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## Analysis of the Effectiveness of the Cash Receipts Accounting System for Accounts Receivable (Case Study of PT. X)

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### ABSTRACT

This research is descriptive qualitative, with the author's objective is to evaluate the efficiency of PT X's cash receipt accounting system in the cash receipt accounting system. Data collection methods include documentation, interviews, and observation. The Miles and Huberman model is used for technical analysis, and the triangulation method is used to ensure data validity. The results showed that the implementation of the accounting system function for cash receipts on receivables at PT Permata Delta Agung has implemented the accounting system function for cash receipts on receivables. However, the application has not been maximized because there are still accounting system functions that have not been carried out. The application of compliance with regulations at PT. X shows that there are still many pharmacies that do not comply with several policies that have been implemented by the company. for financial statement records in its implementation, PT. X has not yet made a general journal used. The procedure for receiving cash on accounts receivable, PT. X found that there was no application of the journal section function in preparing financial reports. This makes the cash receipt accounting system activities cannot be said to be running optimally. the internal control system implemented by PT. X is not optimal because the accounting function has not been implemented, there are no inspections carried out by internal control, there is no training to support employee development.

Keywords: Accounting System, Accounts Receivable, Cash Receipts

### 1. Introduction

Pharmacy has evolved into a basic human necessity, with a significant increase in commercial opportunities in Indonesia in 2021. Indonesia ranks first in the ASEAN region and 26th globally as a pharmaceutical market. The demand for pharmaceutical products continues to rise with population growth and increased health awareness. The launch of the National Health Insurance - Healthy Indonesia Card (JKN-KIS) is expected to drive future growth in the pharmaceutical market.

The pharmaceutical industry and drug products have seen growth, with PT. X as one of the major pharmaceutical distributors supplying a variety of drugs. Major pharmaceutical distributors (PBFs) play a crucial role in pharmaceutical distribution and are regulated by official regulations. PT. X has grown since its establishment in 2004, obtaining PBF and CDOB licenses. The company employs more than fifty full-time staff.

An effective accounting system is necessary to manage cash from accounts receivable efficiently. PT. X faces challenges in collecting receivables, which impacts cash receipts and company profits. A robust system is fundamental to the company's operational and strategic success and allows the company to remain competitive in a dynamic business environment.

For instance, PT. X encounters issues with uncollectible receivables each year, causing obstacles in managing cash receipts. The company conducts most transactions on credit but needs to improve its cash receipts accounting system to optimize collections and achieve maximum profit. Therefore, pharmaceutical companies like PT. X have growth potential in the future with proper management. The system at its core is a collection of closely related, interrelated, and frequently occurring or recurring elements, according to Mulyadi (2008:2), working together to achieve specific objectives.

Accounts receivable arises from credit sales, an important asset in the company's cash flow (Hery & Lakoro, 2016). However, receivables turnover and fraud risk can be obstacles. The cash receipts system, according to Sujarweni (2015), is a recording system designed to manage the receipt of money from various sources, including capital deposits, loans, credit sales, and cash sales.

Accurate, relevant, and timely financial data is crucial for stakeholders according to Mulyadi (2008). Businesses need methods to manage cash receipts, including the collection of credit receivables. Control over uncollectible receivables is vital for cash receipts. With a good cash receipts accounting system, the risk of uncollectible receivables can be minimized. Investing in the development of a cash receipts accounting system will enhance business operational efficiency and contribute to Indonesia's economic growth through job creation.

Research on "The Effectiveness of the Cash Receipts Accounting System for PT. X's Accounts Receivable" is of interest to researchers due to the issues and background mentioned above. Considering the contextual background of the issues faced, the research aims to address the problem through the following formulation: To what extent is the efficiency of cash receipts from accounts receivable reviewed from PT. X's accounting system?

## **2. Literature Review**

### **2.1. Accounting System**

Romney et al. (2014) define a system as a collection of two or more interrelated parts that work together to complete a task and as subsystems that assist the main system. According to Jogiyanto (2008), there are two ways to define a system: the process approach and the component approach.

### **2.2. Cash Receipts**

The accounting term "cash" refers to anything that can be equated with money, including paper money, coins, checks, promissory notes, bank deposits, and other commodities, according to Jusuf (2011).

### **2.3. Accounts Receivable**

According to Harrison Jr et al. (2012), receivables are defined as monetary claims made against other parties. Receivables are primarily obtained through lending money (notes receivable) and selling products and services (accounts receivable).

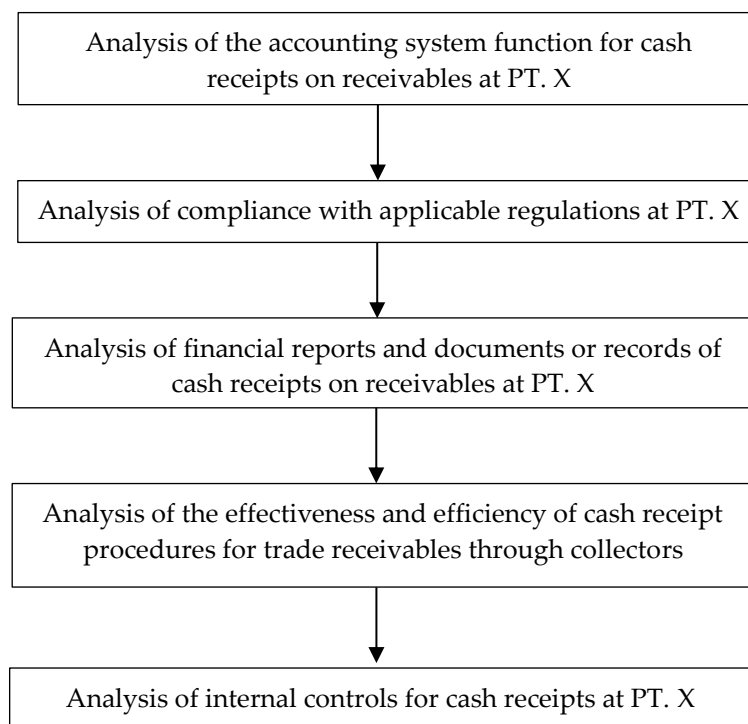
### **2.4. Cash Receipts Accounting System for Receivables**

Providing products and services to third parties is an activity recorded in the cash receipts accounting system for receivables. This indicates that a loan has been realized, and the business has recorded receivables received as a form of payment or cash receipt. Company collections are one way to obtain cash receipts from receivables (Mulyadi, 2016).

### **2.5. Internal Control**

Internal control plays a crucial role in the development of a company, according to Hermawan (2008). Internal control is a set of guidelines and practices designed to prevent asset misappropriation, ensure the accuracy of information, and ensure compliance with legal and regulatory requirements.

## 2.6. Framework



**Figure 1. Research Framework**

Source: Processed data, 2024

## 3. Methodology

Qualitative Descriptive Research was conducted to explore several key areas, including accounting systems, corporate regulatory compliance, the effectiveness of cash receipt procedures, records of receivable cash receipts, and internal regulations. The research was carried out at Ruko Pesona Permata Gading, Sidoarjo, East Java, using two data sources: primary data from observations and interviews with pharmacists, cashiers, and administrative staff, and secondary data from financial reports, organizational documents, notifications, software, films, and related materials. Data analysis used Miles and Huberman's method with a triangulation approach to ensure data accuracy.

## 4. Results and Discussion

The results of the study conducted will be discussed in this chapter, explaining findings by referring to previous theories through observations, interviews, and research documentation.

### 4.1. Analysis of the Accounting System Function for Cash Receipts on Receivables at PT. X

The function of the accounting system for cash receipts on receivables consists of 5 functions: First, the cash function; second, the billing function; third, the secretariat function; fourth, the accounting function; and fifth, the internal control function. PT. X has implemented these functions. The cash function is managed by the cash or finance department of the company. The billing function is managed by the billing or sales department. The secretariat function is managed by the receivables administration department. The internal control function is managed by the direct supervisor at PT. X. However, there are still some functions that have not been fully implemented, which affects the effectiveness of the system. The accounting system function is one of the functions not yet applied at PT. X. This is because the company has not yet implemented an effective financial reporting system, such as journal creation, ledgers, profit and loss statements, and others.

#### 4.2. Analysis of Compliance with Regulations at PT. X

In running its business, where most sales are made on credit, PT. X implements several regulations and policies to minimize uncollectible receivables that hinder cash receipts.

The first policy is to set a deadline for receivables settlement, which is 35 days from the receipt of the notification letter. The second policy involves limiting the amount of receivables; for new pharmacies, a maximum receivable amount of 5 million is allowed at the start of transactions. Subsequent receivables can be larger, but they depend on the ratio of previous receivables payments and whether there are still outstanding receivables or smooth cash receipts. The next policy is that receivables payments must be made through the company's account.

#### 4.3. Analysis of Financial Reports, Documents, and Cash Receipt Records at PT. X

Three notification letters are created and used as documents in the cash receipt procedures for trade receivables at PT. X. The first and second copies are taken by the company's collector as billing documents. The third copy is archived by the company. The first copy is given to the debtor by the company's collector as a receipt of cash receipt or can be referred to as a replacement for a receipt. The second copy of the notification letter is returned to the company to be submitted to the receivables administration department along with checks or other forms of revenue. This second copy serves as a substitute for the bank deposit proof document. However, there are incomplete documents, such as the notification letter. Along with the check given by the debtor to the company's collector, this notification letter is in the form of a cash receipt letter from the debtor. The pharmacist's signature or stamp will replace this notification letter during implementation at PT. X. In financial report records, a general journal and receivables ledger are required. However, PT. X has not maximally implemented these because there is no general journal in use. For the receivables ledger, it is in the form of software within the company's system.

#### 4.4. Analysis of the Effectiveness of Cash Receipt Procedures on Receivables at PT. X

If the accounts receivable billing information system at PT. X is depicted in a flowchart, it would look as follows:

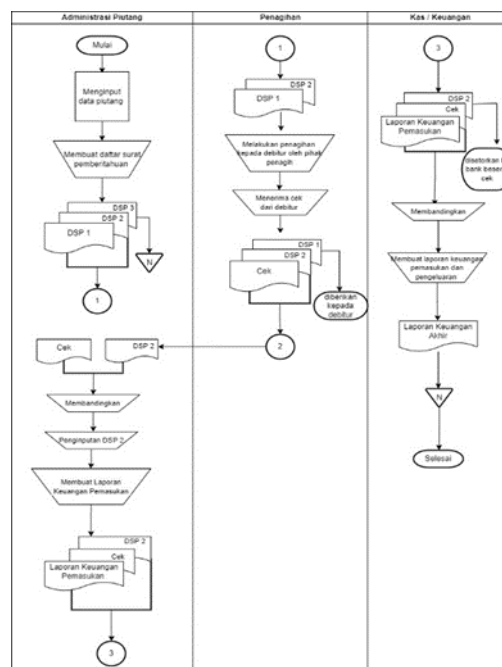


Figure 2. Accounts Receivable Billing Information System Flowchart for PT. X

From this, it is clear that there is a separation of functions in the cash receipt procedures for receivables at PT. X. The research findings show that the accounting journal function in financial reporting has not been implemented. This means that the cash receipt accounting system activities cannot be considered optimal.

#### **4.5. Analysis of Internal Control of Cash Receipts at PT. X**

The internal control implemented at PT. X is not yet optimal due to several factors, such as the absence of an accounting function, lack of internal audits, no training for employee development, and other incomplete elements. The company values this internal control system highly. If internal control is not well implemented, the cash receipt accounting system for receivables cannot function as efficiently as possible.

#### **5. Conclusion**

After extensive research and in-depth discussions, we have reached several key conclusions regarding the accounts receivable cash collection system at PT. X. The current system is not fully functional due to several areas that require further implementation. Specifically, PT. X has not consistently applied the accounting system functions necessary for optimal performance. The absence of a comprehensive accounting function, reliance on daily financial reports without a general journal, and incomplete implementation of internal controls have hindered the effectiveness of the cash receipt procedures. Additionally, compliance with regulations is not fully realized, as many pharmacies continue to bypass the stipulated payment processes. Financial reports and records are also incomplete, lacking proper documentation and accurate recording techniques. These issues collectively indicate that the current system does not operate as efficiently as it could.

Based on the findings, several recommendations are proposed to improve the accounting and cash receipt processes at PT. X. It is essential for PT. X to implement all missing components of the accounting system, including the establishment of a general journal, preparation of comprehensive profit and loss statements, and adherence to regulatory policies. Enhancing internal controls through regular audits and employee training will also contribute to a more effective system. Additionally, addressing the issues related to financial reporting and documentation will improve accuracy and reliability. For academics and future researchers, this study serves as a valuable reference for understanding the challenges and potential solutions in the field of accounts receivable management.

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