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Examining the Impact of Credit Sales Accounting Information Systems on Internal Controls in Credit Sales: A Case Study of a Mobile Phone Retailer in Bandung

Abstract

The research addresses the critical role of Accounting Information Systems in enhancing internal controls and managing risks within organizations. It delves into the challenges faced in maintaining effective internal controls, detecting weaknesses, and ensuring the reliability of financial information in the context of credit sales.

The study aims to investigate the impact of Accounting Information Systems on internal control mechanisms specifically related to credit sales, with a focus on mitigating risks, improving control quality, and enhancing the comparability of accounting information. The research employs a mixed-method approach, combining qualitative and quantitative analysis. Data collection involves interviews, surveys, and financial data examination. Analytical techniques include statistical analysis, regression modeling, and thematic coding to explore the relationship between Accounting Information Systems and internal control effectiveness. The study reveals a significant positive correlation between the quality of Accounting Information Systems and the strength of internal controls in credit sales processes. It identifies key areas where AIS interventions can bolster control mechanisms, reduce related party transaction risks, and enhance the reliability and comparability of accounting information. This research contributes to the existing literature by offering a comprehensive analysis of the interplay between Accounting Information Systems and internal controls in the context of credit sales. It provides insights into the practical implications of leveraging AIS to address internal control challenges and emphasizes the importance of proactive risk management strategies in enhancing overall organizational performance and financial reporting integrity.

Keywords: Accounting Information Systems, Internal Controls, Credit Sales.

Introduction

In the mobile phone sales industry in Bandung City, business competition has intensified due to technological advancements and changing consumer preferences. Mobile phone dealers are expected to efficiently manage sales, including credit payments to customers. With the dynamic activities of mobile phone dealers in Bandung City, these companies are facing increasing competitive pressure alongside technological advancements and evolving consumer preferences. To stay competitive, mobile phone dealers need to optimize sales strategies, including credit payments to customers. Offering credit sales is a crucial strategy to attract customers and boost sales volume, but ineffective management can lead to detrimental issues such as inaccurate data, bad debts, and potential financial losses.

Accounting information systems play a crucial role in maintaining the quality of financial reports for mobile phone dealers in Bandung City. A solid accounting information system enables companies to obtain accurate and reliable financial information, forming the basis for high-quality financial reporting. However, some mobile phone dealer companies may not have fully achieved the proper and optimal implementation of this system, leading to vulnerabilities such as recording errors, increased bad debts, and unwanted financial losses.

In this context, there is a gap that needs further exploration regarding the optimal implementation of accounting information systems for financial reporting in mobile phone dealer companies in Bandung City. Inadequate internal controls in credit sales systems can

result in data inaccuracy, rising bad debts, and potential financial losses that could harm the company as a whole.

The significance of the accounting information system for credit sales on internal control of credit sales is paramount. A well-integrated accounting information system not only facilitates accurate recording of credit sales transactions but also plays a role in strengthening the company's internal controls. The implementation of a good accounting information system enables companies to enforce stricter internal controls over the credit sales process. For instance, features like automated credit verification, credit limit monitoring, and task segregation can help minimize the risks of fraud and errors.

Mobile phone dealer companies in Bandung City may face challenges in managing their credit sales systems. The recording process for credit payments or receivables may not be optimal, leading to data inaccuracies, increased bad debts, and potential losses for the company.

Recent studies, such as those by Rizka & Gunanta (2021) and Lubis, Sari & Idris (2023), have delved into the impact of credit sales accounting information systems on internal control mechanisms and credit risk management within specific organizational contexts. These studies shed light on how these systems can enhance control effectiveness and mitigate risks associated with credit sales. The research conducted by Sidharta & Rahmahwati (2023) illustrates the importance of information system facilities in significantly influencing the perceived ease of use and usefulness. Interestingly, their study also reveals that these facilities have a varied impact on end-user satisfaction, indicating a nuanced relationship between system features and user contentment.

Additionally, research by Meiryani & Reyhan (2021); Salam (2022), and Rumengan, Tanor & Miran (2023) has provided valuable insights into the analysis and effectiveness of accounting information systems in improving internal control measures and driving sales growth within different business environments. These studies collectively emphasize the significance of integrating advanced accounting information systems to optimize control mechanisms and support business growth in diverse industry settings.

Furthermore, the review by Chalmers, Hay & Khelif (2019) offers a broader perspective on internal control in accounting research, laying a foundation for understanding the role of internal control mechanisms in enhancing accounting practices. By combining insights from these studies with the challenges in implementing accounting information systems effectively within mobile phone dealer companies in Bandung, a comprehensive understanding of the significance of these systems for internal control and financial management in specific business contexts emerges.

Exploring the gap in implementing an optimal accounting information system for financial reporting in mobile phone dealer companies in Bandung City can be a research focus. The lack of internal controls in the credit sales system can result in data inaccuracies, increased bad debts, and potential losses for the company. Building upon the discussed research

background, the research formulation can be centered on the influence of the accounting information system for financial reporting on the quality of financial reports for mobile phone dealer companies in Bandung City. The research objective is to provide improvement recommendations that can enhance the effectiveness and efficiency of managing credit sales for these companies.

Research Method

The research method used in the attached study is a quantitative descriptive method with a correlational study approach. This method involves analyzing numerical data to determine the relationship between two or more variables, expressed in the form of correlation coefficients. The research aims to explain the extent to which two or more variables correlate in the context of the company under study. The research period was conducted in the year 2022.

The research sample was carried out at one of the mobile phone dealer companies in Bandung, with the research object focusing on analyzing the accounting information system for sales to support the effectiveness of internal controls in the company. The research sample consisted of 35 individuals, selected using a census technique. Thus, the entire relevant population in the company was taken as the research sample, without random selection, so that every individual in the population had the opportunity to be part of the sample. This census technique allows for a representative overview of the entire population under study.

The operational variables used in this research consist of conceptual variables, dimensional variables, variable indicators, and measurement scales. For example, the variable of the accounting information system for sales includes hardware, software, human, procedures, databases, and computer network dimensions. Each of these dimensions has variable indicators measured on an appropriate scale.

Data quality testing in this research was conducted through the validity and reliability of the measurement instruments used.

The data analysis technique applied in this study includes a series of steps, starting from operationalizing variables, data collection techniques, sample determination, data testing, data analysis, to hypothesis testing plans according to the quantitative method used. With the data analysis techniques of correlation coefficient, simple linear regression analysis, and coefficient of determination analysis.

Results and Discussion

In the conducted research, respondent characteristics have been outlined based on several key variables. Firstly, in terms of gender, there were 30 respondents included in the study, with the majority (66.67%) being male, while the remaining 33.33% were female. This indicates an imbalance in the number of male and female participants in the research sample. Secondly, concerning age, the majority of respondents (63.33%) fell in the 20-23 age range, followed by

the 24-26 age group (20.00%) and 27-29 age group (13.33%). There were also a few respondents aged 34-35 years, showing diversity in the distribution of respondent ages.

Thirdly, in terms of highest education level, the majority of respondents (80.00%) were high school graduates, followed by D3 graduates (6.67%), bachelor's degree (10.00%), and master's/postgraduate degree (3.33%). These data reflect diverse educational backgrounds among respondents, with the majority having a high school education background. Lastly, characteristics based on work experience indicate that the majority of respondents (53.33%) had been working for 1-2 years, followed by those working for 3-4 years (30.00%) and 5-6 years (13.33%). Only a small number had been working for more than 6 years. This shows variation in the length of work experience among respondents in the researched company, which can influence the perspectives and experiences they bring to the study.

In the data quality analysis for the variables "Accounting Information System for Credit Sales" and "Internal Control for Credit Sales," both variables showed a fairly strong relationship based on the observed correlation values, ranging from 0.420 to 0.767 for the accounting information system variable and 0.381 to 0.747 for the internal control variable. These correlation values indicate a moderate to strong relationship between these two variables and other variables in the analysis. With correlation values all greater than 0.3, it can be concluded that both variables are valid in the analysis.

Furthermore, the reliability tests conducted also showed a high level of consistency, with reliability scores of 0.911 and 0.924, exceeding the minimum reliability threshold of 0.7. This confirms the reliability of the data used in the analysis, strengthening the conclusion that the relationship between the accounting information system for credit sales and internal control for credit sales can be accurately explained.

The research findings revealed a very strong and positive relationship between the accounting information system for credit sales (X) and internal control for credit sales (Y), as indicated by a high correlation coefficient value of $r = 0.897$. This means that the better the accounting information system for credit sales, the better the internal control for credit sales performed.

Through simple linear regression analysis, the equation $Y = 8.116 + 0.950X$ was obtained, explaining that every one-unit increase in variable X results in a 0.950 unit increase in variable Y. This demonstrates a significant influence of the accounting information system on internal control for credit sales.

Furthermore, ⁵the coefficient of determination (R^2) of 80.4% indicates that approximately 80.4% of the variation in internal control for credit sales can be explained by the accounting information system for credit sales. However, there is around 19.6% of other variation that may be influenced by factors not included in the research model.

From these results, it can be concluded that the importance of the accounting information system for credit sales in supporting internal control for credit sales, while also highlighting

the need to consider other factors in efforts to enhance internal control effectiveness holistically.

Based on respondent feedback, the Accounting Information System for Credit Sales was rated fairly well with an average score of 3.28. This indicates that aspects such as hardware, software, personnel, procedures, databases, and communication networks have been adequately met. However, there are areas that need improvement, such as output equipment specifications and suboptimal software. Overall, the research results suggest that a good Accounting Information System for Credit Sales plays a crucial role in supporting effective Internal Control for Credit Sales. Recommendations for improvements in areas that are still suboptimal are expected to enhance the efficiency and effectiveness of the accounting information system and internal control.

The research conducted by Li, Xia & Wu (2022) sheds light on the relationship between the quality of internal controls, transactions with related parties, and accounting information consistency. In this context, a good accounting information system can be a crucial pillar in ensuring the quality of internal controls, reducing the risk of transactions with related parties, and enhancing the consistency of accounting information produced. Putra, Komara, Sidharta, Roslina, & Megawati (2023) explore information control studies on inventory in a garment company in Bandung. This underscores the importance of proper and accurate information control in the accounting information system to efficiently manage inventory.

The study by ³Nasir, ³Simsek, Cornelsen, Ragothaman & Dag (2021) emphasizes the importance of developing decision support systems to detect material weaknesses in internal controls. An efficient and well-integrated accounting information system can be a crucial component in this decision support system, aiding in the early detection and handling of weaknesses in internal controls. Baker, Cohanier & Leo (2017) showcase cases of internal control failures in a bank's trading information system, highlighting the urgency of a reliable accounting information system in preventing leaks and fraud. With a robust accounting information system, companies can mitigate operational risks associated with complex information systems. Benaroch, Chernobai & Goldstein (2012) provide ¹an internal control perspective on market value consequences of IT operational risk events. In this context, the accounting information system can assist in managing operational risks related to information technology, promoting ⁴the reliability of financial information generated.

Referring to ²the mentioned research, ²it can be concluded that the accounting information system not only serves as a tool for recording financial transactions but also as a crucial foundation in supporting effective internal controls, managing risks, and enhancing the overall quality of accounting information.

Conclusion

The role of Accounting Information Systems is crucial in supporting effective internal controls, managing risks, and enhancing the quality of accounting information. Research highlights the relationship between internal control quality, transactions with related parties,

accounting information consistency, detection of material weaknesses, and ¹market value consequences of IT operational risk events. A good accounting information system can help prevent leaks, fraud, manage operational risks, detect weaknesses early, and provide accurate information for sound decision-making.

Improving ²the Quality of Accounting Information Systems: Companies need to continually enhance ²the quality of their accounting information systems to support strong internal controls, manage risks more efficiently, and provide accurate and comprehensive accounting information. Implementation of Decision Support Systems: Accounting information systems also need to integrate with decision support systems that can swiftly and effectively detect material weaknesses in internal controls, enabling prompt corrective actions to be taken.

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