

Analysis of Receivables Control System in Avoiding Bad Debts at PT Pertamina Lubricants

Wan Fachruddin¹⁾, Fahreza Putri Z²⁾, Rahima Br. Purba³⁾

Universitas Pembangunan Panca Budi

E-mail: wanfachruddin@dosen.pancabudi.ac.id

Abstract

This study aims to determine and evaluate the analysis of credit granting selection with the 5C principle, analyzing the turnover of accounts receivable and the implementation of the concept of an internal control system over accounts receivable at PT Pertamina Lubricants Sales Region I. The method used in this research uses descriptive qualitative research methods, namely by collecting and analyzing data, so as to provide a clear picture in accordance with the title that has been described. The data collection techniques used are interviews and documentation. The results of this study can explain that the 5C Application Analysis has been implemented properly. The important point that must be improved is a broader approach to the character of prospective debtors, such as seeking information from debtor relations. The turnover of trade receivables of PT Pertamina Lubricants is considered not optimal in managing its trade receivables because it is still below the set standard of 15 times while the average result of trade receivables is still 1.5 times, the author suggests that PT Pertamina Lubricants give awards in the form of incentives in stages based on the percentage of accounts receivable collection, giving these incentives can stimulate the enthusiasm of workers related to collecting trade receivables. For the results related to the Accounts Receivable Internal Control System at PT Pertamina Lubricants has been running well, where company management has implemented the basic concepts and principles of internal control according to COSO, but still requires some improvement. Improvements that need to be made include giving rewards to outsourcing workers who help with operational administration if the billing goes smoothly and in accordance with company policy, on the other hand, giving punishment if the commitment to work does not go according to the company's vision and mission, carrying out the imposition of fines on customers according to the cooperation contract for the procurement of lubricants that have been mutually agreed upon and adding permanent human resources to the billing section so that there is no overlap of work / more focus according to the description of the responsibilities of each function worker.

Keywords: *5C Principles, Accounts Receivable Turnover, Internal Control System (COSO), Trade Receivables*

JEL Classification: *(adjust to JEL classification)*

1. INTRODUCTION

The basis of the establishment of a company is to increase the value of the company through the increase of owners and shareholders who prioritize to obtain profits, this applies in the business world, both in the private sector and the state-owned sector. Along with obtaining profits, the company is how to maintain the survival of the company, provide CSR funds part of the profits, have a good name and develop short and long-term investments so that the company is able to develop competitively and the company management must work hard to become a large and successful company. To become large

and successful, a business strategy is needed. The strategy that can be taken is for the company to sell competitively, for example by selling credit, giving discounts, competing prices, developing relationships, and others. However, we cannot avoid providing sales on credit because almost all companies sell on credit to attract customers who want to fulfill their needs.

Control of receivables is something that must be done by the company. A good accounts receivable control system will affect the company's success in carrying out its credit sales policy. Vice versa, negligence in controlling receivables can be fatal to the company, for example, many receivables are uncollectible due to weak collection policies. Internal control is one of the methods used to anticipate fraud and anticipate the possibility of uncollectible receivables. With accounts receivable control, it can minimize losses caused by uncollectible accounts. The company's internal control is an organizational plan and business methods used to increase effectiveness and efficiency, safeguard assets, provide accurate information, encourage compliance with established management rules and regulations.

PT Pertamina Lubricants is a subsidiary of PT Pertamina (Persero), which was established on September 23, 2013 with deed number 35 of 2013 before notary Lenny Janis Ishak, S.H, which is a *spin-off of the* Lubricants Business Unit of PT Pertamina (Persero) on October 30, 2013. PT Pertamina Lubricants was established as an implementation of the mandate of Law No. 22 Year 2001 on Oil and Gas. The purpose of establishing the subsidiary is to increase the Company's business strength in the lubricants business in the future, through business coverage at home and abroad.

The receivables control work system at PT Pertamina Lubricants begins after there is approval to send Pertamina Lubricants in both the Retail segment, Industrial segment and KAM segment to customers from the *Good Issue* process to the issuance of billing documents, and ends with collection when the *invoice is due*. Receivables control procedures are closely related to cash receipt control on the part of PT Pertamina Lubricants, and inventory control on the part of Pertamina Lubricants customers, so that receivables are the link between the two.

The purpose of this research is:

1. To find out how the terms and selection process of granting credit to customers of PT Pertamina Lubricants Sales Region I.
2. To find out how the analysis of bad debt turnover ratio at PT Pertamina Lubricants Region Sales Region I
3. To find out how the implementation of the internal control system of receivables in the sale of lubricants is implemented to minimize the amount of uncollectible receivables at PT Pertamina Lubricants Region I Sales Region.

2. LITERATURE REVIEW

Agency theory results in a directly proportional relationship between owners and managers, to avoid this asymmetrical relationship, a concept is needed, namely the concept of an Accounts Receivable Control System in avoiding bad debts which aims to make the company healthier. The purpose of this study is to explore the relationship between accounts receivable control and agency theory. Earnings management is based on the *agency theory* which states that each individual tends to maximize his utility. The

concept of *Agency Theory* is the relationship or contract between the principal and the agent. The principal hires the agent to perform tasks in order to fulfill the principal's interests (Sefiana, 2009).

One of the main assumptions of agency theory is that the principal's objectives and the agent's objectives are different which can lead to conflicts because company managers tend to pursue personal goals, this can result in the tendency of managers to focus on company projects and investments that generate high profits in the short term rather than maximizing shareholder welfare through investment in projects that are profitable in the long term. There are direct ways in which shareholders can monitor the management of the company to help resolve agency conflicts. Firstly, shareholders have the right to influence the way the company is run through voting at general meetings of shareholders, shareholder voting rights are an important part of the company's management.

of their financial assets. Second, shareholders make resolutions where a group of shareholders collectively lobby managers (representing the company) regarding issues that do not satisfy them. Shareholders also have the option of divestment (selling their shares), divestment represents a failure of the company to retain investors, where divestment results from shareholder dissatisfaction with manager activities (Warsono, 2009).

Accounts *receivable turnover* is the position of accounts *receivable* and the transaction collection time can be seen by calculating the turnover of these *receivables* (*Turn over receivable*). That is by dividing total credit sales (*Netto*) by average receivables. Receivables are claims against a person or other company, demanding payment in the form of money or delivery of other assets or services to the party with whom it is owed. Receivables arise due to the sale of products or delivery of services in the context of the company's normal business activities (Munawir, 2004; Mubarik, 2017).

Bad debts occur when a customer owes goods or services to a company but the company cannot collect them for some reason. The receivables are worthless because the company cannot collect what the company lent. As a result, if the receivable is long paid, the company will write off the receivable as uncollectible. For the most part, this happens when companies extend credit to customers.

Bad debts are usually considered an operating expense, usually included in the selling, general and administrative expenses of a corporate organization. This expense reduces the company's net income during the same period that sales resulting in bad debts are reported on the income statement.

Fast accounts receivable turnover means that the return of funds embedded in receivables takes place quickly, so that the cash returned can be reused for credit sales or used to finance the company's operational activities. However, if the turnover of receivables is slow, it means that the investment embedded in receivables is large so that the working capital available in the company is low, if the company needs additional funds, the company will make loans to banks or other financial institutions, so that the company must pay interest expense and this will affect the company's profitability.

Internal control is a set of policies and procedures to protect the company's assets or assets from all forms of misuse, ensure the availability of accurate company accounting information, and ensure that all provisions (regulations) laws / laws and management policies have been obeyed or carried out properly by all company employees.

Internal control over receivables starts from receiving sales orders and continues to approval of orders, approval of credit, delivery of goods, invoicing, verification of invoices, accounting for receivables, collection of receivables, which will ultimately affect cash or bank balances.

In this case, periodic sales returns must also be made. Breakdown of receivables by age group to determine what action needs to be taken and assess whether the credit department and cash department have worked efficiently. Albertus Karjono and Dewi Sartika (2012) argue that effective is a condition that shows the level of success or failure of management activities in achieving the goals that have been set in advance.

3. RESEARCH METHOD

In this study, the descriptive method is used to explain the application of the accounts receivable control system in avoiding bad debts with the 5C principle of Credit Provision Terms and Selection, Calculation of Accounts Receivable Turnover Ratio (RTO) which is calculated based on the results of posting on the mySAP application of Pertamina's sales business system, and the Elements of Internal Control (COSO) at Pertamina Lubricants Sales Region I. The research was conducted at one of the subsidiaries of Pertamina Group, PT Pertamina Lubricants MOR I Medan. The research was conducted at one of Pertamina Group's subsidiaries, PT Pertamina Lubricants MOR I Medan.

Data used as information to conduct this research are primary data and secondary data.

1) Primary Data

Primary data referred to in this study is data obtained directly from the original source or object under study. Primary data is specifically collected by the author by answering research questions which are submitted to related functions at PT Pertamina Lubricants.

2) Secondary data

Secondary data is data that is already available and collected by other parties (Sanusi, 2011) in the form of the results of downloading customer receivables through Pertamina's mySAP application and processed into a *backlog* bill monitoring dashboard.

Based on the research objectives, this study uses a data analysis method with a descriptive analysis approach. Descriptive analysis is a data analysis technique that is carried out by collecting data, classifying data, and explaining so that it provides information or a picture that is in accordance with the problem faced or studied. The steps taken by the author are as follows:

1) The author collects the data needed in this research consisting of

2) Categories: the first is that researchers collect accounts receivable data from Pertamina's SAP application which later the data is classified according to the problems that occur and the second is that researchers conduct interviews by asking questions in writing related to the credit granting system (5 C) to the authorities such as the credit granting section and the author also asks questions to the section that runs the Internal Control System (COSO). such as Manager. marketing, Billing Section, Account Receivable Section, Accounting section and internal audit section. Marketing, Billing Section, *Account Receivable* Section, Accounting section and internal audit section.

3) To assess accounts receivable turnover, the author collects accounts receivable data from Pertamina's SAP application data and then analyzes it using Formula:

$$\text{RTO} = \text{Credit Sales} / \text{Receivable Average}$$

If the trade receivable turnover is above 15 x, the turnover is getting better and vice versa.

4) The author concludes the overall results of the research analysis.

4. RESULTS AND ANALYSIS

Based on data on trade *receivables*, credit sales, bad / overdue receivables and collectible receivables at PT Pertamina Lubricants, data is obtained that can be used as material for calculating trade *receivable* analysis using the *receivable turnover* ratio. This receivable turnover ratio shows how many times receivables can be collected in one accounting period. The ratio is a ratio that measures the effectiveness in managing accounts receivable. The faster / greater the value of the company's accounts receivable turnover, the more effective / better the company is in managing its accounts receivable.

The receivable turnover rate of PT Pertamina Lubricants RTO calculation fluctuates (up and down). In 2017 it was 1.0 times, meaning that the rate of return / turnover of accounts receivable was 1.0 times within one year, while in 2018 the rate of turnover of accounts receivable was 0.7 times within one year or decreased from 2017, the decrease was 0.3 times and in 2019 it increased its accounts receivable turnover by - 0.7 compared to 2018 or the rate of return / turnover of accounts receivable was 0.3 times within one year, which means that in 2019 it was better than the previous year because the company's embedded working capital was getting smaller.

From the results of interviews conducted by the author to related parties of PT Pertamina Lubricants, especially the analysis of the implementation of the internal control system for trade receivables, namely the accounts receivable collection section (Supervisor Invoicing and Assistant Account Receivable & Tax), Supervision (Supervisor Sales Support and Supervisor Business Support), Regional Sales Manager (Sales Region Manager I), Internal Audit (Senior Auditor Finance & Support Audit) and the Credit Application Approval section (*Analyst Credit Management*) related to credit sales of PT Pertamina Lubricants' products when viewed as a whole from the respondents' answers related to 13 questions, only 4 questions that still occur weaknesses in carrying out the internal control system, it can be concluded that the Internal Control System related to credit sales at PT Pertamina Lubricants is running well. This is in line with what is revealed by Agoes (2012: 100) in carrying out Good Internal Control in an entity must fulfill 5 elements / components of internal control, namely the Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring. The Internal Control System related to trade receivables has been running well even though there are still weaknesses that occur, among others:

1) Control Environment

PT Pertamina Lubricants conducts meeting activities regarding companies related to trade receivables, but *monitoring* has not been carried out regularly so that it becomes a *backlog* bill due to the absence of a PIC tied to collection in each credit *customer*.

2) Risk Assessment

Template Accounting and business Journal

PT Pertamina Lubricants applies the imposition of fines if the *customer* does not make payments at a predetermined time limit but has not been carried out according to the cooperation contract (K3S) because it still considers the partnership relationship with the *customer* for the continuity of the Lubricant procurement business. The process before the imposition of fines on *overdue* bills the company will first reconcile with the credit *customer* to make an appeal for payment.

3) Control Activities

PT Pertamina Lubricants provides a clear separation of tasks performed by each employee in the Description of Worker Responsibilities (UTP) and Job Descriptions, but due to the fact that the organizational structure in the Sales Region is still *vacant* (incomplete), there are workers who carry out work outside the UTP/UPJ of their positions, so that their performance is not optimal.

4) Information and Communication

Regarding the internal control system for the fourth element, namely information and communication, it has been carried out properly. PT Pertamina Lubricants already has a function of the accounts receivable section and between leaders and subordinates provide each other with an information and communication system.

information related to the development of trade receivables from the MY SAP system owned by PT Pertamina Lubricants.

5) Monitoring

PT Pertamina Lubricants uses a computerized accounts receivable recording documentation system from billing to recording.

However, monitoring activities can be accessed by authorized parties only so that employees with the lowest position, in this case *outsourced* workers, cannot monitor the development of accounts receivable balances unless the application UID is given access permission by the UID owner, in this case at the manager or assistant manager level.

5. CONCLUSION

The results of research on the Analysis of the Receivables Control System in Avoiding Uncollectible Receivables

at PT Pertamina Lubricants, among others:

1. Selection of credit to prospective *customers* there are no obstacles from related to the 5C principle (*Character, Capacity, Capital, Collateral, and Condition*). because PT Pertamina Lubricants in selecting prospective *customers* has previously passed the audit and guarantee stage by the bank concerned. The next process is selection and verification by the internal audit committee of PT Pertamina Lubricants, which is considered based on the financial statements of the prospective *customer* company and the guarantee file by the credit *customer* bank.
2. The results of the calculation of the accounts receivable turnover rate of PT Pertamina Lubricants using RTO in the period from 2017 - 2019 are still below the established industry standards. The part related to the collection of trade receivables carried out by PT Pertamina Lubricants is considered unsuccessful in managing its trade receivables.

3. The Internal Control System (COSO) that has been implemented by PT Pertamina Lubricants as a whole is good / in accordance with the COSO concept even though there are 4 question items out of 13 questions that have not been fulfilled.
4. Conclusion of the occurrence of obstacles in the elements of the control environment, risk assessment, control activities and monitoring.

6. REFERENCE

- Afnas , Miftahuljannah. 2015. *“Peranan Sistem Pengendalian Intern Pemberian Kredit dalam Menunjang Efektivitas Proses Pemberian Kredit (Studi Kasus Pada PT Bank BRI (Persero) Tbk. KC Makassar Somba Opu”*.
- Agoes, Sukrisno. 2014. *“Auditing: Petunjuk Praktis Pemeriksaan Akuntan oleh Akuntan Publik.”* Jakarta: Salemba Empat.
- Amri, M. Khairul. 2016. *“Analisis Pengendalian Piutang terhadap Piutang Tak Tertagih pada Koperasi Swamitra Wahana Putra Bengkalis.”*
- Apriana, Shandy. 2017. *“Analisis Pengaruh Prasyarat Kredit (5C) terhadap Kelancaran Angsuran Nasabah di Bank Kalsel Unit Sentra Banjarmasin”*. Jurnal Bisnis dan Pembangunan , Vol. 6, No. 1 ISSN 2541 -178X, Juni 2017 : 13
- Apriana, Wahyu, dkk. 2017. *“Analisis Pengaruh Prasyarat Kredit (5C) Terhadap Kelancaran Pembayaran Angsuran Nasabah di Bank Kalsel Unit Sentra Antasari Banjarmasin.”* Jurnal Bisnis dan Pembangunan, Edisi Januari-Juni 2017 Vol 6, No. 1, ISSN 2541-178X 10
- Djajadikerta , Hamfri. 2004. *“Perbandingan Pengendalian Intern dan Ermawijaya. 2019. “Dampak Penerapan Metode Penghapusan Piutang Tak Tertagih terhadap Pendapatan Rumah Sakit Umum Daerah (RSUD) Sekayu Kabupaten Musi Banyuasin.”* Jurnal Ilmiah Akuntansi Rahmaniayah (JIAR), Vol. 3 No.1, Desember 2019; 50 –67
- Hery. 2004. *Pengendalian Akuntansi dan Manajemen*, Jakarta: Kencana Prenadamedia Group
- Ikatan Bankir Indonesia (IBI). 2015. *“Manajemen Resiko I”*. Jakarta Pusat: PT. Gramedia Pustaka Utama
- Kasmir. 2008. *“Manajemen Perbankan.”* Jakarta: PT. Rajawali Grafindo Persada
- Kasmir. 2013. *“Analisa Laporan Keuangan.”* Jakarta: PT. Rajawali Grafindo Persada
- Kholmi, Masiyah. 2010. *“Akuntabilitas dalam Perspektif Teori Agensi.”* Jurnal Ekonomika-Bisnis, Vol. 02 No. 02, Juni 2010: 357-370
- Makaria, Beni. 2015. *“Evaluasi Atas Sistem Akuntansi Penjualan Kredit Dan Penerimaan Kas Sebagai Upaya Meningkatkan Pengendalian Intern Studi Pada Pt. Kasin Malang.”*
- Maretta, Sudjana, dkk. 2015. *“Pengaruh Kepemilikan Manajerial, Kebijakan Dividen dan Profitabilitas terhadap Kebijakan Hutang (Studi pada Perusahaan Manufaktur yang tercatat di BEI Periode 2010-2012).”* Jurnal Administrasi Bisnis (JAB) Vol. 22, No 1, Mei 2015
- Maryadi. 2016. *“Pengaruh Penjualan Suku Cadang Alat Berat Terhadap Peningkatan Pendapatan pada PT. Traktor Nusantara Cabang Makassar.”*
- Merlengen, Hidayati. 2018. *“Analisis Tingkat Perputaran Piutang pada PT FIFGROUP Cabang Tanjung Redeb.”* Jurnal Accountia; *Accounting Pengendalian Manajemen dalam Hubungannya dengan Agency Theory.* Jurnal Bina Ekonomi, Vol. 8, No. 1, Januari 2004: 1-109
- Erika Divi, Alestya. 2019. *“Pengaruh Perputaran Kas, Perputaran Piutang, dan Perputaran Persediaan terhadap Net Profit Margin Studi Kasus pada Perusahaan Manufaktur yang terdaftar di Bursa Efek Indonesia Periode Tahun 2014 -2018”*, Universitas Darma Persada.Trusted, *Inspiring, Authentic Journal* (ISSN 2621-0975), Volume 2, No.1, April 2018 : 29
- Mubarik, Zaky. 2017. *“Analisis Perputaran Piutang dalam Meningkatkan NPM pada PT Tigaraksa Satria.”* Skripsi Universitas Muhammadiyah Sumatera Utara

Templete Accounting and business Journal

- Mulyadi. 2011. *“Auditing”*. Cetakan Kesembilan, Buku Satu, Edisi Keenam. Jakarta: Salemba Empat
- Munawir S .2004. *“Analisis Laporan Keuangan.”* Edisi Pertama. Yogyakarta: Liberty
- Narandika, Aurelius. 2013. *“Prosedur Penagihan Piutang atas Penjualan Spare Part pada PT. Astra Internasional TBK – Honda Cabang Denpasar.”* Puspita, Santi. 2018. *“Analisis Sistem Pengendalian Intern Piutang dalam Meminimalisir Piutang Tak Tertagih pada PT. Cakrawala Multi Finance Palembang.*Jurnal Media . Wahana Ekonomika, Vol. 15, No 1, April 2018 : 105 -116
- Saifudin, Marlinda. 2017. *“Kebijakan Pengendalian Internal atas Piutang pada CV. Anugerah Abadi Semarang.”* Jurnal Solusi Ilmiah, Vol.16, No.1 Januari 2018, ISSN: 1412-5331
- Satria, Rita. 2017. *“Analisis Laporan Keuangan Untuk Melihat Kinerja Perusahaan pada PT. Darma Henwa Tbk.”* Jurnal Sekuritas, Vol.1, No.2, Desember 2017 Halaman : 89 – 102
- Sawitri, Diah. 2016. *“Pengendalian Piutang pada PT Buana Raya Express di Samarinda.* Elfreda Aplonia Lau, Mardiana. Jurnal Ekonomika 2016.
- Sugiyono. 2013. *“Metode Penelitian Kuantitatif, Kualitatif, dan R&D”*. Bandung: Alfabeta.
- Syaputera , Erdi dkk. 2013. *“Analisis Piutang Tak Tertagih Pada PT. Bima Finance Palembang.”*
- Tambunan, Diana. 2016. *“Analisis Tingkat Perputaran Piutang Pada PT Perdana Gapuraprima Periode 2012-2014.”* Jurnal Ekonomi Akuntansi Vol. 3, No 1, Mei 2016 : 407 – 415