Ms Tracy Veronica’s office at CV.IMK Company on 20 November 2011. In the interview section, the
researcher asked about the working system in CV.IMK, which is still using manual system. The slow working process becomes the problem of this company, while CV.IMK has two new branches outside Jakarta. Ms. Tracy stated that, the director of the company planning to created integration system to have effective and efficient working system. The most important thing for Manufacture Company is raw material, the researcher asked about how they control the raw material from supplier, and Ms. Tracy explained about the purchasing process of CV.IMK. The researcher found out, purchasing raw material is controlled by purchasing department. This firm still does not have standardization of segregation of duties. Therefore, the researcher decides to restructure the business process transaction of purchasing for CV.IMK.

- Observation
Observation is the process of gathering data by seeing, smelling, hearing, and feeling to assess certain activities. Through an observation researcher obtain information the working process in the purchasing division still incompatible with the appropriate standardization of segregation of duties. For example: Purchasing staff did the job which should not part of her job.

- Documentation
Documentation is the process of tracking down evidences either internal or external evidences of transactions or activities being research. Here are the documents related with purchasing process of CV.IMK:

- Purchase requisition form
This form is use by the warehouse staff to ordering raw material to purchasing department. In this form will be containing type and quantity of needed raw material this form would be authorize by head of warehouse. (Example: Appendices A)
- Purchase order form
  This form is made by purchase staff and will be used for order the raw material to the supplier. In this form is containing date, name of supplier, number of PO, date, name of the company, quantity, type or description, unit price, total, delivery data, and approved and made by. This form would be authorizing by Manager and purchasing staff. (Example: Appendices B)

- Receiving report form
  This form is using to inform that the receipt of invoice from the supplier. This document is containing the date of invoice received, name of the supplier, number of each invoice, price and total, and name and sign of person who receive the invoice. This form would be authorizing by purchasing department. (Example: Appendices C)

- Cash disbursement form
  This form is using to inform and prove if the company has been payee the billing invoice to the supplier. This form is containing number of the form, name of the supplier; the total amount money has been paid to supplier, name of the goods, date of payment, maturity date, number of check and Sign from the manager, administration, and person who receive the check or cash. This form would be authorized by account payable staff, administration and the supplier. (Example: Appendices E)

- Voucher Check
  Voucher check is used to make a payment for supplier, can be used as the substitution of cash, if the amount of bills to be paid in large amount. This check containing of name of account bank who make a payment, date of check, name of account bank who get paid, and sign of account owner. (Example: Appendices F)

- Stock Card
  Stock card is a document that containing the quantity data of the supplies stock in the warehouse. This stock card will use for determined are the company need to do purchase of raw material or
not. If the stock has been reached into reorder point, so the staff will make a purchase request form and sent to purchasing department. (Example: Appendices G)

- Purchase report.
  Purchase report is the report made after the transaction has been paid. In this report is containing the information about purchasing transaction was conducting by the company in a period. The reports are containing name, code, type, quantity, unit price, total price, and name of supplier. (Example: Appendices I)

- Inventory report.
  This report is containing code, name and type of the raw material with the quantity of raw material in the warehouse. This report is done by periodically by purchasing staff. (Example: Appendices J)

- Debt report.
  The debt report is containing the information the position of corporate debt with the purchasing transaction. Accounting staff will mark cross check for the paid transaction. (Example: Appendices M)

3. Analyzing and interpreting the information
   a. Warehouse makes a purchase requisition if the inventory has been reached to reorder point (ROP) and will be adjusted with the order from production department.
   b. Purchasing staff will contact the vendor and negotiate the price. After that purchasing staff will ask quotation from manager.
   c. Purchasing staff make a purchase order to supplier with the price and quality has been approved by manager. PO will send to supplier.
   d. Suppliers do a confirmation for purchase order from the firm, and process the order. When the stock is ready the supplier will sends the goods to the office or warehouse.
   e. The purchasing staff will receive the goods with packing slip. Purchasing staff will count and check the quality of the goods, and
sign the packing slip as the acknowledgement of receiving goods, return of broken raw material will be written here.

f. The purchasing staff places the goods to the warehouse. The warehouse staff will organize and control the stock by recorded in the stock card.

g. After get acknowledgment of receiving goods from buyer, Supplier will make an invoice and send to the customer.

h. Purchasing staff will receive the invoice and make acknowledgement of receiving invoice and Set a date for the supplier to take the payment.

i. Purchasing staff distribute the purchase requisition form, purchase order form, packing slip form, and invoice to account payable clerk.

j. Account payable staff reconciles and make a voucher check, with signed by manager, voucher package with voucher check will distribute to purchasing staff again to payee the supplier. Account payable staff will record the transaction in debt report and cross check for the paid transaction.

k. Purchasing staff will contact the supplier to take the payment. Purchasing staff will record the transaction in purchasing report and distribute the voucher package to the general ledger. Purchasing staff will make an inventory report.

l. The general ledger department will reconcile the voucher package with purchasing report and file it.
4. Sharing the result with Participant

One of the operative principles of action research is to inform and empower people to work collectively to produce some beneficial change. In this stage researcher conduct the meeting to Ms. Tracy to discuss about the company’s business process and shown the business process of company existing condition has done by the researcher after gain information by interview and observation in the office. The researcher Found some appropriate business process in this company, For example: The purchasing staff in this company did a lot of job which should not part of his/her job, which could be seen receiving good, packing slip and invoice from supplier and update for the inventory stock in the warehouse. Remembering this entire job is done purchasing staff, sometimes it’s occur lack of control over purchasing raw material. Purchasing staff might be could purchase the raw material as their own discretion.

The researchers do suggestion to Ms. Tracy to change the business process. The business process is not appropriate with the standardization of segregation of duties. Ms. Tracy does agree to the researcher to reengineering the business process transaction for purchasing department.
3.2. Company Profile

CV. INTI MAKMUR was established in 29 December 1992. CV. INTI MAKMUR is the company based in Jakarta. Initially start a business CV. IMK act as distributor of fish. They purchase the product/fish raw material from supplier and sell it to customer.

CV. INTI MAKMUR is located in:
2. Processing: Jln. Muara baru Ujung Processing No.2, Jakarta, Indonesia

At 1998, CV. IMK changed business activity and started to manufacture in fresh or frozen fish. However, CV.IMK still acts as distributor fish. The products have been packaged in an appropriate standard and sell it to food service distributors and restaurant chain, and other manufacturing fish company.

At 2002, CV. IMK built new branch office in Bali. Until now, CV. IMK have been exported the fish product to Japan, America, Arab, Vietnam, Korea, and some of Europe country.

The business activities started with catching tuna, swordfish, marlin, oilfish, and snapper. For the sanitation process, the firm cooperated with international method of HACCP (Hazard Analysis Critical Control Point) as the standard of high sanitation and hygiene. The production process of fish selection, cutting, and packaging conducted in processing room and save in cold storage. The cold storage temperatures need to be control, because CV. IMK is focused on the fresh and frozen fish.
3.2.1 Company Vision and mission

Vision:
- Become trusted company
  the meaning here is the company want to make the customer satisfied with the quality of the product, the price for each product are affordable with the customer expectation.
- Expanding the market reach of company.
  The meaning here, CV. INTI MAKMUR still expanding the market reach out to outside Jakarta and international market.

Mission:
- Produce the best service and quality for customer.
  This firm always gives the best quality and service to the customer in order to get the customer satisfaction, so the customer keeps buying the product.
- Company gains profit.
  Beside produce the best service and quality for customer, the company gains the profit from selling the product.

Quality Policy
“To achieve the best reliability through maximizing customer satisfaction by our three principles: cleanliness, quality, and service”.

COMPANY LEGAL FORM

Name of Company : CV. INTI MAKMUR
Business activity : Fishery Industry
Address : Jln. Muara Karang Blok O 6 Timur No.2
          Jakarta Utara – Indonesia
Phone : 021-6680044
Fax : 021- 6618095
SIUP No. : 1536/1.824.271
Established date : 29 December 1992
3.2.2 The company’s organization structure and job description

Organization structure in the company is very important due to the working system in the firm can be control and work smoothly. If there are irregularities in implementation can be directly resolved.

The developing company needs to have organization structure, where the company can operate through the lines of authority, responsibility and decision making to obtain information, reports, and document transaction.

Here are the organization structures of CV. INTI MAKMUR and Job description

![Organization structure diagram]

**Figure 3-2**: Organization structure of CV. INTI MAKMUR  
(Source: CV.INTI MAKMUR)
<table>
<thead>
<tr>
<th>No.</th>
<th>Position</th>
<th>Job Description</th>
</tr>
</thead>
</table>
| 1   | President Director       | - Lead the company by directing, leading, coordinating, supervisee the company activities to comply the policies and action plans set by the company.  
- Analyze and study the proposals regarding the opportunity or the possibilities of expansion the profitability of company business.  
- Make an important decision for the company.  
- Represent the company in the relation with outsider, to government or private company. |
| 2   | General Manager          | - Give the direction to purchasing staff, marketing and sales staff, accounting and finance staff and head of production, in conducting operational activities in the company.  
- Approved and make a confirmation for each document and form from the each department.  
- Supervisee the operational process within the company. |
| 3   | Marketing department     | - Conduct planning and marketing strategy  
- Lead and coordinate marketing activities  
- Supervises the implementation of marketing activities.  
- Conduct an evaluation of the marketing activities and report to the general manager.  
- Determine the selling price with the approval of general manager.  
- Responsible for coordinating with the production department, thus the customer’s order can be complete on time.  
- Create the sales report  
- Handling the complaint from customer |
<table>
<thead>
<tr>
<th></th>
<th>Department</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Production Department</td>
<td>- Lead and coordinate the production activities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Make a budgeting for production</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Responsible and conduct the production process.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Maintain well on the material that will be used for production process.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Make a report for the finished good to marketing staff and general manager.</td>
</tr>
<tr>
<td>6</td>
<td>Purchasing Department</td>
<td>- Select vendor/supplier based on the management criteria and negotiate price with the supplier</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Receive raw material from supplier.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Make a purchasing report</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Give confirmation for the supplier or receive material and take the payment.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Attends internal product development meetings to identify new product demands, schedules, and procurement needs. Forecasts requirements and orders products to meet sales demands.</td>
</tr>
<tr>
<td>7</td>
<td>Finance and accounting department</td>
<td>- Make a cash budget planning</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Make a financial statement of the company.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Make a cash receipt and cash expend report.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Reconcile the form for purchasing transaction before make a voucher check</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Counting the cash receipt from sales.</td>
</tr>
<tr>
<td>8</td>
<td>General department</td>
<td>- Manager and controlling the maintenance staff, security, cleaning service, warehouse staff and other staff help the production process.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Monitoring the working process in the company.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Distribute the new and information from external and internal of the company.</td>
</tr>
</tbody>
</table>

Source: CV.INTI MAKMUR
CHAPTER IV
DATA ANALYSIS AND INTERPRETATION RESULT

4.1. Data Analysis and Discussion

4.1.1. Data Analysis

The analysis data technique used in here are PEST and SWOT analysis.

- Politic

Fisheries industry is a strategic sector in the Indonesian economic. Considering Indonesia has widely marine potential and fishing ground, and diversity of marine life, it increasing the economic potential of the Indonesian nation. However, the characteristic of the fishing industry which are open access has created an issue of “overfishing”. This condition is worrying because it can cause the decreased the stock of fish resources in the Indonesia marine.

PER/05/MEN/2008 stated about “Regulation of the minister of marine affairs and fisheries of the republic Indonesia regarding capture fisheries business activity”. This regulation stated about the license of capture fisheries business, fishing activities, the operational area and fishing base port for capture fishing vessel, supervision and control, and sanction. This policy was made in order to control and manage the fishing activity in Indonesia Ocean.

- Economic

The potential of fishery industry in Indonesia has been attracted many businessman both local investor and foreign investor to invest in an attempt in fisheries industry in Indonesia. As we can see from the potential of fish resources in the national territorial and exclusive economic zone of Indonesia over 5.8 km² is equal to 6.26 million tons per year (source: DKP, 2008). From the above statement showed that Indonesia Ocean has enormous potential in fisheries industry to be developed for the welfare of society. However, many of illegal foreign fishing vessels come to Indonesia Ocean which cause to the limited resource of raw material fish. The rates of
fishing in Indonesian Ocean have exceeded the rate of population of fish. That condition would give a bad impact on the sustainability of fish resources in the Indonesian ocean.

This condition affect to the local business which has legal permission for fishing might get limited resource of fish supply for market. Due to the higher operational cost for the fishing crew and the vessel as well as the increasing of consumer demand could affect to the increase of selling price.

- **Socio-culture**

  The employment become strategic role and occupy a central position in increasing the productivity and performance of fish industry employment in the fisheries sector is divided on fishing activities, aquaculture, processing and marketing. Problem that occurred in the fisheries sector employment is the low quality of human resource become an obstacle to the development of fisheries sector. In general the quality of human resource in fisheries industry is relatively low educational levels, low utilization, and low productivity.

  Considering of the improvement and faster of the production process in, this firm has cooperation with foreign company. The barrier language among the employees sometimes occurs.

- **Technology**

  Technology is needed by the society nowadays, because it can expedited the working process, and rapid productivity. The manual system in this firm gives impact to the slow working process, and need a time to distribute the information/data from one department to another. This firm is starting using high technology to improve the working process; however this firm still needed to use operational system to conduct the business process become faster.
4.1.2. **Business Analysis**

From the above analysis using PEST analysis which is the external environment condition would be affected to internal condition of the firm. Here are the PEST/SWOT analysis:

<table>
<thead>
<tr>
<th></th>
<th><strong>Strength</strong></th>
<th><strong>Weakness</strong></th>
<th><strong>Opportunity</strong></th>
<th><strong>Threat</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Politic</strong></td>
<td>Complete of the legal license permission for fishing activity.</td>
<td>Difficult and take a long time to apply fishing license in Indonesia</td>
<td>Have an access to fishing in the potential fish area.</td>
<td>Many of illegal foreign fishing vessels come to Indonesia.</td>
</tr>
<tr>
<td><strong>Economic</strong></td>
<td>High demand of fish in the market</td>
<td>Limited fish raw material affect to low supply for the market</td>
<td>Low supply, high demand impact to the increasing selling price.</td>
<td>Large competitor with lower selling price</td>
</tr>
<tr>
<td><strong>Socio-culture</strong></td>
<td>The business sector is expanding cooperation with foreign company</td>
<td>Few of employees could speak foreign language.</td>
<td>Export fish through overseas.</td>
<td>Barriers language sometimes occurs.</td>
</tr>
<tr>
<td><strong>Technology</strong></td>
<td>Modern technology applied to faster production process.</td>
<td>The staff might need more time to adapt with new technology.</td>
<td>Technology help the company finish the job become faster and efficient.</td>
<td>The development of Technology beyond the expectation.</td>
</tr>
</tbody>
</table>
From the above statement can be conclude that:

1. New policy in marine affairs and fisheries business activity aims to control and maintain the Indonesian Marine. The ministry of marine affairs wants to remove an issue of overfishing from illegal fishing vessel. However, sometimes these policies have a complicated application to apply the permission license. Its take a long time to arrange the fishing license, and need big amount of money to finish it. Thus, this condition affect the high operational cost used for fisheries activity becomes higher. Due to the limitation of fish resources in the Indonesia marine, it gives affection to the purchasing power of raw material. The fluctuation inflation rate affect to the increase price for purchasing raw material, which affect to the production cost and selling price to customer.

2. The limitation of fish resource in the Indonesia marine may affect to the low supply of fish in the market. CV.IMK has been expanding the market out to the outside of Indonesia, high demand from customer but low supply of product give impact of the increasing selling price. Many of competitors enter to this business with the lower selling price as well. To manage this condition and maintain the loyalty of customer, this firm has been selected the supplier for the raw material which is offering good quality of raw material with reasonable price, thus it could be minimize the production cost and selling price.

3. To improve the productivity process, this firm also has cooperation with some foreign company, however only a few employee who could speak foreign language. Barriers language sometimes affect to the production process. Cooperation with foreign company might give an opportunity to export the fish through overseas. This firm could get more customers both from local and foreigner. Sometimes this firm also purchase raw material from abroad country to support the productivity process. Beside the price is cheaper, the raw material have a good quality.

4. The modern technology applied to the productivity of this firm may give good impact to the faster working process. High technology will increase the
efficiency of working process; however, the development of technology is beyond than expectation. The employees still need a time to adapt with new technology approach. This firm still has not created the operational system yet, which is the most important thing if they want to make the working process become faster. E-procurement is useful for purchasing raw material. Issued the purchase requisition and purchase order using internet technology can be done faster. If the inventory stock has been reached into reorder point, the staff might get to know faster without have to do count using manual working system.

4.2. Interpretation Result

4.2.1. Analysis of existing condition

The existing condition process in chapter 3 shown that

1. When the supplier delivers the raw material to the firm, receive raw material from supplier conducted by purchasing staff. The process of receiving raw material should be independent and separate from the store. Inventory stock record should be updated by warehouse staff. Every uses of raw material and sold raw material should be control and maintained by recording it to inventory report.

2. The receive invoice and payee to supplier conducted by purchasing staff. The internal control for cash flow in this company should be maintained and controlled well.

This condition is not appropriate with the standardization of segregation duties. Purchasing staff could be purchase raw material as their own discretion, being in the position of negotiate price with supplier, make an order, receive the goods, and receive invoice and contact the supplier for payment transaction.

From the analysis of existing condition, the researcher decided to reengineer the business process of purchasing department to monitoring the inventory control and cash disbursement procedure. The propose of new purchasing process could be seen as below.
Propose New Purchasing Process

Production

Request for raw material
Receive goods
Process the raw material into finished goods
Count the finished goods and make a report

Warehouse

Review inventory record
yes
No
Adjust quantity stock with request
Prepare a purchase requisition
Purchase Requisition
Packing Slip and Goods
PO blind Copy
File

Purchase Requisition
Contact and Request price list to Supplier
Negotiating price with supplier and make a confirmation
Prepare a Purchase Order and ask confirmation from Manager
Purchase order

Purchasing

Receive goods
Adjust quantity stock with request
Prepare a receiving Report
Prepare a packing slip
Process the customer order
Deliver the packing slip and goods to customer
Prepare the invoice and send to customer
Invoice

Supplier

Voucher Check/cash

Update inventory in the stock’s card and keep the goods
Prepare a purchase requisition
Purchase Requisition
Stock Card
Receiving Report

Packing Slip and Goods
Prepare the invoice and send to customer
Invoice

Confirmation of receiving Invoice from customer
Stock Card
Packing Slip and Goods

(Propose by the Researcher)
Cash Disbursement Process

1. **Account Payable**
   - **C**: Purchase order
   - **C**: Receiving Report/packing slip
   - **B**: Invoice
   - **C**: Reconcile and prepare a voucher check
   - **D**: Record in the debt report
   - **D**: Distribute the voucher package, check/or cash to cash disbursement for payee

2. **Cash disbursement**
   - **B**: Invoice
   - **D**: Voucher package
   - **E**: Review and make a cash disbursement report
   - **F**: Contact the supplier and paid
   - **D**: Voucher Check/cash
   - **D**: Make a receiving report of invoice to supplier
   - **D**: Distribute the invoice to A/P to conduct payment process

3. **General Ledger**
   - **E**: Voucher package
   - **G**: Purchase Report
   - **H**: Inventory report
   - **E**: Reconcile and make a financial statement
   - **E**: Update Inventory Ledger
   - **E**: File

(Propose by Researcher)
4.2.2. **Business Process of Future Condition**

a. Production makes a request for raw material to use for production process. If the stock is ready, the warehouse staff will deliver the material directly to the production.

b. If the inventory out of stock or has been reached to reorder point (ROP), warehouse staff will adjusted the stock with the order from production department, warehouse staff will make a purchase requisition.

c. Purchasing staff will contact the vendor to negotiate the price and then the staff will ask quotation from manager and make a purchase order.

d. Suppliers do a confirmation for purchase order from the firm, and process the customer order. When the stock is ready the supplier will sends the goods to the warehouse.

e. Receiving clerk receive the goods and packing slip. Receiving clerk use blind copy to count and check the quality of raw material. After done, the receiving clerk will make a receiving report and sign the packing slip. Receiving report with packing slip will distribute to purchasing department. The good will be keep in the warehouse and check by the staff again. The warehouse staff will update the inventory stock and send the report to general ledger.

f. Purchasing staff give confirmation to supplier of receiving material. Return of damage raw material will be report as well. Purchasing staff make a purchasing report send to general ledger and distribute the voucher package to account payable clerk.

g. After get confirmation of receiving goods, supplier will make an invoice based on the receipt good report from the customer and deliver to customer. Cash disbursement will receive the invoice and make a receiving report of invoice to the supplier. The invoice will distribute to account payable clerk.

h. Account payable clerk received form from purchasing department such as purchase requisition, purchase order, receiving report and packing slip. That form would be match with the invoice from the supplier, then account payable clerk will make voucher check. The transaction will record in the debt report.

i. The voucher check will distribute to cash disbursement to payee the transaction to supplier. Cash disbursement will make a report. Voucher package with cash disbursement form will distribute to general ledger.
j. Voucher packages, purchasing and inventory report would be receiving by general ledger. The general ledger would reconcile and match the form with the report and file. At the end of month general ledger also make financial statement and update the inventory ledger.

4.2.3. The related function and Job Description.

Managing and controlling the raw material for manufacturing company is very important, therefore the researcher reorganize the organization structure in this company. The researcher put supply chain department to control the raw material of inventory stock in this company, which is involve in warehouse staff and purchasing staff. As well as for finance department, this company should be having specific staff in accounting department to control the financial of the company.

![Propose organization structure](Propose by researcher)
a. Purchasing department
- Purchasing staff selecting, contact, negotiate price with the supplier and prepare a purchase order.
- Purchasing staff make a purchasing report.
- Purchasing Staff make a confirmation of receive raw material to the supplier.

b. Warehouse department
- The staff has responsibility to receive the goods from supplier, count and check the quality and quantity of the goods.
- The Staff prepare receiving report and distribute to purchasing department.
- The staff has responsibility to make record and control the quantity of raw material in the warehouse.

c. Account Payable
- Account payable staff has a responsibility to reconcile the Purchase requisition, PO, and receiving report with the invoice and then makes a voucher check.
- Account payable staff records the transaction in debt report and cross check for the paid transaction to minimize the double pay transaction.

d. Administration
- Administration Staff has responsibility to review and control the voucher check from account payable.
- Administration Staff contact the supplier and payee the transaction
- Administration Staff record the daily transaction of purchasing raw material and send to general ledger

e. General ledger
- General ledger staff has responsibility to reconcile the transaction and file the document.
- The general ledger staff make inventory ledger to control the inventory in the warehouse.
- The general ledger Staff conducts financial statement at the end of the month.

4.2.4. Internal control for inventory and cash disbursement.

1. When the supplier sends the goods, receiving clerk will count and check the quantity and quality of the raw material. The receiving clerk will sign the packing slip and filled a blind copy of purchase order. Blind copy of PO used to inspect item for proper quantities and condition. The receiving personnel are forced to physically count the goods. Receiving clerk will make a receiving report, original copy with packing slip will sent to purchasing department; and the copy will be file with the copy of purchase requisition and stock card.

2. The raw material will put in the warehouse should be check again, because during busy period, receiving clerk sometimes hectic and cluttered, theft of asset sometimes occur. In order to control the stock in the warehouse, the staff has to check the stock before keep in the warehouse and record in the stock’s card or input in the form of excel to make the report become more clearly and faster.

3. The access to the warehouse should be including locks and alarms to keep the inventories secure from the theft. Every time the staff wants to take some inventories should be report to the Head of the warehouse, and record used inventory.

4. When the supplier sends the invoice to the company, cash disbursement staff will make a receiving report for the supplier. The invoice will distribute to the account payable.

5. Account payable will make a review and reconcile the invoice with the purchase requisition show the inventories needed was authorized, purchase order which show an ordered the need inventories should be reconcile with purchase requisition, and receiving report which the evidence of physical receipt of goods, condition and the quantities received should reconcile with
Purchase requisition and purchase order and invoice which provide the financial information are matched. Account payable clerk will verify the price is reasonable compared with expected price on purchase order, then the account payable clerk make a voucher check.

6. The voucher check receive from account payable clerk has been authorized and approved. Cash disbursement will control total the payment and then payee the voucher check/cash to supplier. Cash disbursement will make a cash disbursement report and distribute the voucher package to general ledger.

7. The general ledger staff will receive report from purchasing and inventory staff and voucher package from cash disbursement. From these summary figures, the general ledger clerk verifies that the total obligations recorded equal to the total inventories received. General ledgers make a financial statement and make an update of inventory ledger.

4.2.5. The specific document used for purchasing process
- Purchase requisition form
  This form was made by the warehouse staff, when the staff discovers out of stock or left a few materials in the warehouse. This form will be delivering to the purchasing staff for ordering the needed material. (Example: appendices A).

- Purchase order form
  This form is made by purchase staff will be used for order the raw material to the supplier. This form is containing date, name of supplier, number of PO, date, name of the company, quantity, type or description, unit price, total, delivery data, and approved and made by. (Example: Appendices B).

- Receiving report form
  This form is using to inform that the receipt of invoice from the supplier. This document is containing the date of invoice received, name of the supplier, number of each invoice, price and total, and name and sign of person who receive the invoice. (Example: Appendices C).
- Receiving report form
  This form was made to inform that the raw materials sent by supplier, have been received by the warehouse. This form containing Name of raw material, type of material, and the quantity of raw material with received date. (Example: appendices D).

- Cash disbursement form
  This form is containing number of the form, name of the supplier; the total amount money has been paid to supplier, name of the goods, date of payment, maturity date, number of check and Sign from the manager, administration, and person who receive the check or cash. (Example: Appendices E).

- Voucher Check
  Voucher check is used to make a payment for supplier, can be used as the substitution of cash, if the amount of bills to be paid in large amount. This check containing name of account bank who make a payment, date of check, name of account bank people who get the payment, and sign of account owner. (Example: Appendices F).

- Stock Card
  Stock card is a document that containing name of the material and the quantity of the inventory stock in the warehouse. This stock card will use for determined, does the company need to do purchase of raw material or not. If the stock has been reached into reorder point, so the staff will make a purchase request form and sent to purchasing department. (Example: appendices G).

- Packing slip form
  This form informed that the raw material sent by supplier has been received by the company, along with the raw material has been checked by the staff. This form is containing name of supplier, type of goods, and quantity of goods. (Example: appendices H)
- Purchase report.
  Purchase report is the report made after the transaction has been paid. In this report is containing the information about purchasing transaction was conducted by the company in a period. The reports are containing name, code, type, quantity, unit price, total price, and name of supplier.
  (Example: Appendices I).

- Inventory report.
  This report is containing code, name and type of the raw material with the quantity of raw material in the warehouse. This report is done by periodically.
  (Example: appendices J)

- Debt report.
  The debt report is containing the information the position of corporate debt with the purchasing transaction. This report is containing the name of supplier, debt total, maturity date and total debt of the company.
  (Example: Appendices K).

- Cash disbursement report.
  Cash disbursement report is made by administration staff after payee the raw material to the supplier. This report used to show the amount cash used for expenditure raw material. (Example: Appendices L)
### 4.2.6. Interpretation Result Analysis

<table>
<thead>
<tr>
<th>Before Reengineering the business process</th>
<th>After Reengineering the business process</th>
</tr>
</thead>
<tbody>
<tr>
<td>- There is no standardization on segregation of duties, which incompatible job function occurs in this firm. For example: Purchasing staff do purchasing raw material to supplier, then when the supplier send the raw material, the receiving and checking of raw material were conducted by purchasing staff.</td>
<td>- The segregation of duties becomes clear. Each employee has to know and understand their own job description.</td>
</tr>
<tr>
<td>- Lack of internal control in the inventory and payment procedure. The purchasing staff makes record of the inventory which is perpetually, and payment to supplier conducted by purchasing staff as well.</td>
<td>- Purchasing staff were only focus on the purchasing raw material to supplier.</td>
</tr>
<tr>
<td>- This firm still has not created standard operational procedure yet to control the business process.</td>
<td>- The receiving raw material and inventory control conducted by warehouse staff. The staff will record the used and sold inventory to general ledger.</td>
</tr>
<tr>
<td></td>
<td>- The payment to supplier control by cash disbursement procedure.</td>
</tr>
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<td>- The firm’s business process become clear and the information flow from one department to another department become faster.</td>
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CHAPTER V
CONCLUSION AND RECOMMENDATION

5.1 Conclusion

Business process is important for the developing manufacture company. It’s could helps the company to analyzed and improved process efficiency of the work activities and reduces an error rate. Reengineering business process conducted in order to obtain the right flow information from one department to another department. It’s integrated between data and system, monitoring the business process in the firm and reduces the transaction accuracy time. It does also help the company reduce costs and error rates in the business transaction process.

Based on the interview and observation the researcher have done in CV.IMK, can be conclude that, there is no segregation of duties in this firm, which could be discover the staff did more than one job. The job function in this firm is not appropriate with the standardization of segregation duties. Besides that, this firm still has not established the standard operational procedure as well. SOP is the important things to control and maintain the working process each staff of this firm.

As the result, after having several meeting with general manager of CV.IMK Company, the researcher and Ms. Tracy do agree to propose new business process for CV.IMK. The researcher has been show the company existing business process, and future condition business process to general manager, and assumes that this business process might show the right and appropriate standard operation procedure for the firm which can be used to control and maintain the working process. These diagrams also show the purchasing process should be conducted and done by each department based on their own job description as well as the inventory stock and cash flow in this company become more controllable. As the result of the research, the problem of the company has been solved.
In order to apply the new business process in this firm, the staff might need a time to adapt with the changing business process because they might be having been accustomed to the old working process. The control over segregation of duties would make each employee know their own job description.

5.2 Recommendation

1. CV. IMK should created the standard operational procedure, thus the working process of company may be more controllable and manageable.
2. The purchasing staff should attend seminars or launching new product event in periodically so the purchasing staff might know the new product material could be use for production process.
3. Receiving clerk has to conduct a physical count for each material received from supplier to minimize the condition of broken or loss raw material before store in the warehouse by using blind copy PO from purchasing department.
4. Warehouse department should check the raw material periodically; physically and perpetually, then record it into inventory report and send to general ledger; therefore the stock of raw material in the warehouse can be manageable and controllable.
5. The access to the warehouse should be lock and it’s not open access for all employees and has to get approval from Head of Warehouse.
6. Account payable staffs should check and reconcile the complete form before make a payment. All related form to support the payment; purchase requisition, purchase order, receiving report, packing slip and invoice are matched.
7. Cash disbursement makes a review of the voucher check and voucher package before payee to supplier to control the cash flow of the firm and then make a daily transaction report.
8. General ledgers should reconcile and check the voucher packages such as Purchase order, purchase requisition, receiving report and packing slip and cash disbursement voucher with the report send by purchasing staff and inventory staff.
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APPENDICES

Appendices A: Purchase Requisition

Appendices B: Purchase Order Form
Appendices C: Receiving Report (Invoice)

Appendices D: Receiving Report (Goods)
Appendices E: Cash Disbursement form

Appendices F: Voucher Check

Appendices G: Stock card
**Appendices H: Packing Slip form**

**Appendices I: Purchasing Report**
Appendices J: Inventory Stock Report

Appendices K: Debt Report
### Cash Disbursement Report

**CV/INTIMANUKIR**

**November**

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Appendices L: Cash Disbursement Report