

CHAPTER I

INTRODUCTION

This chapter will be discussing about the background of the research, research problem, research objectives, significance of the study, scope of the study and systematic discussion of the study. Each sub-chapter is explained as follows:

1.1. Background

Merchandising is one of the most popular industry these days. For a company that is in merchandising industry, staying capable of effectively implementing the usage of COSO framework as internal control system is important as it helps in managing and directing an organization. The reasons behind the need of successfully implementing the COSO internal control framework explained by Protiviti (2014), are due to its role in helping personnel to understand and apply the principles consistently across the entity; and help to identify and view the weaknesses within or the absence of a principle as requiring management's attention.

In order to carry out the study of COSO internal control framework, the organizational structure should also be carefully analyzed. According to Simbolon, et al., (2016), one of the criteria required is the organizational structure. The organizational structure is very important since it is one of the way to increase the effectiveness of the internal control. The increased effectiveness of the internal control of the company helps the company's

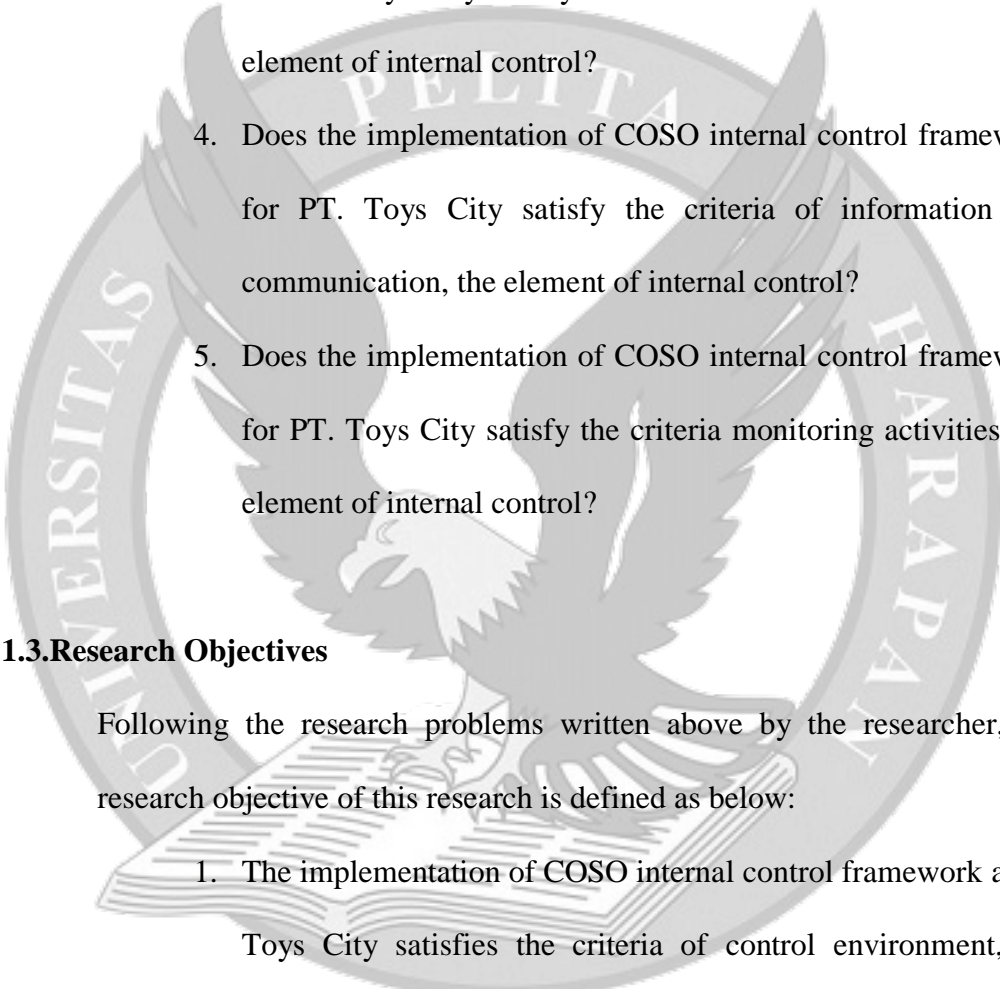
employees to perform their duty properly which can lead to not only a better working environment, but also in efficient working systems and even the clear job descriptions. “The internal control in this case will be the clear guideline for the implementation of internal control of the operations of the company or organization” (Simbolon, et al., 2016).

PT. Toys City is one of the representative merchandise companies that has adapted internal controls in their operation. Following the logics and theories that has been taught by professors during the academic years, the researcher chose this topic, “Analysis of implementation of COSO internal control framework at PT. Toys City” in order to determine and examine, when the logics and theories are applied in the real-case of merchandise company.

1.2. Research Problem

Based on the background written above by the researcher, it is clear that successfully implementing COSO internal control framework plays a major part in managing companies involved or related to the industry of merchandising. To achieve the goal that is expected for the research, the research problems are defined as below:

1. Does the implementation of COSO internal control framework for PT. Toys City satisfy the criteria of control environment, the element of internal control?

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2. Does the implementation of COSO internal control framework for PT. Toys City satisfy the criteria of risk assessment, the element of internal control?
 3. Does the implementation of COSO internal control framework for PT. Toys City satisfy the criteria of control activities, the element of internal control?
 4. Does the implementation of COSO internal control framework for PT. Toys City satisfy the criteria of information and communication, the element of internal control?
 5. Does the implementation of COSO internal control framework for PT. Toys City satisfy the criteria monitoring activities, the element of internal control?

1.3. Research Objectives

Following the research problems written above by the researcher, the research objective of this research is defined as below:

1. The implementation of COSO internal control framework at PT. Toys City satisfies the criteria of control environment, the element of internal control.
2. The implementation of COSO internal control framework at PT. Toys City satisfies the criteria of risk assessment, the element of internal control.

3. The implementation of COSO internal control framework at PT.

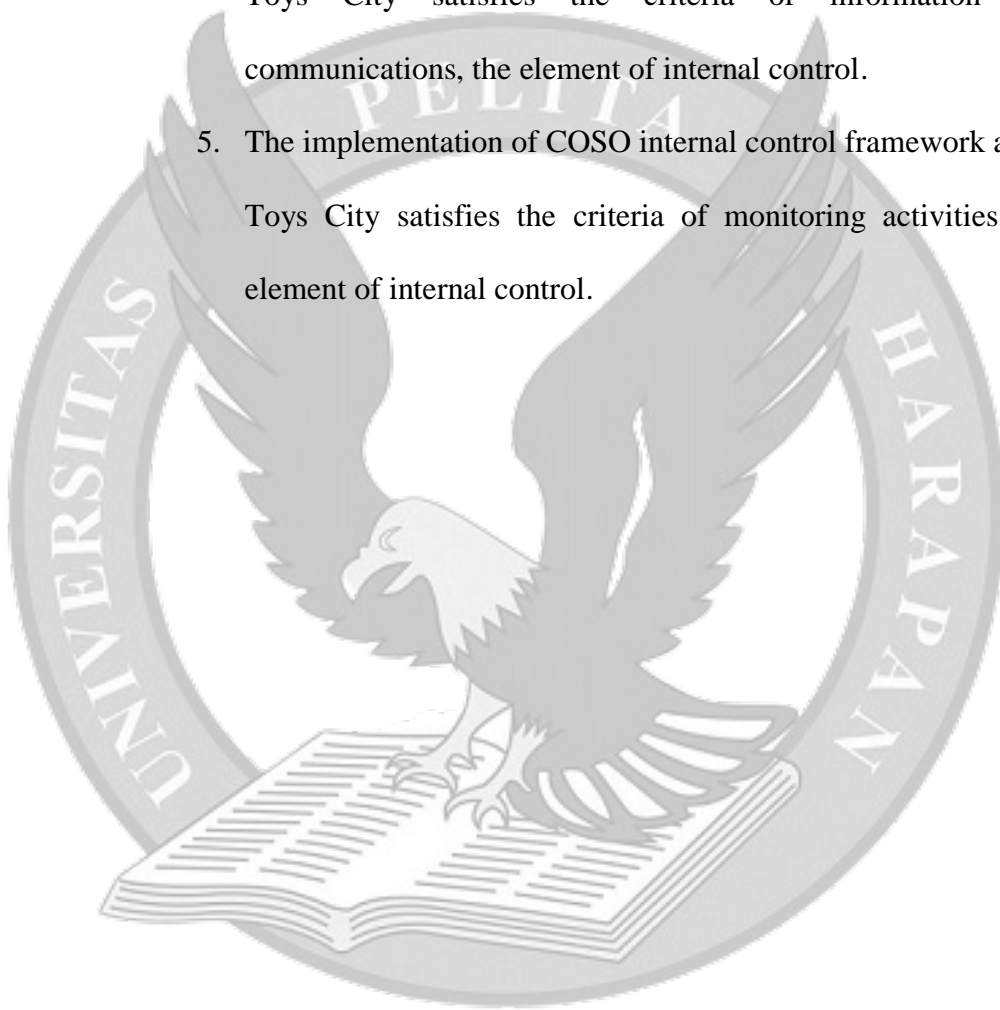
Toys City satisfies the criteria of control activities, the element of internal control.

4. The implementation of COSO internal control framework at PT.

Toys City satisfies the criteria of information and communications, the element of internal control.

5. The implementation of COSO internal control framework at PT.

Toys City satisfies the criteria of monitoring activities, the element of internal control.



1.4. Significance of the Study

1. Corporation

The result of this research hopefully gives the corporation the insights of the importance in implementing the COSO internal control framework and identify their room for improvements and the points to focus on.

2. Universitas Pelita Harapan

The result of this research hopefully gives additional information about the implementation of the theories taught during the process of learning. Also, the additional information of material to be taught in the process of learning in class. Additionally, hopefully the study conducted may be proper addition to literature collection of Johannes Oentoro Library.

3. Future Researchers

The result of this research hopefully play the role in providing additional knowledge for future researchers and further studies related to the COSO internal control framework for different organizations or the ones similar to the particular company mentioned in this research.

4. Government

The result of this research hopefully able to give additional information about implementing the internal control framework for merchandising company or companies that are searching for suitable internal control framework.

1.5.Scope of the Study

Due to the limited time and resources, the researcher has narrowed down the scope of the study for an accurate analysis to be attained for this research. The scope of the research has been decided to analyze the implementation of COSO internal control framework at PT. Toys City.

1.6.Systematic Discussion

This research paper is systematically divided into five as the following:

CHAPTER I INTRODUCTION

This chapter will describe the background information, research problem, research objectives, significance of the study, scope of study, as well as the systematic discussion.

CHAPTER II THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

This chapter will describe the basic concept explanations such as the definition of Internal Control, Principles of Applicable COSO Component, Internal Control Objectives, Components of Internal Control, and the steps along with the reasons behind the need of implementing the COSO framework.

CHAPTER III RESEARCH METHODOLOGY

This chapter will describe the research method that will be used in the study. This includes the, research object, case study stages, data collection methods and data analysis method in this research.

CHAPTER IV RESULT AND DISCUSSION

This chapter will discuss the results and findings in the research objective in relation to the Analysis of Implementing COSO Internal Control Framework at PT. Toys City.

CHAPTER V CONCLUSION

This chapter consist of conclusion and suggestion from the result and discussion, along with the limitation and recommendation for the future researchers.

