

CHAPTER I

INTRODUCTION

1.1 Background

As time goes by, the world is growing and moving forward. Many new buildings were established to meet the needs of societies and to support the country's economy. Because of this, all businesses will move forward because of the better prospect, because developing countries, particularly Indonesia, has a population that will continue to grow, so that the entrepreneurs will be vying to cultivate the land and then transformed into the source of their income. In doing their activities, all businesses need a lot of accurate, real, valid, and relevant information so that it can be trusted and relied upon by information users, both internal and external company. In the other side, dependable information is essential to the existence of a company.

Auditing is one of the business functions that are useful to prove whether the information in the financial statement of a company can be trusted and used by its users or not. Besides that, it can also be used to minimize the risk, either occurring now or in the future, both large and small, in order to achieve company's targets or goals. In addition, auditing can be used to measure the performance of the internal control system of an enterprise. It can help a company to manage and monitor the internal performance, especially in the accounting process, either on recording processor during the inspection.

Auditors are people who are doing the audit. These are people whose job is to ensure that the financial statements have been recorded correctly without any misstatement and in accordance with GAAP (Generally Accepted Accounting Principles). The job of an auditor is searching and verifying the accounting records and examining other evidences that support the financial statement. In addition, auditor should also provide assurance on the accuracy of management's assertion. Auditors should note that the report has followed the representation principles, such as: correct, complete, concise, clear, comprehensive, comparative, considerate, celerity, candid, and coordinate.

The result of the auditing is an assessment report made by auditors. It includes summarization of their findings based on the examination of company's financial statements, which is called the audit opinion. The role of audit opinion is really important for a company. Audit opinion must be able to measure the levels of reliability and authenticity of a company's financial statements, so that the company can use it as a benchmark of the performance of the company. The company should also use that to make decisions and to plan a strategy that will be implemented by the company next year.

Besides on doing an audit, company should have a good internal control. Internal control can be recognized as steps taken by a company to prevent fraud, whether it was a false financial report or done by employees. According to AICPA (American Institute of Certified Public Accountants), internal control comprises the plan of organization and all of the coordinated methods and measures adopted within a business to safeguard its assets, check the accuracy and

reliability of its accounting data, increase operational efficiency, and encourage adherence to prescribed managerial policies. A company with a good internal control can create an efficient, effective, and economic business. It can also minimize risks, both large and small, as well as measuring the level of authenticity, validity, and reliability of the financial statements. If a company has a lot of fraud or risk, this means that the company has a weak internal control.

Internal controls can also be seen as a way to resolve and avoid the problems that occur in the company. For example, if a company experiencing financial risk, internal control can be a fast and economical way to reduce the high levels of risk. Internal controls can also provide the proper ways to handle similar problems in order to prevent and avoid the problem happening again. It has been proved that companies who have a strong internal control will not experience the same problems twice.

On the other side, Sarbanes-Oxley Act Section 404 said that the company has issued IPO should have a strong internal control in it. This is because internal control is one important part in doing audit in the company. Therefore, it is said that go public companies should perform the audit. It can be done by examining the company's internal control, such as checking financial statement, examining corporate governance, measuring quality of management and internal auditors, and so on. Internal auditor, the most important people in making a strong internal control, should focus on administrative control and accounting control. According to ISO-9001 and 14001, the objective of internal auditor is to examine the suitability of the system at the company and check whether the system is

effectively implemented and maintained. In conclusion, the role of the audit of internal control is to ascertain whether the work performed by internal auditing has been done properly and operating effectively.

Every company has a lot of cycles. Each cycle in business need to be audited, including sales and collection cycle. Sales and collection cycle is one of the most vital part in a business cycle. This cycle is a cycle in which companies convert finished goods into cash, which will then be used to perform the next activity. This is one factor that encourages author to write about this cycle. The writer would like to know whether the audit on sales and collection cycle is applicable to all companies, especially whether non public companies can meet the criteria and audit procedures that should be directed to the go public companies. In addition, the writer also wants to know whether a medium size company can do an audit that has been used by a large and public companies. Finally, the author decided to choose topic *“Audit on Sales and Collection Cycle on PT Sarimas Bahtera Sukses”*.

1.2 Research Problem

Auditing is one of the most important things to do in all companies. Because auditing is very large, the problems will be discussed by writer in this paper will be limited. As for the issues to be discussed is:

- 1) how to implement financial auditing to PT Sarimas Bahtera Sukses, which is a medium-size and nonpublic company?

1.3 Research Purpose

The purpose of this study was made to:

- 1) ascertain and assess whether the audit on sales and collection cycle of PT Sarimas Bahtera Sukses can be implemented in accordance with the criteria of management assertions and in accordance with the applicable standards.

1.4 Benefits of Research

The benefits expected by the author in this thesis are as follows:

- 1) For PT. Sarimas Bahtera Sukses.

The writer hope that this media can be a guide for companies to better understand the constraints and shortcomings of their companies, as well as continuously improving the internal control system so that the company will continue to grow and prosper.

- 2) For readers.

The writer hoped that media could provide further insights to readers about the field of auditing, particularly in the sales and collection cycle.

- 3) For writer.

The writer hoped that media could add insight and experience of the author, particularly in doing an audit of sales and collection cycle, which can be useful for writers, both now and in the future.

1.5 Systematic of Writing

Systematic of this paper is divided into five chapters. The systematic of writing with a brief description of the contents of each chapter are as follows:

CHAPTER I INTRODUCTION

In this chapter, the author describes the background of the topic that is used by the writer, the formulation of the problem, research objectives, the benefits of research, and systematic of writing.

CHAPTER II SUPPORTING THEORIES

In this chapter, the author explain and elaborate explanation about the meaning of auditing, varieties of auditing, and other theories related to the topic that will be used as the basis and guidelines to conduct the research.

CHAPTER III RESEARCH METHODOLOGY

In this chapter, the author will give research object, which is consist of an overview about PT. Sarimas Bahtera Sukses, such as a brief history of the company, the company's development, the company's activities,

organizational structure, and business fields as well as products for sale, as well as the basic rules applicable to the sales and collection cycle. In addition, this chapter will also covered research stages, data collection techniques, and analytical techniques.

CHAPTER IV RESULT AND DISCUSSION

In this section, the author will implement financial auditing on PT Sarimas Bahtera Sukses, which will be performed from stage one until the last stage, which focus only on sales and collection cycle. Implementation of this audit will be performed by using the existing theories, which then be used to address the problem.

CHAPTER V CONCLUSION AND SUGGESTION

In this last chapter, the author will give conclusions and suggestions from this research and hope that the conclusions and suggestions that are given will enhance the company's performance with respect to audit on sales and collection cycle by the company.