Information Control on Inventory Study at In One of The Garment Companies in Bandung

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Abstract

The objective of this study is to examine the impact of the Finished Goods Inventory Accounting Information System on the internal control of finished goods inventory at PT. Partners Adi Jaya Manunggal in Bandung City. Based on the obtained calculation results, it has been determined that the Accounting Information System (X) for Finished Goods Inventory is deemed to be of satisfactory quality, as indicated by a score of 3.39. The internal control system for managing finished goods inventory (Y) has demonstrated effective performance, as evidenced by a value of 3.37. The optimization and effective utilization of a precise accounting information system for finished goods inventory is expected to enhance internal control measures for such inventory.

The research employed a descriptive verification research method at PT. Partners Adi Jaya Manunggal in Bandung City. In order to gather data and information that will substantiate this research, the approach involves the collection of secondary data and the utilization of linear regression hypothesis testing. This methodology aims to offer a comprehensive understanding of the impact of the Finished Goods Inventory Accounting Information System on the Internal Control System for Finished Goods Inventory.

According to the findings of the study, the outcomes of the linear regression analysis indicate that the equation Y = 8.006 + 0.817. This finding indicates that a majority of the population in Mitra Adi Jaya Manunggal, Bandung City, accounts for 63.3%, while the remaining 36.7% represents an unexamined variable of influence.

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Keywords : *Finished Goods Inventory Accounting Information System, Effect of Internal Control of Finished Goods Inventory*

INTRODUCTION

The primary objective of a privately-owned enterprise is to attain a level of profitability that is considered reasonable. This entails striving to maximize sales while minimizing any associated costs or sacrifices. The implementation of robust internal control measures is imperative for the attainment of organizational objectives and the identification of requisite areas for enhancement. Internal control is considered a procedural framework that encompasses the operational activities of an organization or company, thereby constituting a significant component of management practices. (Ginting, 2021) The primary objective of implementing effective internal control measures is to protect the assets of a company and enhance the reliability of the information it generates. (Yassin et al., 2021)

The company endeavors to optimize the utilization of its resources with maximum effectiveness and efficiency. These resources encompass inventory that management relies on for crucial decision-making purposes. The occurrence of loss and damage to merchandise in distribution companies poses a significant detriment to the company. This is primarily due to the resultant reduction in the company's Finished Goods Inventory, which consequently leads to a decrease in the anticipated profits that the company should accrue.In addition, the occurrence of loss and damage to merchandise can result in a decline in trust among consumers

and other stakeholders associated with the company. (Septiani et al., 2020)

The company's ability to engage in sales activities is contingent upon the presence of Finished Goods Inventory. The availability of merchandise or inventory will also have an impact on sales. (Septiani et al., 2020) If there is a demand from customers, there will be a corresponding decrease in sales, and conversely, if there is a decrease in demand, sales will increase. Hence, it is imperative to diligently manage inventory in order to ensure the uninterrupted progression of the company's operations. Effective protocols for the reception, issuance, and documentation of items. This objective can be accomplished by implementing efficient internal inventory management practices, thereby enabling the organization to attain its initial objectives. (Muhamad et al., 2021)

Based on the data from January to June 2019, it was observed that the aggregate quantity of completed goods in stock amounted to 158,935 kilograms. Additionally, there was a recorded damage of 8,407 kilograms, constituting a percentage of 5.289%. This damage was attributed to suboptimal internal control measures pertaining to inventory management within the warehouse, resulting in the impairment of a portion of the finished goods inventory.

During the period of July to December 2019, there was a notable increase of 119,152 KG in the overall inventory of finished goods. Additionally, a total of 13,391 KG of finished goods were damaged, accounting for approximately 11.238% of the total inventory. This occurrence can be attributed to the neglect of risk assessment by a garment company in Bandung, leading to insufficient storage facilities and subsequent damage to the inventory of finished goods.

From January to June 2020, there was a reduction of 5.509% in the inventory percentage. This decrease can be attributed to a decrease in damage to finished goods. Specifically, the total inventory of finished goods during this period was 135,035 KG, while the total damage to finished goods amounted to 7,440 KG.

During the period of July to December 2020, there was a notable increase of 5.566% in the percentage of returned inventory. This increase can be attributed to the damage incurred by the returned finished goods of a garment company located in Bandung. The company's lack of sufficient attention towards risk assessment led to inadequate storage of the returned inventory, consequently resulting in damage to the finished goods. Specifically, the damaged finished goods inventory amounted to 146,723 KG, with a total damage of 8,168 KG.

Based on the aforementioned description, it is evident that the internal control of finished goods inventory at a Garment Company in Bandung is suboptimal. This deficiency is purportedly attributed to the suboptimal state of the inventory accounting information system. As previously elucidated, the implementation of control measures is imperative in this particular scenario to guarantee the optimal functioning of the accounting information system, thereby mitigating the potential for irregularities. (Erick et al., 2022)

This phenomenon is believed to arise due to suboptimal functioning of the inventory accounting information system. The significance

of the inventory accounting information system within a company is noteworthy. The implementation of an accounting information system enables companies to enhance the effectiveness and efficiency of their operational activities. (Mustofa et al., 2022) An accounting information system refers to a compilation of resources that facilitate the processing of data and transactions, ultimately transforming them into valuable information that aids in the efficient functioning of an organization. The utilization of accounting information systems within organizations is expected to yield favorable outcomes. The accounting information system is a component of the broader information system framework, responsible for the acquisition, manipulation, and dissemination of financial data pertaining to a company's accounting activities. In addition to the capacity for data recording and storage, companies will enhance their readiness to confront the contemporary era of globalization. Furthermore, the process of making decisions within the organization is facilitated due to the presence of clear, accurate, and timely financial information.

Certain factors can give rise to intricate issues, such as the failure to update inventory information due to employee negligence in data input, system errors leading to disruptions in goods management, and inadequate supervision resulting in ineffective operation of the inventory information system. (Mustofa et al., 2022) The significance of an accounting information system lies in its ability to provide crucial data pertaining to inventory, thereby facilitating the operational endeavors of a company and contributing to the attainment of efficient internal inventory control. The accounting information system's impact on inventory is significant.

The author's research focuses on the variables of the Inventory Accounting Information System and Inventory Internal Control, as described above. The inventory accounting information system can be classified as an independent variable or an influencing variable, whereas the internal control of inventory in a specific Garment Company in Bandung is considered the dependent variable.

METHOD

The author employed a combination of descriptive and verification research methods in the preparation of this thesis. The data collected during the research was processed and analyzed in accordance with the relevant theoretical framework. Furthermore, statistical tests were conducted to validate the obtained data.

A population refers to a broad domain encompassing objects or subjects possessing specific qualities and characteristics, as determined by the researcher, for the purpose of study and subsequent drawing of conclusions. The concept of population encompasses not only human beings, but also inanimate objects and other elements of the natural world. The concept of population encompasses not only the quantitative aspect of the number of objects or subjects under investigation, but also encompasses the entirety of the characteristics or traits inherent to the subject or object in question. This study involved a sample of 30 employees from a Garment Company in Bandung who were involved in inventory activities.

The sample constitutes a subset of the population, encompassing a portion of its

numerical composition and distinctive attributes. In situations where the population size is substantial and comprehensive examination of every element within the population is unfeasible, researchers may resort to employing samples extracted from said population. This approach is often necessitated by constraints such as limited financial resources, energy, and time. The inferences drawn from the sample can be extrapolated to the broader population. Therefore, it is imperative that the samples collected from the population are genuinely representative. The author employs a comprehensive sampling technique by including all individuals within the population as part of the sample. This action was undertaken due to the relatively limited size of the population, specifically consisting of 30 individuals.

Hence, the employed sampling technique is Nonprobability Sampling, which refers to a sampling approach that does not ensure equal chances for every element or member of the population to be chosen as a sample. In this study, the employed methodology is saturated sampling, also known as census sampling, wherein the sampling technique involves the inclusion of all members of the population as samples.

The employed sampling technique is known as saturated sampling. Saturated sampling is a method of sample selection wherein every individual within the population is included as a sample. Saturated sampling, also known as a census, refers to a sampling method in which data is collected from the entire population or group of interest, encompassing all individuals or elements within that population.

Inadequate techniques that fail to ensure equitable opportunities for every element or member of the population to be selected as a representative sample. The selected technique for non-probability sampling is Saturated Sampling, also known as census sampling. This method involves including all members of the population as samples. This practice is frequently employed in cases where the population size is relatively small, typically comprising fewer than 30 individuals.

This study will involve a sample population comprising 30 employees from a Garment Company located in Bandung. The selected sample will encompass employees occupying various positions within the organization. The sampling technique employed in this study utilizes the saturated sample method. The saturated sampling method refers to a sampling technique wherein every member of the population is included as a sample.

The research employs validity and reliability tests as the methodology for data testing. Validity and reliability tests are employed to assess the quality of data by utilizing a series of questions or questionnaires to determine the appropriateness of the questions posed to respondents, thereby evaluating their validity and reliability.

This research employs a data analysis methodology that encompasses descriptive analysis and verification analysis. This research employs the data verification analysis method, which includes the utilization of Pearson Product Moment Correlation Analysis, Simple Linear Regression Analysis, and Coefficient of Determination. Correlation is a statistical measure used to determine the presence or

absence of a relationship between two or more variables. Regression analysis is a statistical technique used to assess the impact of one variable on other variables. The variable that exerts influence is commonly referred to as the independent variable, while the variable that is subject to this influence is known as the dependent variable. The Determination Coefficient is a statistical measure utilized to assess the extent of the impact of the variable Finished Goods Inventory accounting information system (X) on the internal control of the variable Finished Goods Inventory (Y).

RESULTS AND DISCUSSION

The purpose of this validity test is to assess the efficacy of a measuring instrument in accurately measuring a particular construct or phenomenon. The purpose of this test is to identify the research instrument used to measure a specific construct, thereby determining the instrument's validity based on its ability to effectively measure the intended variable. Valid instruments are utilized to assess the variables under investigation and are appropriate for comprehending and evaluating the issues to be examined. Reliability refers to the degree to which measurements obtained using a consistent methodology yield consistent data.

Table 1. presents the results of the validity tests and reliability tests.

Instrument	X	Y
1	0,581	0,618
2	0,615	0,653
3	0,647	0,426
4	0,423	0,396
5	0,422	0,570
6	0,517	0,732
7	0,430	0,718
8	0,676	0,617
9	0,572	0,783
10	0,568	0,655
11	0,618	0,713
12	0,578	0,693
13	0,702	0,648
14	0,615	0,522
15	0,723	0,618
Cronbach's Alpha	**0,896**	**0,911**

The validity test conducted in this study yielded valid results for the variables pertaining to the Finished Goods Inventory accounting information system and the Finished Goods Inventory internal control. These results were deemed valid as they surpassed the critical value of 0.300. Hence, the aforementioned statement, encompassing items numbered 1 to 15, possesses validity and can be utilized proficiently for assessing variables related to the receivable information system, thereby rendering them appropriate for subsequent investigation.

Based on the conducted calculations, the reliability test results indicate that the Finished Goods Inventory Accounting Information System variable has a reliability score of 0.896, while the Finished Goods Inventory Internal Control variable has a reliability score of 0.911. These scores suggest that the instrument used to measure these variables can be considered reliable. If the reliability coefficient exceeds 0.700, it can be concluded that the questionnaire on variable X is reliable, as evidenced by the calculation result of 0.896, which surpasses the threshold of 0.700.

$$Y = 8{,}006 + 0{,}817X$$

Based on the provided linear regression equation, it can be inferred that the intercept term is 8.006. Consequently, in the absence of the Accounting Information System variable for finished goods inventory (X) in relation to the internal control of finished goods inventory (Y), the intercept term would remain at 8.006. In the present scenario, it is observed that the coefficient exhibits a positive value of 0.817. This implies that a unit increase in the Accounting Information System for Finished Goods Inventory (X) will correspondingly result in a 0.817 unit increase in the Internal Control of Finished Goods Inventory (Y).

This finding demonstrates the favorable impact of the accounting information system for finished goods inventory on the internal control measures pertaining to finished goods inventory. The efficacy of a company's utilization of the accounting information system for finished goods inventory directly correlates with the strength of its internal control over said inventory.

Based on the conducted linear regression analysis, several significant conclusions can be drawn regarding the association between the Accounting Information System for finished goods inventory (X) and the internal control of finished goods inventory (Y). Initially, it is observed that the regression constant possesses a numerical value of 8.006. This implies that in the absence of an accounting information system variable for finished goods inventory that has a contributing factor of zero (X=0), the internal control of finished goods inventory is estimated to be approximately 8.006. Put differently, there is a certain level of internal control that persists even when a Finished Goods Inventory Accounting Information System is not present.

Subsequently, it is observed that the regression coefficient (specifically, the linear regression coefficient) pertaining to the Finished Goods Inventory Accounting Information System (X) is estimated to be approximately 0.817. The coefficient holds significant importance within the context of linear regression analysis as it serves as an indicator of the magnitude by which alterations in the independent variable (X) will impact the dependent variable (Y). In the present scenario, when the Accounting Information System for finished goods inventory (X) is augmented by one unit, it is anticipated that the internal control of finished goods inventory (Y) will experience an approximate increase of 0.817 units.

Based on the obtained findings, it can be inferred that a positive correlation exists between the implementation of an Accounting Information System for finished goods inventory and the enhancement of internal control measures pertaining to finished goods inventory. The implementation of a robust finished goods inventory accounting information system in a company directly correlates with the level of internal control that can be achieved over the finished goods inventory. This information holds significant value for company management as it underscores the significance of allocating resources and enhancing focus towards the development and maintenance of their finished goods inventory accounting information system.

In the realm of business, robust internal controls are widely sought after due to their capacity to mitigate the risk of loss, damage, or fraudulent activities in the management of

finished goods inventory. Hence, this analysis offers further motivation for companies to prioritize the development and enhancement of their Inventory Accounting Information Systems for finished goods. This is done with the aim of augmenting internal control measures and operational efficiency. The effective management of the information system will result in a significant enhancement of internal control mechanisms and overall organizational performance.

The correlation coefficient is a statistical technique employed in data analysis to quantify the degree of association between two variables. Within the given framework, the correlation coefficient of 0.796 is observed between the variables denoting the Accounting Information System for Finished Goods Inventory (X) and the Internal Control of Finished Goods Inventory (Y). The correlation coefficient quantifies the magnitude and direction of the association between the two variables.

In this instance, the correlation coefficient of 0.796 signifies a robust positive association between the Finished Goods Inventory Accounting Information System (X) and the Internal Control of Finished Goods Inventory (Y). The observed positive correlation suggests that there is a tendency for the value of the Finished Goods Inventory Accounting Information System (X) to increase or decrease in tandem with the value of Internal Control of Finished Goods Inventory (Y). Put simply, there exists a notable correlation between the effectiveness of the Finished Goods Inventory Accounting Information System and the effectiveness of Internal Control of Finished Goods Inventory within the organization.

It is noteworthy that the correlation coefficient value of 0.796 is classified as "Strong" according to the interpretation table. This implies that the correlation between these two variables exhibits both a high magnitude and statistical significance. Within this particular category, it can be asserted that alterations made to the Accounting Information System pertaining to Finished Goods Inventory have a significant influence on the Internal Control mechanisms governing said inventory.

Understanding these relationships holds significant implications within a business context. This finding suggests that making investments and implementing enhancements in the Accounting Information System for Finished Goods Inventory can potentially yield favorable outcomes in terms of a company's capacity to effectively manage their inventory of finished goods. This phenomenon entails the mitigation of potential hazards such as loss, damage, or inconspicuous alterations in inventory, thereby enhancing operational efficacy and bolstering corporate profitability.

Furthermore, a comprehension of these correlations can also aid management in formulating long-term strategies. The provided information can be utilized to assess the appropriate allocation of resources for the enhancement of the Finished Goods Inventory Accounting Information System, with the aim of bolstering internal controls. By comprehending this robust correlation, organizations can enhance their overall operational effectiveness by making more informed and data-driven decisions.

The calculated coefficient of determination (R Square) of 0.633 holds significant importance

within the context of this analysis. The coefficient of determination quantifies the degree to which the variability in the dependent variable, specifically the internal control of finished goods inventory (Y), can be accounted for by the independent variable, namely the finished goods inventory accounting information system (X) employed in this analysis.

A coefficient of determination (R Square) equal to 0.633 indicates that approximately 63.3% of the observed fluctuations or modifications in the Internal Control of Finished Goods Inventory (Y) can be accounted for by the corresponding variations in the Finished Goods Inventory Accounting Information System (X). Put simply, over 50% of the variation in the level of Internal Control of Finished Goods Inventory can be ascribed to the manner in which companies handle their Accounting Information System for Finished Goods Inventory. This finding strongly suggests the significance of Accounting Information Systems in attaining efficient internal control.

Nevertheless, it is crucial to bear in mind that approximately 36.7% of the variability in the Internal Control of Finished Goods Inventory (Y) remains unaccounted for by the Finished Goods Inventory Accounting Information System (X) in this particular analysis. The observed variability may be attributed to additional factors or variables that were not taken into account in the present study. Instances of such factors may encompass the caliber of a firm's internal audits, additional managerial protocols, or even external elements such as alterations in industry regulations.

While this study does not take into account the impact of internal audit quality on a company, it is important to acknowledge that other factors may also have a significant role in internal control. Hence, these findings underscore the ongoing significance of conducting research and analysis in order to comprehend additional variables that could potentially impact the implementation of more comprehensive internal controls.

In the realm of business, possessing a comprehensive comprehension of this inherent variability can significantly enhance a company's ability to effectively recognize and subsequently handle potential risks. This can also serve as a foundation for making better-informed decisions aimed at enhancing operational efficiency and the efficacy of internal controls. In summary, while the Finished Goods Inventory Accounting Information System holds considerable sway, it is imperative to take into account additional factors that may contribute to internal control in a comprehensive manner.

CONCLUSION

The primary objective of this research is to investigate and evaluate the impact of accounting information systems for finished goods inventory on the internal control of finished goods inventory at a garment company located in Bandung. The study sample comprised of 30 individuals who were selected to participate in an investigation examining the impact of Finished Goods Inventory Accounting Information Systems on the internal control of Finished Goods Inventory.

The findings of this study validate the presence of a statistically significant positive relationship between Finished Goods Inventory Accounting Information Systems and Finished

Goods Inventory Internal Control within the realm of business operations. Hence, it is imperative for organizations to prioritize the allocation of resources towards the enhancement and advancement of their accounting information systems, with the aim of augmenting operational efficiency and bolstering the efficacy of internal control mechanisms. Subsequent investigations should endeavor to examine supplementary variables that could potentially exert a comprehensive impact on internal control.

Based on the findings of the study, it is imperative for organizations to undertake an assessment of the significance of Standard Operating Procedure (SOP) socialization. Are there any additions or omissions that should be made? The current standard operating procedure (SOP) can be modified to align with the existing conditions in the field. It is imperative for companies to engage in proactive outreach efforts towards employees who possess limited comprehension of the inventory accounting information system database, in order to mitigate the likelihood of errors. It is imperative for companies to enhance their employee training programs in the domain of database management, thereby ensuring that each individual possesses a comprehensive comprehension and proficiency in this area. In order to enhance their operations, companies must prioritize the implementation and reinforcement of integrity and ethical principles within their inventory control processes. It is imperative for companies to exercise greater caution in the process of archiving assets and documenting inventory-related documents to prevent any potential errors in inventory control. It is imperative for the company to engage in the diligent monitoring of employees and their activities pertaining to information, encompassing transactional records and all relevant documentation associated with inventory, in order to prevent any instances of inventory discrepancies.

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