

THE GENERAL LEDGER AND REPORTING SYSTEMS CYCLE: TRADITIONAL VS DIGITAL ACCOUNTING INFORMATION SYSTEMS ERA IN PHARMACY ISSUERS AND IMPLEMENTATION OF INTERNAL CONTROL PROCEDURES THAT ENABLE COST SAVINGS IN DEALING WITH THREATS IN THE CYCLE

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Abstract

The purpose of this research is to find out the process of transferring ledgers in presenting financial reports from traditional to digital and to find out the forms of threats and controls that need to be carried out in the ledger and financial reporting system. The general ledger cycle is part of the activity from posting ledgers that are entered into special journals, subsidiary ledgers and general journals to the general ledger that produces financial reports and the Company in carrying out operational activities in order to prevent system error rates. Internal control is a form of process carried out by the board of directors, management and other personnel within an entity to provide reasonable assurance regarding the stated objectives.

Keywords: transferring ledgers, financial reporting system, Digital Accounting.

Introduction

Accounting is a form of recording and application that is used for decision making for those in need. The general ledger and financial reporting system currently has a very strong role in presenting information to those who need it for decision making. The accounting cycle is the activity of collecting and processing accounting data systematically in one accounting period. (Muda et al., 2017)

The accounting cycle has 11 stages including: transaction identification, transaction analysis, recording transactions in journals, posting ledgers, compiling trial balances, compiling adjusting journals, compiling trial balances after compiling, compiling financial reports, compiling closing journals, compiling trial balances after closing and preparation of closing journals (Harnanto, 2002). With a journal, it will be very helpful in preparing financial reports because the journal can do an analysis first before it is recorded in the account because accounting is the main point.

By presenting financial reports in accordance with Financial Accounting Standards, it will provide very useful information for investors and creditors, thus helping in assessing organizational performance (PSAK No 1 2020). With the dependence of information on financial reporting, there is a need for a reporting design to produce regular reports and support the needs of those in need (Mirandha et al., 2022).

Changes that have occurred a lot in financial reporting provide convenience in providing information to those who need it and investors or parties who need it can find out about changes along with knowledge related to these changes (Darmawan et al. 2022). Thus it will produce reliable financial information and facilitate internal control, with internal control it will help reduce the level of fraud in the presentation of financial statements, so that it does not harm other parties. Internal control is a procedure that is determined to be carried out by people to provide adequate assurance in achieving interrelated goals (Jonhson and Kell, 2006). Based on the description above, the research will focus on changes in the general ledger in the presentation of technology-based financial reports and forms of threats and controls in the general ledger and financial reporting system. Based on the description of the background above, the research questions to be discussed include (1) How is the general ledger transition process in presenting financial reports from traditional to digital? (2) What forms of threat and control need to be put in place in the general ledger and financial reporting system?

Literature Reviews

Definition of Journal in Reporting

Accounting has several forms of journals, namely general journals and special journals. A general journal is an activity of summarizing transactions carried out based on documents viewed from a chronological view plus the necessary explanations. The function of the journal is an activity that summarizes the forms of transactions that have been carried out. Meanwhile, accounts and ledgers are more concerned with recording transactions as seen from their type. The following is the format of the general journal.(Muda et al., 2017)

Table 1. General Journal Format

Date	Information	Ref	Amount	
			Debit	Credit

Journalizing in the ledger has several things that must be included in the form of activities systematically as follows:

1. Accounts used

There are at least two accounts used in the general journal.

2. The value of the transaction rupiah

Transactions carried out in nominal accounting will be reflected in the rupiah value of transactions carried out.

3. Transaction date

The economic activity that has occurred will be reflected from the date of the transaction.

4. Short Description of Transactions and Account Codes

Transactions can be described through accounts, this is done to reduce the error rate of the many transactions that have been carried out.

Steps in journaling

To get a more complete and detailed transaction record, there are several steps that must be considered including:

1. The transaction date must be listed
2. Debit and credit accounts are also determined
3. The account name is also made in the description column
4. Account writing must be considered in placing the account name both on credit and on debit.
5. The rupiah value must be included for each account nominal
6. The amount made must be the same
7. A brief description of the account used must include parentheses.

Ledgers and the relationship between Ledgers and Supporting Ledgers in reporting

General Ledger

The ledger, also known as the General Ledger, is an overview of the accounts used in summarizing financial data that has been done previously. Ledger accounts can be used as a forum for classifying financial data which is seen as a source of financial information in the presentation of financial statements.(Muda et al., 2017)

Ledger and Its Uses

The general ledger system describes the transaction processes for the General Ledger and Financial Reporting Cycle. The general ledger system has the following objectives:

1. All transactions are recorded accurately and correctly.
2. Transactions are posted to the correct accounts
3. There is a balance in both debit and credit
4. Make necessary adjusting entries
5. The resulting financial reports are reliable and timely.

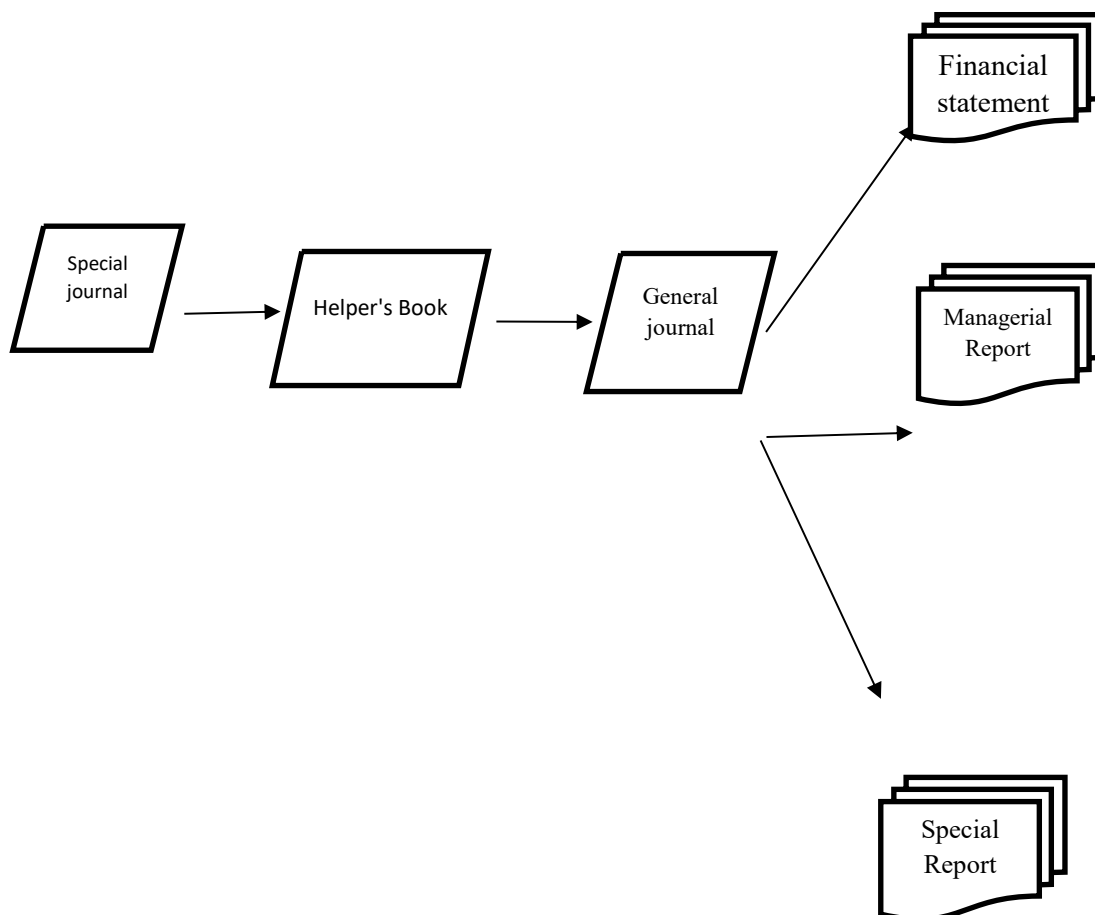
The function of the general ledger system consists of collecting, classifying, coding, updating, recording adjustments to accounts and producing financial reports. In addition, the general ledger has two forms, namely the control form and the staff form.

To complete the financial reports, in addition to the general ledger, it also has a subsidiary ledger. The subsidiary ledger can be used to detail certain accounts in the general ledger. The subsidiary ledger has two accounts, namely accounts receivable and liabilities. The subsidiary ledger has advantages that are very helpful in preparing financial reports consisting of:

1. There is ease in preparing financial reports because it can reduce fatal errors that can affect the general ledger

2. There should be accuracy with regard to bookkeeping in comparing balances in general ledger accounts with total balances in subsidiary ledgers
3. There is a division of tasks
4. There is evidence supporting the transaction in the subsidiary ledger
5. Can know the elements needed.

Figure 1: Ledger Cycle (Deshmukh, 2006)



Internal Control in Reporting

Definition of Internal Control

The company is carrying out operational activities in order to prevent the level of system error. Internal control is a form of process carried out by the board of directors, management and other personnel within an entity to provide reasonable assurance regarding the stated objectives. Internal control has categories consisting of: reliability of financial reporting, compliance with applicable laws and regulations and effectiveness and efficiency of operations. Meanwhile according (Hall, 2011), internal control is a form of method used to control entity activities to help ensure that the activities carried out can ultimately achieve the desired goals. Based on the description above, internal control can be interpreted as a form of procedure that is determined to be carried out by people to provide adequate confidence in achieving interrelated objectives. With the existence of internal controls, it can reduce things that can provide losses to the company, one of which is to reduce the level of fraud, both intentional and unintentional.

Internal Control Objectives

Implementation of internal control is needed to produce a good system and in accordance with established procedures. The objectives of internal control include: Maintaining company assets and checking the accuracy and reliability of accounting data.

Characteristics and Limitations of Internal Control.

Characteristics of Internal Control

Control has characteristics and limitations which will be described in the following explanation (Mulyadi, 2002):

1. A plan for the separation of function responsibilities quickly
2. Existence of appropriate systems and procedures for assets, liabilities, revenues and expenses
3. The division of tasks and functions is a form of practical implementation of each organizational chart
4. There is a quality of responsibility.

Internal control limitations

Internal control will not be achieved as long as the limitations cannot be overcome. The limitations consist of:

1. Error in judgment
2. Disturbance
3. collusion
4. Devotion by management
5. Cost versus benefit.

Model of Internal Control According to COSO

Committee of Sponsoring Organization of the Treadway Commission COSO for short. The implementation of COSO is sponsored by 5 professional associations: American Institute of Certified Public Accounting (AICPA), American Accounting Association (AAA), Financial Executive of Management Accountants (FEI), The Institute of Internal Auditors (IIA), and The Institute of Management Accountants (IMA), this coalition was established to unite views within the business community regarding issues of financial reporting that contain fraud. The five components in COSO's internal control consist of the control environment, control activities, risk assessment, information and communication and supervision. (Muda et al., 2017)

Methods

The research method used is a literature study. Literature study is a series of activities related to methods of collecting library data, reading and taking notes, and managing research materials. The literature study method is a series of activities carried out by researchers by collecting several books, magazines related to research problems and objectives (Danial and Warsiah 2009).

Results and Discussion

Results

The process of changing the general ledger in presenting traditional and digital financial reports

The general ledger cycle is part of the activity from posting ledger entries to special journals, subsidiary ledgers and general journals to ledgers that produce financial reports. (Romney & Steinbart, 2018). The first accounting process to be carried out is transactions that are recorded in general journals and special journals originating from transaction documents and posted to ledgers and subsidiary ledgers after which a trial balance is prepared. From the preparation of the trial balance an adjustment journal will be made based on information from the supervisor. The general ledger can be used as a basic form of generating the required financial reports (Sahputra et al., 2022). Closing entries will be made after the financial statements are finalized as well as the trial balance after closing. The traditional use of ledgers is to produce financial reports for investors.

In a traditional production environment, technology is generally used haphazardly and without planning. The goal is often to address certain recurring problems for specific parts without looking at the integration of technology in the overall process. The result is a variety of stand-alone technologies that are not integrated and can often be integrated only at a high cost. This applies not only to factory automation technology but also to information systems and various business applications (Hall, 2011). The information technology used by traditional manufacturers consists of a mainframe that handles key accounting functions, such as processing sales orders, processing purchases, and reviewing. These various basic accounting applications may or may not be integrated.

One of the digital ledgers is Blockchain. Blockchain is a decentralized, distributed and public digital ledger, which is managed jointly by multiple parties, using cryptography to ensure transmission and access security, to achieve consistent data storage, data tamper proof, and denial prevention (Yaqoob et al., 2022). It is also known as Distributed Ledger Technology (DLT). A typical blockchain stores data in blocks. Each block includes a cryptographic hash of the previous block in the blockchain to connect two adjacent blocks. Block linkages are "chains". Blockchain, as a new computing paradigm and collaboration model in an untrusted competitive environment, is changing the application scenarios and operating rules of many industries with its unique trust building mechanism (Reegu et al., 2022).

SAP AG is a German company founded in 1972 in Waldorf, Germany, by several IBM employees. Their opening goal was to create an integrated business package that could cater to large companies in the manufacturing industry. The software, called SAP, supports various processes related to sales, marketing, production and human resources. In English, SAP stands for Systems, Applications, and Products in Data Processing (systems, applications, and products in data processing). (Hall, 2011)

Forms of threats and controls that need to be implemented in the general ledger and financial reporting system

The accounting process is not only updated by the ledger, but the ledger can also be updated by transactions. In Table 1, it will be explained regarding matters that are a threat and need control in preparing financial reports.

Table 1. Threat and Control In Preparing Financial Reports

Activity	Threat	Control
Problems that arise in the preparation of financial	1. Invalid data from the general ledger	1. The need for supervision in data processing

reports seen from the journal process	<ol style="list-style-type: none"> 2. The financial reports presented are unreliable 3. Insufficient data backup 	<ol style="list-style-type: none"> 2. There is a limit to the ledger 3. Reviewing changes to ledger data 4. There is data backup and recovery
Problems in updating the general ledger	<ol style="list-style-type: none"> 1. Invalid ledger presentation 2. Invalid journal entry 	<ol style="list-style-type: none"> 1. There is data entry control 2. Control of reconciliation of financial statements 3. The need for review related audit steps
Problems in customizing data entry	<ol style="list-style-type: none"> 1. Invalid adjusting journal 	<ol style="list-style-type: none"> 1. There are data entry controls 2. Control of reconciliation of financial statements 3. The need for review related audit steps
The need to improve the presentation of financial statements	<ol style="list-style-type: none"> 1. Invalid financial reports 2. Fraud in the presentation of financial statements 	<ol style="list-style-type: none"> 1. Use of accounting software for preparation of financial reports 2. Evaluation of the application of SAK 3. Financial Report Audit
Generated financial reports	<ol style="list-style-type: none"> 1. Presentation of financial reports that are not in accordance with SAK 	<ol style="list-style-type: none"> 1. There is accountability from the presentation of the resulting financial statements.

Discussion

The ledger has two approaches, namely the approach to business processing and the ledger or general ledger approach. The business processing approach covers more of the limitations associated with traditional approaches and systems in these business activities. The ledger approach focuses on adding financial information. There are problems implementing chart of accounts in terms of implementing by account, where the focus will be one of implementing each chart of account and business data according to a particular account. While the establishment of a coding scheme is based on the preparation of financial reports. Although in reality the general ledger system is more about account numbers, debit or credit entries and the rest of the information that is not used. (Gelinas & Dull, 2008)

Closing for the end of the period from the general ledger system, the data from the business process will be itemized from the system to maintain the correct current balance for each entry. For now, decision-making information is only limited to the information contained in the account that has been determined. Information will be obtained in the future if changes are made to accounts and programs that support these accounts.

Conclusion

Journals and Ledgers are financial reporting systems that summarize to assist the presentation of financial reports. A general journal is an activity of summarizing transactions carried out based on documents viewed from a chronological view plus the necessary explanations. And the ledger is also known as the General Ledger, which is an overview of the accounts used in summarizing financial data that has been done before. The company is carrying out operational activities in order to prevent the level of system error. Internal control is a form of process carried out by the board of directors, management and other personnel within an entity to provide reasonable assurance regarding the stated objectives. Internal control has categories consisting of: reliability of financial reporting, compliance with applicable laws and regulations and effectiveness and efficiency of operations.

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