Chapter 1

Introduction

1.1 Background

Facing the globalization era, information need is one of the business resources. Information is needed by companies as a vital resource for the going concern of contemporary business organization. The information need is felt by companies that run in any aspects to be able to win the competition which getting harder and harder. The bigger the company, the bigger is the need of relevant, timeliness, accurate, and complete information. Company should be able to defend its going concern in the world business competition which getting tighter.

The age development makes technology getting more sophisticated and advanced in many aspects, whether in service companies, trading companies, and also manufacturing companies. Ability of a company in facing this era determines the going concern of the company itself whether it can hold out in this tight world business competition. Company should be able to develop and wider its market segment to get maximum profit.

System that is used in a company is a measurement indicator of the company performance. The system itself is various. Company would adapt the system that is used in the company with the need of the users whether from the company’s internal or external. The bigger and more complex the company is, that means the system in that company will give more valuable benefit. A good system can be functioned to direct; connect; give result; and give relevant, timeliness, accurate, and complete information from various functions in the company. That information system
supports the operational activities of a company to be able to do its activities optimally. The purposes of this information system are to support the management directory function, support the management decision taking, and support the company’s daily operations. Therefore, a good and sufficient information system is really needed by a company in getting useful information.

One of the information systems that are needed by company is Accounting Information System (AIS), because AIS is designed to change accounting data into information. Company that has a fast development is certainly using computers in its daily operating activities to create a good accounting information system. The existence of computer in accounting information system as the tool of data processing is a very supportive factor in financial reporting. Application of computerized accounting information system will give more value to the management side.

Information that is resulted from AIS is needed in payroll activities. Payroll AIS which functioned independently can produce useful information where at last can give good management decisions. Payroll processing is actually a bit same with purchase system in which an organization purchases labor rather than raw materials or finished goods. Payroll system has an important role in the company since it takes control over all of the activities related with salaries and wages. Therefore, carefulness and accurate information are really needed in conducting the system.

PT HOBBY SENTOSA is a company that runs in textile industry. When the interview was conducted directly, could be known that PT HOBBY SENTOSA has applied accounting information system in payroll. But, there are some problem indications in the implementation process which related with payroll accounting information system. The company often experienced unbalance cash outflow which
was caused by the delayed payroll flow and salaries dispatch which was not on time. Another problem is there are no appropriate segregation of duties in the payroll department in this company. Those problems are the reasons for me to do a research about the payroll system of the company.

From the summary above, thus will be made a research with the title of Analysis and Design of Payroll Accounting Information System in PT HOBBY SENTOSA

1.2 Scope

Considering the scope of information system is so wide, it is needed to determine the scope that will be researched. In this thesis, the scope of the research is limited to Analysis and Design of Payroll Accounting Information System in PT HOBBY SENTOSA.

1.3 Aims and Benefits

Aims

The aims that are wished to be achieved in this research is to know the effectiveness of the company’s payroll system and to know any problems that disturbed the effectiveness of the company’s payroll system. After doing some interviews to the company’s employees, the aims are more specified which are: to know the cause of the delayed payroll flow and salaries dispatch, to make a better segregation of duties in the payroll system, and to create amelioration design of the payroll accounting information system in PT HOBBY SENTOSA.

Benefits
The benefits of research consist of practical benefit and theoretical benefit. Practical benefit is useful for the writer, company, and readers. The research is useful for the writer to be able to apply the knowledge and theories that have been gotten from the college to the practice that is related with accounting information system especially in payroll procedure. The research is useful for the company because it can give information to the company as the consideration sources and useful suggestion in solving problems to be able to fix the weaknesses that occurred in the activities of payroll, since it can increase knowledge by receiving experiences in valuating accounting information system that is being used by the company and also able to compare the theory about accounting information system from the university and the company’s information system itself.

Theoretical benefit is so the result of this research can be used as a reference to develop more by the other researchers, can support accounting information system knowledge so that it can be useful for the concerned parties, and as a suggestion source for the company operation in the future.

1.4 Research Methodology

Research methodology is methodology that is used in research to determine if the research is scientific or not. The object of this research is payroll accounting information system in PT HOBBY SENTOSA. The research is done to the effectiveness level and efficiency from the payroll accounting information system to maintain a good performance in the company.

A good research needs good data. Therefore, it is needed to have good and right data collection techniques so that the research can give accurate data result which in accordance with the requirement.
Research is activity to get or to produce very important data to support problem settlement accurately. Data that is collected also have to be a good data, which is a trustable data, on time, and can give images of the problem in comprehensive.

According to its characteristic, data can be divided into two, which are qualitative data and quantitative data. Data that are collected or has been resulted to evaluate the payroll accounting information system in this research is qualitative data.

According to the way to collect the data, data can be divided into two, which are: primary data and secondary data. Primary data is data that is gotten or being collected directly with a person itself through its object, whereas secondary data is data that is gotten in a form of the result which has been collected by others.

The data collection is done through the research to PT HOBBY SENTOSA directly, so that the data that are collected constitute as primary data. Data collection technique that is used to collect the relevant and important data and information are library research and field research.

Library research is a research that is done by studying the literature or relevant reading sources with the problem that is being researched in a purpose to get a thinking platform that has scientific characteristic, as well as some theories as a platform to identify problems. Field research is done by making direct observation to PT HOBBY SENTOSA to get the required data and information as well as to know a clearer company objective image about the implementation of the company in real.

Field research that is done to PT HOBBY SENTOSA is: observation and interview. Observation is done by watching and observing directly the company activities in accounting information system and the internal control of the company.
After that, comparing the information propriety that are gotten especially those which related with payroll accounting information system in use to get clearer image about the problem that is researched. Whereas interview is a data collection technique that is done by making direct interview to the General Manager of PT HOBBY SENTOSA. Data that are gotten from the General Manager are: the history and development of the company, organizational structure, company job descriptions, company activities, payroll accounting information system, procedure of the payroll activities and transaction as well as documents that are related with payroll activities.

The research is done by using study case method. Study case method is a method which is only focus to one company only and not comparing with other companies.

Before identifying those problems, the available data should be processed first. In this research, the data collection technique that is used is data analysis method. Data that have been collected are analyzed by comparing data from the company with theories from books.

1.5 Thesis Structure

Thesis structure is designed in purpose to give flexibility and short understanding to readers to be able to understand as well as to get image about the thesis content. The process of writing of this thesis is divided into five chapters where in the outline is described as the following:

CHAPTER 1: INTRODUCTION
This chapter describes about the thesis background, problem identification, scope, aims and benefits, and also research methodology.

CHAPTER 2: THEORETICAL FOUNDATION

This chapter describes about book contemplation which is theories that underlying the research such as theory about accounting information system, theory about organizational structure, and the framework that underlying this research.

CHAPTER 3: COMPANY PROFILE

This chapter describes about the history of the company, business activities and development of the company, organizational structure, company’s policy and procedures, and also existing problem in the company.

CHAPTER 4: FINDINGS AND DISCUSSION

This chapter consists of the main thing about the research objective, find any weaknesses, discuss the weaknesses, and relate them with the theory that had been written in chapter 2.

CHAPTER 5: CONCLUSION AND RECOMMENDATION

In this chapter, is stated briefly conclusion that is gotten from the research that has been done and discussed in the previous chapters as well as good recommendations to be implemented and is hoped can be useful for the company development in the future.
Chapter 2

Theoretical Foundation

2.1 Accounting Information System

2.1.1 Definition of Accounting Information System

Management absolutely need relevant information in running their functions to achieve the company organizational purpose that has been stated. The need of the management about information is the result from a system.

Here is the definition of system according to some experts. James A. Hall said, “A system is a group of two or more interrelated components of subsystems that serve a common purpose” (Hall, 2007, p.5). The definition of system according to Zaki Baridwan is a design of procedures that are related each other and arranged according to integrated scheme to do an activity or general function from companies (Baridwan, 2000, p.3). Mulyadi mentioned the definition of system as a network of procedures that are made according to a cohesive pattern to do company’s main activities (Mulyadi, 2001, p.5). Those definitions give conclusion that system is a group of components that are related each others to achieve certain objective.

Information has a certain role in the development of a system. A relevant, timeliness, accurate, and complete will help management in the decision making. A system will not be able to develop without information. Here are the definitions of information according some experts. According to James A. Hall, information is defined as the following: “Information causes the user to take an action that he or she otherwise could not, or would not, have taken. Information is often defined simply as
processed data” (Hall, 2007, p.12). According to Efraim Turban, R. Kelly Rainer, JR, and Richard E. Potter, the definition of information is: “Information is a collection of facts (data) organized in some manner so that they are meaningful to a recipient” (Turban, Rainer, and Potter, 2007, p.12). Those definitions give conclusion that information is a form of data process that can be used by the users in decision making.

Accounting note is so important for management, investor, creditor, and government. This happened because the decision that is taken is more related with financial problem. A good decision cannot be taken without accurate information. Here are the definitions of accounting from some experts. According to Carls S. Warren, James M. Reeve, and Philip R. Fess, the definition of accounting is: “Accounting is an information system that provides reports to stakeholders about the economic activities and condition of a business” (Fess, 2005, p.8). Sudirman dkk stated that accounting is a knowledge that can give lots of information about ownership and not ownership related with effective and efficient implementation evaluation in various company activities. That information can be used as the foundation of the decision making for the users. Accounting is an art of records and analyzes financial transaction that was conducted by a company (Sudirman dkk. 2001, p.3). According to above definitions, can be concluded that accounting is an information system that gives information to the users to be used as the foundation in decision making. Accounting has constructive characteristic because it is arranged from the evidences, daily books, ledgers, sub-ledgers, trial balance until become a financial report.

Management should be able to get information from the appropriate source which is information system, because information system is an important thing for
management in decision making. The definition of information system according to James A. Hall is: “The information system is the set of formal procedures by which data are collected, processed into information, and distributed to users” (Hall, 2007, p.7). Efraim Turban, R. Kelly Rainer, JR, and Richard E. Potter add that, “An information system (IS) collects, processes, stores, analyzes, and disseminates information for a specific purpose” (Turban, Rainer, and Potter, 2005, p.17). Those definitions give conclusion that information system is a group of procedures that collecting, processing, analyzing, and distributing information to the users.

Definition of information system has been described above. The next will be described about the meaning of accounting system. Here are the definitions of accounting system according to some experts. Definition of accounting system according to Indonesian Institute of Accounting in Indonesian GAAP is: “Information system consists of methods and notes that are built to note, process, summarize, and report the entity transactions (whether an event or condition) and to take care accountability for related assets, liabilities, and equity” (Indonesian Institute of Accounting, 2001, 319.10). Mulyadi defines accounting information system as an organization of documents, notes, and reports that are coordinated to provide financial information that is needed by management to manage a company (Mulyadi, 2001, p.3). Definitions about accounting system have been given above. Those definitions could give conclusion that accounting system is one of information systems which consist of methods and notes that are used by management in managing a company.

Here are some definitions of accounting information system according to some experts. According to A. Stephen Simkin Moscove, Mark G. Bagranaoff, Nancy A, accounting information system is: “An accounting Information System
(AIS) is the information subsystem within an organization that accumulates information from the entity’s various subsystems and communicates into the organization’s information processing subsystem” (Moscove, 2001, p.7). Walter stated in a journal article that accounting information system combine all accounting practices with the monitoring, design, and implementation of information system (Walter Henson, 2006). Definition of accounting information system according to Wilkinson is: “Accounting information system is a unified structure within an entity, such as a business firm, that employs physical resources and other components to transform economic data into accounting information with the purpose of satisfying the information needs of variety users” (Wilkinson, 2000, p.7). According to above definitions, can be concluded that accounting information system is a group of sources in an entity that is managed to change economic data into accounting information. Information that is resulted is very useful in relevant decision making for internal and external parties of a company.

2.1.2 Purpose of Accounting Information System:

Purposes of the accounting information system that should be achieved are:

- Information that is resulted should be on time in an understandable form, relevant with the decision that will be taken, and trustable. Means, the information should be accurate and full of carefulness, and less mistakes.

- Cost to conduct the system should be made as minimum as possible without sacrificing the use of the system in providing information and in monitoring the company’s assets. Several elements of the cost that should be designed include the used machine, generated report, employees that work, etc.
• Information system that is designed should be flexible, means that information system should be able to retain the change in information needs without conducting any huge change. This flexibility is not unlimited, because if the change was big, however it still need some adaptation in the system. If possible, the adaptation will not make a big change to the running system.

• Information system should be simple, means easy to be understood by the users and also easy to be done without giving any unnecessary difficulties.

• Information system can serve the needs of company’s customers because information system is not only to satisfied the internal needs of company but also the external needs (Baridwan, 2000, p.174)

Every company should adapt its information system according with the user’s need. Therefore, the purpose of specific information system is different from one company with another company. But, there are three main purposes for all systems which are:

• “To support the stewardship function of management. Stewardship refers to management’s responsibility to properly manage the resources of the firm. The information system provides information about resource utilization to external users via traditional financial statements and other mandated reports. Internally, management receives stewardship information from various responsibility reports.

• To support management decision making. The information system supplies managers with the information they need to carry out their decision making responsibilities.
• To support the firm’s day to day operations. The information system provides information to operations personnel to assist them in the efficient and effective discharge of their daily tasks” (Hall, 2007, p.16).

2.1.3 Component of Accounting Information System

Each information system consists of several building blocks that form information system structure. Accounting information system is an information system among several information systems that are used by management to manage a company.

Accounting information system consists of six blocks. Each blocks are interacted one another to make unity to reach the target. The definition of each block is as the following:

• Input Block

Input represents data that are put into the information system. Input here includes methods and media to capture data that will be put in, which could be basic documents.

• Model Block

This block consists of combination of procedure, logic, and mathematic model that will manipulate the input data and data that are stored in the data basis with the way that has been determined to provide the desired output.

• Output Block
Product of information system is qualify and documented output that is useful for all management level as well as the system user.

- Technology Block

Technology is a tool box in information system. Technology is used to receive input, run model, save and access data, provide and send output and help the control of the whole system. Technology consists of three main parts which are: humanware or brainware, software, and hardware.

- Database Block

Internal control should be established in the information system so that it can be run according to the plan. There are many things that can destroy information system, such as: natural disasters, fire, temperature, water, dust, fraudulences, failures, inefficiency, sabotage, etc. Some internal control needs to be designed and implemented to make sure that the things which can destroy the system can be prevented or if already occurred, can be solved directly. (Jogiyanto, 2000, p.36)

2.2 Internal Control

2.2.1 Definition of Internal Control

A good internal control is really needed in a company to provide a relevant, timeliness, accurate, and complete information which is useful to increase efficiency and encourage the employees to obey all rules from the company’s management. Less internal control can make some problems such as misused of authority and right.
Public Accountant Professional Standard (SPAP) SA Section 219 (PSA No. 319) stated that internal control is a process that is run by board of commissary, management, and other entity personnel that are designed to give sufficient faith about three main purposes (Indonesian Institute of Accountants, 2001, 319.2).

2.2.2 Purpose of Internal Control

Purpose of internal control according to Indonesian Institute of Accountants (IAI) in Public Accountant Professional Standard (SPAP) is to achieve three main purposes which are: reliability of financial statement, effectiveness and efficiency, and obedience towards the valid laws and rules (Indonesian Institute of Accountants, 2001, 319.2).

2.2.3 Internal Control Components

Internal control consists of five inter-related components, which are:

- Control Environment

Control Environment states the pattern of an organization, influence the awareness of the people. Control environment is the basic of all internal control components, provide discipline and structure. Internal control environment include integrity, ethical value, commitment towards competency, participation of board of commissary or audit committee, organizational structure, authority and responsibility assessment, as well as policy and practice of human resource.

- Risk Mitigation
Risk mitigation is entity identification and analysis towards relevant risk to achieve its goal, forming a basic to determine how risk should be processed. Relevant risk with financial report includes event and internal and external control that can be happened negatively which can influence entity ability to record, process, summarize, and report financial data in consistent with the management assertion in financial statement. Risk can occur or change because the change of operational environment, new personnel, new information system or the one that being fixed, new technology, product line, new product and activity, corporate restructuring, foreign operational, and new accounting standard.

- Control Activity

Control activity is a policy and procedure that help to assure the management direction is done. That activity help to make sure that the action needed to overcome the risk in achieving entity purposes has been done. Control activity has various purposes and being implemented in many various organizations and functions. Generally, control activity that might be relevant with audit can be classified as policy and procedure that related with review towards activity, information process, physical control, and job classification.

- Information and communication

Information and communication is identification, capture, and share information in a form and time that enable people to do their responsibility. Relevant information system in purpose to financial reporting including the accounting system consists of method and note that is built to record, process, summarize, and report the entity transaction and to take care the accountability for inter-related asset, liability, and equity. Information quality that is provided from the system impacts the management
ability to make a good decision in controlling the entity activities and to provide a good financial statement. Communication includes supplying a comprehension about individual role and responsibility related with the internal control of financial statement. Auditor should get sufficient knowledge about relevant information system with financial reporting to understand: transaction group in entity operation which is significant for financial statement, supporting information, and certain accounts in financial statement that are included in transaction reporting and processing; as well as accounting process that is included since the transaction occurred until being inserted to the financial statement, including electronic devices (such as: computer, electronic data interchange) that are used to send, process, maintain, and access information.

- Monitoring

Monitoring is a process that determines the performance quality of internal control in all time. This monitoring includes determination of design and operation of timeliness control and taking corrective action. This process is done through regular activity, separated evaluation or with various combinations from both of them. In some entities, internal auditor or personnel that do monitoring job give contribution in monitoring the entity activities. Monitoring activity includes the use of information from communication with outside parties such as customer complaint and comment from board of director that can give direction about problems or divisions that need repairment (Indonesian Institute of Accountants, 2001, 319.2).

**2.2.4 Internal Control Limitation**
According to Agoes, Internal control can only give sufficient assurance for management and board of commissary that are related with the achievement of entity internal control purpose. The possibility of that achievement is influenced by internal control limitation. This include a fact that human consideration in taking decision is wrong and internal control might be broken because that failure, such as a simple error or fault. Besides that, internal control can be more ineffective because of collusion between two or more people or if management overrides the internal control.

Another factor that limits the internal control is entity internal control cost which shouldn’t be more than the benefit of that internal control (Agoes, 2004, p.81). Although the cost and benefit relationship is the main criteria that should be considered in designing the internal control, an accurate cost measurement and the general use is not possible to be done. Therefore, management do qualitative and quantitative estimation as well as consideration in appraising the cost and benefit relationship.

### 2.2.5 Internal Control in Electronic Data Processing (EDP)

Development of technology is more and more sophisticated. This development brings a big change in company data processing system. Usually companies use manual system to process data but nowadays some of them use electronic system to process data which is called Electronic Data Processing (EDP). With EDP, a complex data processing is easier to be done and the possibility of error can be reduced.
Accounting internal control in electronic data processing environment is divided into two, which are general controls and application controls.

General control consists of organizational structure and EDP operational activity; documentation and development of system; hardware control, monitoring the machine in use; and procedure and data that influence EDP activity.

Application control related with specific jobs of EDP. Function of this application control is to give sufficient assurance that recording, processing, and data reporting are done well. Application control consists of:

- Input control, is designed to give sufficient assurance that the data is accepted and processed by EDP. The legitimated data is changed into a form that suitable for the machine and being identified; and the data (including data that is transferred through communication way) is not reduced, added, duplicated, changed inappropriately, or even lost.
- Process control, is designed to give sufficient assurance that EDP has been done according to specific applications.
- Output control, is designed to give sufficient assurance of the accuracy of the processed data (such as: billing list, report, magnetic files, and invoice) and to assure that those outputs are accepted by the right parties (Baridwan, 2000, p.19).

2.3 System Development Life Cycle

System life cycle is a system phenomenological that is used in arranging a new information system or in changing the old information system. A system
development create system life cycle that keep on continuing from the beginning phase until the last phase, and then back again to the beginning phase. The phases of this duty are called system development life cycle.

- Analysis Phase

Analysis phase is done to get information about the valid system. Information that is collected is about advantage or disadvantage of the valid system. This advantage and disadvantage cover some aspects such as: information quality, information distribution, system monitoring, system cost, etc. The steps in this analysis phase consist of: determining the information need, system research, and arranging how to satisfy the information need.

- Design and Selection Phase

Design and selection phase is a phase to arrange the new information system. The design of this system is particularly for reducing or erasing the weakness of the existing valid system and increasing the strength of the old system (which still valid). At least, the new system will not reduce the existing strengths. In this phase, also being designed and done selection of the component that will be used. The steps in this phase are: design output, design input and file, and design procedure.

- Implementation Phase

Implementation phase is a new system information attachment in the company. This phase is done to change the old information system to the new one. This implementation step is the step since the agreement of the new system design by the management until that system is well used in the company. How long the
Implementation step of the new system is according to how big is the job of the new system.

- Process and Monitoring Phase

Process and monitoring phase is the phase to firstly use the new information system to process data, and also how the system design do monitoring to be able to follow the process of the new information system. This monitoring is done to determine whether the new information system has been able to erasing the existing weaknesses of the old system, and whether the new information system can increase the existing strength of the old system (Baridwan, 2000, p.169).

2.4 Organizational Theory

2.4.1 Definition of Organization

Lots of entity successes depend on their organization. A well established structure is really needed to assure the management plan can be done.

Definition of organization according to Robert Moeller and Herbert Witt: “Organization as the set of organizational arrangements developed as a result of the organizing process. An organization can be described as the way individual work efforts both assigned and subsequently integrated for the achievement of overall goals“ (Moeller and Witt, 1999, p.2-26). According to Sondang P. Siagian, organization is a place to do various activities with a clear picture of the position hierarchy, function, as well as the authorities and responsibilities (Siagaian, 1995, p.9). Those definitions give conclusion that organization is a place where several groups are structured and cooperate together to achieve the overall goals.
2.4.2 Organizational Structure

According to Swastha and Sukotjo, organizational structure is a blueprint that shows about the relationship between the people who do various activities as well as the relationship between each activities or functions in the organization (Swastha and Sukotjo, 2001, p.140). Definition of organizational structure according to James A. Hall is: “The structure of an organization reflects the distribution of responsibility, authority, and accountability throughout the organization. Firms achieve their overall objectives by establishing measureable financial goals for their operational units” (Hall, 2007, p.17). According to the definitions above, could be concluded that organizational structure is the distribution of duties and responsibilities that are done in an organization to achieve the overall goals.

There are five types of organizational structure, which are: line organization, line and staff organization, functional organization, committee organization, and matrix organization. Here is the description of the organizational structure types:

- **Line Organization**

Authority flows directly from the director, head of divisions, and keep on going to the underling employees. Each division is a unit that stand alone and the head of division do all monitoring functions to his/her division. Line organization is suitable for small companies.

- **Line and Staff Organization**

This organization is a combination that is taken from the advantages of the existence of direct monitoring and specialization in a company. Line and staff organization is better used to medium and big company.
• Functional Organization

Each manager is a specialist or professional and each subordinates or workers have several heads. Managers have full authority to do their functions under their responsibility. So, this type is more suspending on function.

• Committee and Matrix Organization

Committee and matrix committee organization usually are used to collect opinions about various activities in a company. Matrix organization can be defined as an organizational structure where the specialists from different divisions are united to do specific project. (Swastha dan Sukotjo, 2001, p.140-151).

2.4.3 Departmentalization

Figuration of organizational structure is started from the analysis of organization’s main activities. For several entities, the activities consist of: production, marketing, purchasing, and personnel. Each activity is given to different departments in the company according the managers and employees.

Here are types of departmentalization:

• Departmentalization According to Function

This type of departmentalization agglomerates the activity functions in the organization. Generally, a company has specific activity functions such as: production function, marketing function, technical function, financial function, etc. These functions are agglomerated by engage appointment of some people that have
same technique and professionalism. Agglomeration of activities according to function is a type of departmentalization that often being used.

- Departmentalization According to Location

This agglomeration is according to location. Principally, all activities in the same area or location are agglomerated and directed by a manager. This departmentalization is a general method that often being used by big companies that has physical activities that are separated in different locations.

- Departmentalization According to Product

This type of departmentalization is a development of departmentalization according to function. With the development of the company; production, sale, and technical managers face an expansion problem. Widen the distance of management will increase the number of subordinates that should be monitored. Departmentalization according to product will be selected after, which is by agglomerate according to products or product ways.

- Departmentalization According to Customer

This departmentalization agglomerates customers according to their needs or characteristics.

- Departmentalization According to Market Orientation

This departmentalization suspends more on marketing and makes it more effective by agglomerating activities in market groups and market ways. (Jogiyanto, 2009, p.91).
2.4.4 Authority and Responsibility

Development of companies make managers should give some of their jobs to their subordinates so they can give more of their time for the managerial functions. This action of giving jobs to subordinates is called delegation.

In the jobs delegation, manager gives responsibility to his/her subordinates to do the jobs. Besides the responsibility, subordinates are also given authorities that are suitable with the responsibility. The next following paragraphs are the definitions of authority and responsibility according to some professionals.

Swastha and Sukotjo defined responsibility as obligation for an individual to do the established jobs with the best way according to the skill and the accepted direction (Swastha and Sukotjo, 2001, p.106). That definition gives conclusion that responsibility is an obligation of a person in finishing the jobs that are ordered to him/her well. According to Jogiyanto, authority is a power in a position (because of this power, a person could be in this position) to do discreetness in taking decision that influence others (Jogiyanto, 2000, p.97). Basu Swastha and Ibnu Sukotjo defined authority as a right to take decision about what should be done by someone, and also a right to ask that someone to do something (Swastha and Sukotjo, 2001, p.106). From the definitions above, could be concluded that authority is a right to make decision that is needed to finish a job.

Here are types of authority:

- Line Authority

Showing the relationship of a head who has direct authority to his/her subordinates and each of the subordinate only has direct responsibility to only one head. The
strength of line authority is simple and there is a clear unity of order. The weakness of this line authority is that each head should have a good knowledge in his/her section because there are no staffs that can help or give suggestions and directions.

- Staff Authority

The characteristic of this authority is to give suggestions, opinions, or advices. Staff authority is an authority that helping line personnel to be able to work more effective. When an organization starts developing, managers need personnel to help their jobs. This is the first step when a personnel staff is needed.

- Functional Authority

This authority is owned by a personnel or department toward the personnel in other departments. (Jogiyanto, 2000: 97-101).

2.5 Payroll

2.5.1 Definition of Salary

Employee is one of many important components in a company. Without employees, a company will not be able to run. To hire employees, a company should pay their salary since they also have lots of needs to be fulfilled such as: eat, buy home appliances, give school to their childs, etc. To be able to fulfilled those things, people need money and because of that, many employees work to get salary.

An expert stated in their books that salary is a form of response that is payed periodically to permanent employees with a certain assurance (Hasibuan, 2002, p.118). Another opinion from another expert mentioned that salary is a financial
payment gift for employee as a response of his/her jobs that have been done and as a motivation for future performance (Handoko, 1993, p.218). Those definitions give conclusion that salary is a form of response of a company to its employees for has done their jobs to make the company run.

2.5.2 Purpose of Salary

Here are the purpose of salaries according to an expert in his journal:

- Cooperative Relationship

With giving salary, there will be a formal cooperative relationship between the owner and his/her employee. Employee should do his/her jobs well, whereas the owner should pay the salary according to the agreement.

- Job Satisfaction

With salary, employee will be able to fulfil his/her needs. That’s why he could get satisfaction from his job.

- Provide Effectiveness

The better and bigger the salary, the more qualified employee can be provided for the company.

- Motivation

Salary can motivate employees to work harder and more effective.

- Discipline
With a good salary, employees will tend to act better and more discipline as well as realize the valid rules. (Hasibuan, 2002).

2.5.3 Payroll System

Salary is really important to boost the performance of company’s employees. Since salary is really important, that’s why a good payroll system is needed. Payroll process is actually similar with purchase system where in payroll process, company purchases labor rather than goods or raw materials (Hall, 2007, p. 284).

Documents that are used in payroll accounting information system:

- Personnel Action Form
- Time Card
- Job Ticket
- Payroll Register
- Employee Payroll Record
- Employee Paycheck
- Salary Envelope
- Cash Disbursement Evidence

Functions that are related with accounting information system:

- Personnel Function

Have responsibility to find new employees, test them, decide their position, make salary decision for them, promote any employees, employee mutation, and employee dismissal.
• Time Record Function

Have responsibility to make employee time records for all employees in the company.

• Payroll Register Function

Have responsibility to make payroll register which consists of gross salary for the employee and various costs of each employee for the payroll period.

• Accounting Function

Have responsibility to records liabilities that occurs in accordance with employee payroll (such as salary payable, tax payable, pension cost payable).

• Financial Function

Have responsibility to fulfill check for salary distribution and trade it for cash at back. That cash then will be put into the salary envelope and then distribute it to the reserve employees.

Accounting records in are used in payroll accounting information system:

- General Journal
- Expense Card
- Employee Payroll Record

 Procedures in payroll accounting information system:

• Time Record Procedure
- Monitor the employee that put in the time card to the time recording machine when come to work and go back home,
- Make employee job ticket according to the time card,
- Send the employee job ticket and time card to payroll division.

**Payroll Register Procedure**
- Payroll division accepts employee job ticket, time card, and cash disbursement record and then file them,
- Make payroll register according to salary list and time card,
- Record the employee payroll record to employee payroll record,
- Send the payroll register and employee payroll record to account payable clerk.

**“Bukti Kas Keluar” Procedure**
- Account payable clerk accept payroll register and employee payroll record,
- Make cash disbursement record,
- Record the salary obligation to cash disbursement record.
- Send the cash disbursement record to journal division

**Salary Payment Procedure**
- Cashier accept cash disbursement record from account payable clerk,
- Fill in the check and ask for approval from financial division,
- Pay the salary to the employees.

**Payroll Record Procedure**
- Journal division accept the cash disbursement record,
- Journal division makes general journal according the cash disbursement record

Payroll journals are made in three steps:

*Step one: Recorded by account payable clerk*

Salary Expense xxx

Cash Disbursement xxx

*Step two: Recorded by journal division*

Manufacturing Overhead xxx

Administration Expense xxx

Marketing Expense xxx

Salary Expense xxx

*Step three: Recorded by journal division*

Cash Disbursement xxx

Cash xxx

- (Mulyadi,  2001, p. 374 - 387)
3.1 Short History of The Company

PT HOBBY SENTOSA was founded in the year of 1984 with its office that was located at Jln. Petongkangan Gg. Kong Kuan No. 3, Jakarta. It also had a factory that was located at Jln. Mauk Km. 5.3, Tangerang, West Java.

PT HOBBY SENTOSA was founded by Mr. Kusanto. At the very beginning, the company only did knitting jobs. Thus, it was known as a knitting company. Mr. Kusanto employed around 150 workers to run the company. PT HOBBY SENTOSA was a manufacturing company that more of its shares was owned by family parties. During Mr. Kusanto leadership era, he was known as a hard worker and very charismatic person. With a hard work and desire to build a bigger company, it made Mr. Kusanto got ill which forced him to pension and take a good rest.

In year 1988, Mr. Kusanto’s son, Kurniawan Kusanto take over the company from his father. At the beginning, many difficulties and challenges had to be encountered. However, after hard work with high devotion and determination that was shown by Kurniawan Kusanto, PT HOBBY SENTOSA could prove itself successful as a knitting company.

A year after Kurniawan Kusanto began to lead the company, he started to develop his company performance. He tried to add dyeing process beside knitting. Luckily, he got the license from the Indonesian Industry Department to do dyeing process. Since that time, PT HOBBY SENTOSA was known as a garment manufacturing company with dyeing and knitting processes.
Year 1990 marks the beginning of a new era in PT HOBBY SENTOSA’s existence. To promote to the world and to convince people in foreign countries of the high quality and beautiful designs of its products, Kurniawan Kusanto took part in some garment exhibitions. The first exhibitions were held in Singapore and South East Asian. This was the first step in making the name of PT HOBBY SENTOSA to be known by people around the world.

Continuing to achieve his dream, Kurniawan Kusanto kept expanding the business to the outside world through exhibitions and fairs. From Singapore and South East Asian, he began to expand West Germany in year 1995. He also kept expanding the company’s plant with the addition of dyeing and knitting machines.

Until now, still in Kurniawan Kusanto’s leadership, PT HOBBY SENTOSA has proven its sustainability as a garment manufacturing company. Now, the company employs around 900 workers which divided into three shifts consists of some specialists to maintain the quality control. Besides concerning about the quality of the products, Kurniawan Kusanto and the management also concerns about the company’s employees. They concern about the employee’s honesty, morale and also their prosperity. Thus, they give lots of facilities to the employees such as: training programs, small mosque, and employee mess.
Factory of PT HOBBY SENTOSA

Picture 3.1 (Outside Factory)

Picture 3.2 (Inside Factory)
3.2 Company Vision, Mission, and Objective

The motto of PT HOBBY SENTOSA is “Colouring The World With Knitwear”

Company Visions of PT HOBBY SENTOSA:
- To promote to the world and to convince people in foreign countries of the high quality and beautiful design of its products
- To produce products of international standard
- To meet increasing demand in the markets
- To conquer international markets

Company Missions of PT HOBBY SENTOSA:
- Take part in garment exhibitions in many foreign countries
- Maintain the quality control of its products
- Give competitive prices for its products
- Expand its plant with the addition of dyeing and knitting machines

Company Objectives of PT HOBBY SENTOSA:
- To be a going concern company
- To get more profit
- To make its customers more satisfied with its products
- To make its employee prosperous and happy to work in PT HOBBY SENTOSA
3.3 The Business Activity of The Company and Organizational Structure

3.3.1 Business Activity

PT HOBBY SENTOSA is a textile company that do knitting and dyeing. The raw materials for production are gotten from lots of suppliers in local area and also some suppliers from abroad. All of the machines in the factory use coal as the energy resource. The coals for the factory are gotten from private supplier who has been subscribed for years.

Since PT HOBBY SENTOSA is a textile company that do knitting and dyeing, it provide service to dye cloths from customer and also produce lots of clothes from knitting activity. Products that are produced by PT HOBBY SENTOSA are: round neck jump suits, ladies suits, men’s top, men’s and ladies polo shirt, men’s sweat shirt long sleeves, solid deep v-front jump suit, men’s T.shirt, ladies crew neck, baby coveral animal, and babies set.

Round neck jump suit consists of 55% cotton and 45% polyester solid fleece as the materials is produced with three different colours which are: violet, jade lagoon, and puchsia. Ladies suit consists of T/C Fleece as the material is produced with mixed white and red colours. Men’s top consists of 65% polyester and 35% cotton as the materials is produced with three different colours which are: red/white/navy, teal/white/black, and grey/white/grahhite. Men’s and ladies polo shirt consists of 65% polyester and 35% cotton is produced with four different colours which are: royal blue, jade, white, and puchsia. Men’s sweat shirt long sleeve consists of T/C Terry inside brushed as the material is produced with three different colours which are: dark forest, crimsone wine, and brick. Solid deep v-front jump suit consists of 100% semi combed cotton S.Jersey is produced with two different
colours which are: kiwi and hot pink. Men’s T. Shirt consists of 100% cotton semi combed as the material is produced with white colour. Ladies crew neck consists of 55% cotton and 45% polyester as the materials is produced with four different colours which are: french lavender, sanroy pink, dory peach, and crystal blue. Baby coveral animal consists of T/C french terry as the material is produced with 3 different colours which are: pink, blue, and yellow. The last product, babies set consists of interlock as the material is produced with two different colours which are: white and blue.
Activities in The Factory

Picture 3.3 (One of Activities in The Factory)

Sample of Company Product

Picture 3.4 (Product Sample)
3.3.2 Organizational Structure

Generally, company is an organization that consists of groups of people who cooperate to achieve certain objectives. A good distribution of duties, authorities, and responsibilities is very needed to make the cooperation run well. The distribution of duties and responsibilities in a company usually is shown in its organizational structure.

Organizational structure describes the relationship of each part in the company, where it also describes clearly the boundaries between the authorities and responsibilities to avoid double and impinge jobs. Organizational structure in a company consists of all the company activities through duties agglomeration, duties distribution, and authorities’ delegation that are needed to run the jobs according to what have been drawn.

Arrangement of organizational structure should be suit with the company’s type, characteristic, and size. Good organizational structure for a company is not always good for other companies. Therefore, organizational structure should be simple and give advantages for the company economically and flexibly. That means, if there are any expansions or alterations, it will not influence much to the existing structure. The purpose of a simple organizational structure is to abridge the company in doing its activities and in monitoring its workers. Here is the organizational structure of PT HOBBY SENTOSA (Picture 3.5).
Organizational Structure of PT HOBBY SENTOSA

- President
- Commissary and Director
- General Manager
- Office

Factory

- Operational Assistant
  - Production Manager
    - Head of Production
    - Head of Quality Control
    - Head of Finishing
    - Head of Warehouse and Administration

- Finance and Accounting Manager / Head of Accounting
  - Head of Finance

- Human Resource Manager

- Marketing, Sales and Purchasing Manager
  - Head of Quality Control Design for Raw Materials
  - Head of Purchasing
  - Head of Sales and Marketing
According to organizational structure of PT HOBBY SENTOSA, could be described the distribution of duties, authorities, and responsibilities of each departments.

Since this company is an inheritance company, it is owned by one person which is Kurniawan Kusanto, son of Mr. Kusanto. Thus, Kurniawan Kusanto is the president commissary and also acts as the only director in this company. As the only owner of the company, he has authority to state any policies and procedures for the company. His job as the director of the company makes him to do several jobs. Since director was the highest leader and the most responsible person, he has authorities and duties to lead the company activities and take responsible for the personnel, material, and financial condition of the company. He also needs to make the company activities design that would be used as the basic guidance in running the company operational activities, coordinating the managers’ job, monitoring the company activities according to the design. In doing his job as a director, he only takes care of the factory activities. For the office activities, he entrusts the job to his wife, Eliana Widjaja as the general manager to take care all activities in the office.

The general manager in this company is Eliana Widjaja, Kurniawan Kusanto’s wife. As has been mentioned above, Eliana is entrusted by her husband to take care of all activities in the office. Although her job is to take care of all activities in the office, she still somehow has authority to give order to people in the factory. The job of Eliana is to be responsible to coordinate the jobs distribution in the office and also monitor the employees to do their jobs well. Regarding with payroll, Eliana has a role to check and approve the payroll register prepared by the human resource manager and giving a cheque to the human resource manager to be traded at bank for cash.
Production manager has responsibility in monitoring all of activities in the factory. Karjo, an old employees who already worked since the first time the company exist is holding this position now. As a normal production manager, he has responsibility for the fluency of the production process in order to fullfil the quantity satisfaction according to the needs. In doing his job, he directs four division heads under him and is helped by an operational assistant. Head of production has responsibility for the fluency of the production process according to the schedule. Head of quality control has responsibility to make sure that the quality of purchased goods and finished goods are gratified. Head of finishing has responsibility to all finishing process. Head of warehouse and administration has responsibility for the storage of raw materials and finished goods, preparation of time cards and payroll register, and also distribution of salaries.

Finance and Accounting Manager has responsibility for estimation, financial report, and company’s fund arrangement. This position is held by Mr. Iman. In doing his job, Mr. Iman directs only one division head under him which is head of finance since he also works as the head of accounting. The head of finance has responsibility in arranging the company’s fund. Mr. Iman as the head of accounting itself has responsibility for company’s transaction records and preparation of company’s financial reports. In doing their jobs, either Mr. Iman or the head of finance, they are helped by several professional assistants. Regarding with payroll, Mr Iman has a role to record the payroll activities.

Human Resource Manager has responsibility for human resource strategy in preparing, dismissing, developing, and training of the employees in the company. This position is held by Jayruddin. In doing his job, Mr Jayruddin directs one division head which is head of recruitment and training. The head of recruitment and
training has responsibility to recruit, dismiss, and train company’s employees with the approval of Mr. Jayruddin. As a human resource manager, he handles directly all payroll jobs including preparing office payroll register and preparing personnel action forms if there is any. In doing the payroll jobs, Mr. Jayruddin is helped by several professional assistants.

The last manager is *Marketing, Sales, and Purchasing Manager*. The job of this manager is so complicated since three jobs are mixed into one. This position is held by Mrs. Afung. She is a smart person and also Eliana’s best friend. Thus, she is entrusted for this job. She has responsibility for sales and marketing strategies and activities, as well as in determining the sales target, price, product discount, and monitoring sales and marketing activities in general. Besides that, she also has responsibility in supplying raw materials, equipments, and any other company ‘assets’ so that the company can get the required goods with fine quality and good price. In doing her job, she has three divisions under her. Head of quality control design for raw materials has responsibility to make the schedule of purchasing. Head of purchasing has responsibility to do finding, selection, and purchasing to suppliers. Head of sales and marketing has responsibility to take care of the sales process, make schedule for the sales, collect debt from customers who did credit sales, make advertising plan, and take care of the advertising process.

### 3.4 The Business Activity and Organizational Structure in The Specific Research Object (Payroll)

According to the organizational structure and duties distribution that has been described above, could be seen that PT HOBBY SENTOSA has line organizational structure. Line organizational structure is an organizational structure where each
leader has their his/her own subordinates. Example: head of production, head of quality control, head of warehouse and administration, and head of finishing have direct leader which is Production Manager.

Departmentalization of PT HOBBY SENTOSA is according to function, because there are lots of functions in this company. There are production function, finance and accounting function, personnel function, and sales, marketing, and purchasing function. Authority in this company also is categorized as line authority where each leader has direct authority to their subordinates and each subordinate has direct responsibility to one leader. Example: production manager give order to head of production. The specific function that will be researched is payroll function. Regarding with payroll function, each department has their own jobs related with payroll.

Director has responsibility to check and approve payroll register from production manager that is gotten from head of warehouse and administration since he is the one who directly lead the factory activities. After that, he will calculate manually the total amount of the salaries to be paid and then give a cheque to the production manager and the production manager will give it to the head of warehouse and administration to be traded at bank for cash and then distribute it.

General manager has responsibility to check and approve the payroll register from the human resource manager and then manually calculate the total amount of the salaries to be paid. After that, she will give a cheque to the human resource manager to be traded at bank for cash and distribute it.

In production department, head of warehouse and administration and his subordinates are those who have responsibilities with payroll jobs. Their responsibilities are: preparing time cards and payroll register, distributing salaries to
the workers, monitoring the workers’ jobs in the factory, then make sure that the workers do their jobs well. The production manager himself has responsibility to check the payroll register from the administration head and then bring it to the director.

In finance and accounting department, the finance and accounting manager which is also act as the head of accounting is the one who has responsibility with payroll jobs. His job is to record all of payroll activities. In doing his jobs, he is helped by several professional assistants.

In human resource department, the human resource manager himself is the one who take care of all payroll activities. His job is to make the payroll register, personnel action form if there is any, give approval to the head of recruitment and training in recruiting or dismissing employees, prepare time cards for office employees, monitoring the office employees and make sure that the employees do their jobs well, and distribute the salary to the workers.

3.5 Policies and Procedures (Payroll)

Companies are always have various of policies and procedures that are related with company operation. Management should obey the policies and procedures that are already made so there will not be any authority misuse and any fraudulence from company’s internal parties.

As a good company, PT HOBBY SENTOSA also has policies and procedures. There are lots of policies and procedures that were made due to make a good environment. Regarding with payroll, here are the policies and procedures that were made by PT HOBBY SENTOSA (Control Activity):
• Payment of salaries and wages is done directly in cash that is covered with envelope.

• Salaries are paid monthly and distributed five days before the end of month date.

• Office employees should work from 8 am until 5 pm from Monday to Friday and 8 am until 4 pm on Saturday to get full salary. If there is employee who comes late, the salary will be deducted according to the general manager’s judgement. Employee who cannot come because of sick will still get full salary.

• Factory labors divided into three shifts. Each shift has 8 hours working time. First shift is from 7 am to 3 pm, second shift is from 3 pm to 11 pm, and the third shift is from 11 pm to 7 am. Employees will get full salary if they work full in their shift. The wages will be paid monthly by calculating how many shifts each employee has done.

• The company keep the confidentiality of the salaries and wages. The calculation of salaries is done secretly by the human resource manager and the head of warehouse and administration and only the production manager, general manager, and the director who know.

• Each employee will get food wage everyday that will be calculated and distributed every month which will be combine with the monthly salary.

• There is no overtime payment for the employees either from office or factory.

• Every year on moeslem ramadhan day, the factory labors will receive “THR” as big as their one month’s wage. Whether for the office employees, the amount of the “THR” is according to the general manager and director’s judgement which can be different each year.
3.6 Existing Problem in The Company (Payroll)

Every company generally will have problems. There is no company that doesn’t have problems. Problems that were occurred in a company are various according to the section where the problem existed.

As a general company, PT HOBBY SENTOSA certainly have problems. Some problems could be handled completely, but not all problems could be handled completely. There are some problems that happen and happen again. Usually, this is because the system of the company itself. That is why a company needs good systems. One of the systems that are needed by a company is accounting information system. Accounting information system is a system that related with accounting sections. Regarding with payroll accounting information system, there are some problems occurred in PT HOBBY SENTOSA. Here are the problems related with payroll that were occurred in PT HOBBY SENTOSA.

First is problem in the distribution of salaries. The distribution of salaries is used to be delayed which made unbalance cash outflow. This problem occurred because of the lack of monitoring from the high level management to their subordinates since their jobs are too much which makes them could not focus. A good segregation of duties is really needed to fix the problem.

Second is problem in the lack of important documents. PT HOBBY SENTOSA doesn’t have complete documents regarding with payroll such as: no job ticket, no appropriate payroll register, and no employee paycheck. Usually they made those documents with manual notes. This would cause inappropriate records.
Third is a bad segregation of duties. PT HOBBY SENTOSA has a bad segregation of duties. There some employees and management parties that did double jobs. This would cause fraudulences.

Another problem is the flow of the payroll system itself, regarding with transaction authorization, supervision, accounting records, access controls, and independent verification. Those problems need to be analyzed and fixed to make the company performance more efficient. It will be explained further in the next chapter.
Chapter 4

Findings and Discussion

4.1 Research Data

In the payroll accounting information system of PT HOBBY SENTOSA, there are several elements that support the payroll system. Those elements are:

4.1.1 Payroll Functions

Functions that related with payroll accounting information system in PT HOBBY SENTOSA:

- Personnel and Payroll Register Function
  Personnel function has responsibility to do the payroll calculation, distribute the salaries, recruit or dismiss employees, and also all things that related with promotion and salary increment. This function is done by human resource manager.
  This function has responsibility to make payroll register that consists of gross profit that becomes right and expense for each employee for the payroll period. This function is coordinated by human resource manager.

- Time Record Function
  This function has responsibility to record all presence time of all employees and labors. Office employees’ time record is done by human resource manager whereas factory labors’ time record is done by head of warehouse and administration in production department.

- Accounting Function
Accounting function has responsibility for payroll record into journal and enters it into computer. This function is done by finance and accounting manager.

- Financial Function
This function has responsibility to give the amount of money that will be used to pay the salaries or wages, and then make a note each time the check is given for salary payment. This function is done by general manager and director.

4.1.2 Documents That Are Used
Documents that are used in payroll accounting information system in PT HOBBY SENTOSA (Input Block):

- Personnel Action Form
This document is made by personnel function. Everything inside this document is related with employees. This document can be a letter to employ new employee, suspension, promotion, transference, etc.

- Time Card
This card is made for one month working period that consists of the time when labors or employees came and out, and also description if there were employees or labors that didn’t come to work, retardation, etc.

- Payroll Register
This document is made by personnel function. This payroll register consists of attendance number, name part, amount of salary, administration expense, net salary, bank account, and description.

- Manual Job Ticket
This document is not a formal document. It was made manually using a piece of paper. This document consists of all jobs that have been done by each employee or labor.

- “Bukti Pengeluaran Kas Kecil”
  This document is made by accounting function. This document consists of all small expenses including salaries and wages.

### 4.1.3 Accounting Records That Are Used

These are the accounting records that are used for payroll record in PT HOBBY SENTOSA:

- **General Journal**
  This journal is used to record payroll distribution.

- **Worksheet**
  This worksheet is used to process the transactions that were happened in the certain period including all payroll transactions into balance sheet and income statement.

  Both General Journal and Worksheet were made by computer using Microsoft Excel 97 – 2003 (Technology Block). And all the data were saved in the computer itself and also external hard disk (Database Block).

- **Manual Payroll Calculation**
  This calculation is done by Mr Kurniawan as the director of PT HOBBY SENTOSA and his wife as the general manager. They used to make own manual calculation in a piece of paper consists of summary of all employees’ salaries and labors’ wages from the monitoring results.

- **Employee Payroll Record**
This document is used to record the income and any deductions of each employee. Information in this document is used as the basic of the calculation of Income Tax Act 21 that became an expense of each employee.

4.1.4 Payroll Procedures

These are the procedures that create payroll system in PT HOBBY SENTOSA (Model Block):

- Time Card Procedure
  This procedure is used to record the employees and labors’ presence. The time record was done by warehouse and administration manager with his crews with time cards.

- Payroll Register Procedure
  In this procedure, data that are used as the basic of the making of payroll register are letters about employee data transformation.

- “Bukti Pengeluaran Kas Kecil” Procedure
  In this procedure, the making of “bukti pengeluaran kas kecil” is done by finance and accounting manager with his crews from payroll registers that had been received from human resource manager.

- Payroll Record Procedure
  In this procedure, all activities related with payroll are recorded. The records are done by accounting manager and his crews.

- Payroll Payment Procedure
  Office employee’s salaries are paid directly to the employees with an envelope by the human resource manager. The money is given by the general manager directly to the human resource manager usually with a check and
then the human resource manager will trade it for cash. The amount of the money that is given is according to the payroll register that was given by the human resource manager.

Factory labor’s wages and employee’s salaries are paid directly to the employees and labors with and envelope by the head of warehouse and administration. The money is given by the director directly to the head of warehouse and administration usually with a check and then the head of warehouse and administration will trade it for cash. The amount of the money that is given is according to the payroll register that was given by the head of warehouse and administration.

4.1.5 Reports That Are Resulted

There are the reports that were resulted from the payroll accounting information system of PT HOBBY SENTOSA (Output Block):

- **Time Card**
  
  This report consists of employees and also labors’ presence time.

- **“Bukti Pengeluaran Kas Kecil” Report**
  
  These notes consist of all expenses that occurred in a certain period including salary and wage expenses.

- **Payroll Register**
  
  This report consists of all employees’ gross salary, deductions, net salary, and total working hour.

- **Labor Distribution Summary**
  
  This report consists of summary of the job tickets.
4.1.6 Payroll Internal Control System

These are the components that are related with internal control in payroll accounting information system of PT HOBBY SENTOSA:

Organization (Control Environment)
- Payroll register function is separated with financial function,
- Personnel function is responsible to provide various operating information,
- Payroll register function and personnel function are done by human resource manager,
- Financial function is responsible to give a check for the salaries payment and make a receipt of it,
- There is a labor rotation and several employee rotations to avoid any fraud that might happen.

Authorization System and Record Keeping Procedure (Control Activity)
- Everybody whose name is stated in payroll register should have a letter of employment that was signed by personnel function,
- Every change in salary because of promotion or change in salary tariff should be based on personnel action form,
- Payroll register should be authorized by personnel function,
- Any change in the employee payroll record should be reconciled with the payroll register,
- Salary payment evidence (receipt) is authorized by financial function.

Good Practice
- The time card record is done by head of warehouse and administration and monitored by production manager (Monitoring),
- Income Tax Act 21 for employees is calculated by the company according to the employees’ income in a year which is stated in employee payroll records,

- Employee payroll records are kept by personnel function. Employee payroll record is used as a record of all incomes that are received by an employee in a year,

- Each function does their job according to their responsibilities that have been given.

4.2 Analysis of the Results

Payroll System Flowchart of PT HOBBY SENTOSA:
**Description:**

- Head of warehouse and administration with his crew in production department make manual job tickets by making a note in a piece of paper and time cards from labors and employees in the factory,
- The time cards are sent to the human resources manager,
- The manual job tickets is then summarized into labor distribution summary,
- The labor distribution summary is sent to the accounting manager.
Description:

- Human resources manager receives time cards from head of warehouse and administration,
- The human resources manager itself makes personnel action form and office employee time cards and personnel action form,
- The human resources manager then makes payroll register from those documents,
- The payroll register is sent to accounting manager,
- The copy of payroll register, time cards, and personnel action form are filed.
**Accounting (Accounting Manager)**

Description:

- Accounting manager receives payroll register from human resources manager,
- The accounting manager and his crew make journal voucher and “bukti pengeluaran kas kecil” from the payroll register,
- “Bukti pengeluaran kas kecil” and payroll register are sent to the general manager
- Connector be consists of labor distribution summary from head of warehouse and administration,
- The journal voucher that was made by the accounting manager is checked and verified with the labor distribution summary,

- The journal voucher and labor distribution summary are filed,

- Connector E consists of all documents from general manager which are: signed “bukti pengeluaran kas kecil”, payroll register, and check copy,

- File all documents from the general manager.
Finance (General Manager and Director)

D

Check Documents and Sign "Bukti pengeluaran kas kecil"

Bukti Pengeluaran Kas kecil

Payroll Register

Reviews Documents and Writes Check

Check Register

Bukti Kas Kel.

Payroll Register

Check Copy

Check

Check

Sign and Give to Human Resources Manager

Sign and Give to Head of Warehouse and Administration

E
Description:

The general manager and director of PT HOBBY SENTOSA is a couple. Because of that, they can communicate easily. As has been mentioned before, the general manager takes care of all activities in the office and the director takes care of all activities in the factory.

- General manager receives documents consists of “bukti pengeluaran kas kecil” and payroll register from accounting manager,
- General manager discusses it with the director and check it with their calculation notes from monitoring result,
- After agree with the documents, the general manager and director sign the “bukti pengeluaran kas kecil”,
- After that, they review the documents and write checks,
- First check is signed by the director and sent to the head of warehouse and administration to be distributed to the factory labors and employees,
- Second check is signed by the general manager and sent to the human resources manager to be distributed to the office employees,
- The signed “bukti pengeluaran kas kecil”, payroll register, and the check copy are sent back to the accounting manager.
4.3 Discussion

There are many factors that support a company to be successful. One of those factors is employees and labors. They need to get special attention especially in payroll. Salaries and wages are the reason why they want to work.

In many big companies, they usually use lots of employees and labors. Thus, payroll becomes a main element of the company expenses. Since payroll plays a very important role in a company, the risk is also big. There are many possible risks that might occur, such as: manipulation, fraud, deviation, and collusion. To reduce those risks, a company needs a good and appropriate payroll accounting information system.

Here are the summaries of the research result of PT HOBBY SENTOSA:

- Related Function
  Related function in payroll accounting information system in PT HOBBY SENTOSA is less effective because the functions are not appropriate with the theory (Mulyadi, 2001, p. 382). This could be seen from the personnel function and payroll register function. In this company, personnel function and payroll register function are done by the human resources manager. Besides that, the office employees’ time records are also done by the human resources manager. Another problem is the financial function that is done by the general manager and director themselves. It would be better if the function could be done by the financial division. According to the research result, functions that are related with payroll accounting information system in PT HOBBY SENTOSA are: time card function, personnel and payroll function, accounting function, and financial function. In his theory, Mulyadi stated that functions that are related with payroll accounting information
system are: time card function, personnel function, payroll register function, accounting function, and financial function. Those functions are done by their own division.

- Documents That Are Used

Documents that are used in payroll accounting information system in PT HOBBY SENTOSA are not very effective because there is one missing document compare with the theory (Mulyadi, 2001, p. 374). The research result from PT HOBBY SENTOSA shows that the documents that are used in the company’s payroll system are: time card, manual job ticket, payroll register, personnel action form, “bukti pengeluaran kas kecil” / ”bukti kas keluar”, and salary envelope. Compare with Mulyadi’s theory, there is one document less that is not used which is employee paycheck. Besides that, there is another shortage which is the job ticket that is used by PT HOBBY SENTOSA is not the appropriate job tickets, but only a manual job tickets that are written in a piece of paper. According to Mulyadi’s theory, documents that are used in payroll accounting information system are: time card, job ticket, payroll register, personnel action form, employee paycheck, “bukti kas keluar”, and salary envelope.

- Accounting Records That Are Used

Accounting records that are used in PT HOBBY SENTOSA is good enough because almost similar with the theory (Mulyadi, 2001, p. 382). The difference is only no expense card is used in the accounting records. But
according to another theory (Hall, 2007, p. 293), the expense card is not really necessary. The research result shows the accounting records that are used by PT HOBBY SENTOSA consist of: general journal, worksheet, manual payroll calculation, and employee payroll records. According to Mulyadi’s theory, accounting records should be used in payroll accounting information system consists of: general journal, expense card, and employee payroll record.

- Payroll Procedures

Payroll Procedures that are used by PT HOBBY SENTOSA is effective because the procedures that are used are similar with the theory (Mulyadi, 2001, p.385). The research result shows that the procedures that are used in PT HOBBY SENTOSA consists of: time record procedure, payroll register procedure, “bukti pengeluaran kas kecil” / “bukti kas keluar” procedure, payroll record procedure, and payroll payment procedure. According to Mulyadi’s theory, the procedures are: time record procedure, payroll register procedure, “bukti kas keluar” procedure, payroll record procedure, and payroll payment procedure.

- Reports That Are Resulted

Reports that are resulted by PT HOBBY SENTOSA consist of:

- Time Card
- Labor Distribution Summary
- Payroll Register
- Internal Control System

Internal control system in PT HOBBY SENTOSA is less effective. There are some parts of the internal control system that are not appropriate with a good internal control from the theory (Indonesian Institute of Accountants, 2001, 319.2). First is from control environment perspective, the organizational structure of PT HOBBY SENTOSA still not very effective. It can be seen from the job distributions. Many employees do multi jobs, such as: head of warehouse and administration; finance and accounting manager; human resources manager who takes care of personnel and payroll register job; and marketing, sales, and purchasing manager. All of those jobs should be segregated so each function can do their job better. The second one is from risk mitigation perspective. It can be seen from payroll payment procedure. The payment to office employees is done by human resources manager himself and for factory employees and labors are done by head of warehouse and administration. Some frauds might occur with this system. Thus, the internal control system still needs some reparation. The recommendation for a better internal control system will be conducted in chapter 5.

- Other Problems

Based on the research, there is another problem that occurred in PT HOBBY SENTOSA which is a delay in sending the payroll documents. Some documents were sent behind the schedule.
Chapter 5

Conclusion and Recommendation

5.1 Conclusion

Based on many summaries from previous chapters, some conclusions can be drawn. This is related with the analysis and design of payroll accounting information system in PT HOBBY SENTOSA.

5.1.1 General Conclusion

General conclusion is more emphasized to the wide description of the company. Based on many summaries from the previous chapters, PT HOBBY SENTOSA is a company that engaged in textile. The activities of the company consist of knitting and dyeing process. PT HOBBY SENTOSA has a line organizational structure. It set its departmentalization based on its function. In the organizational structure of PT HOBBY SENTOSA, there is a line authorization.

The overall system of PT HOBBY SENTOSA is quite good. The company is quite profitable. Policies and procedures that are used by PT HOBBY SENTOSA are good. The company has never gotten any complaints from the employees and labors.

Based on the research, PT HOBBY SENTOSA has a weakness in the segregation of duties. The segregation of duties that was conducted in PT HOBBY SENTOSA is not appropriate. Many employees do multi jobs, and some of the jobs are not suitable for them.

5.1.2 Specific Conclusion
Specific conclusion is more described about the company’s payroll accounting information system. The payroll accounting information of PT HOBBY SENTOSA is quite good. Although like that, there are still some weaknesses.

Based on the discussion of payroll accounting information system in PT HOBBY SENTOSA, the conclusions are:

- The related functions are: time card function, personnel and payroll function, accounting function, and financial function. These functions are not yet appropriate. There are still some employees that do multi jobs.

- The documents that are used consist of: time card, manual job ticket, payroll register, personnel action form, “bukti pengeluaran kas kecil” / ”bukti kas keluar”, and salary envelope. These documents are still not yet appropriate. There is no employee paycheck.

- The accounting records that are used consist of: general journal, worksheet, manual payroll calculation, and employee payroll records. These accounting records that are used in PT HOBBY SENTOSA are good enough. It will be better if the company can add more expense card.

- Payroll procedures that are used in PT HOBBY SENTOSA consist of: time record procedure, payroll register procedure, “bukti pengeluaran kas kecil” / “bukti kas keluar” procedure, payroll record procedure, and payroll payment procedure. These procedures are already appropriate.

- Reports that are resulted by PT HOBBY SENTOSA consist of: time card, labor distribution summary, payroll register, “bukti pengeluaran kas kecil”

- There is another problem that occurred in PT HOBBY SENTOSA which is a delay in sending the payroll documents. Some documents were sent behind the schedule.
5.2 Recommendation

Based on the previous chapter discussions, there are some weaknesses in the payroll accounting information system of PT HOBBY SENTOSA. Thus, some recommendations are needed to be able to overcome the weaknesses. Hopefully, these recommendations can be useful for the company.

5.2.1 General Recommendation

General recommendation is made to overcome the weaknesses of the company in general. Looking from the previous chapter summaries, a weakness in general is founded. The weakness is related with the segregation of duties. The segregation of duties that was conducted in PT HOBBY SENTOSA is not appropriate. This thing can be seen through the organizational structure of PT HOBBY SENTOSA where many employees do multi jobs.

In order to overcome the general weakness of PT HOBBY SENTOSA which are related with the segregation of duties, a new organizational structure is needed. Therefore, here is the recommended organizational structure:
Organizational Structure of PT HOBBY SENTOSA (Suggestion Regarding With Payroll Activities)

President
Commissary
and Director

General
Manager

Factory

Operational
Assistant

Production
Manager

Head of
Production

Head of
Administration

Cost
Accounting
Clerk

Paymaster

Finance and
Accounting
Manager

Head of
Finance

Head of
Accounting

Human
Resource
Manager

Head of
Personnel

Head of Payroll

Paymaster

Marketing,
Sales and
Purchasing
Manager

Head of Quality
Control Design
for Raw
Materials

Head of Purchasing

Head of Sales
and Marketing

Head of
Warehouse
and Quality
Control
In production department, the head of warehouse and administration which take cares the payroll of employees and labors in the factory should be segregated. Thus, in the recommended organizational structure, the head of warehouse and administration is segregated into head of warehouse and quality control and head of administration. In order to help the head of administration in take care the payroll, a cost accounting clerk is placed under the head of administration to help the head of administration in making the labor summary distribution. There is also another important person which is placed under the head of administration which is paymaster. This paymaster is a random person which is changed monthly to distribute the payroll payment to the factory labors and employees in order to avoid fraud.

In finance and accounting department, accounting function and finance function should be segregated. Thus, in the recommended organizational structure, there are head of accounting and head of finance.

In human resources department, personnel function and payroll function should be segregated. Thus, in the recommended organizational structure, there are head of personnel and head of payroll. A paymaster is placed under the head of payroll in order to distribute the payroll payment to the office employees.

In marketing, sales, and purchasing department; the purchase function and sales function should be segregated. Thus, in the recommended organizational structure, there are head of purchasing and head of sales and marketing.

5.2.2 Specific Recommendation
The specific recommendation is related with the payroll accounting system problems in PT HOBBY SENTOSA. From the discussion of the previous chapters, some weaknesses related with the payroll accounting system of PT HOBBY SENTOSA are founded.

These are the recommendations to overcome the weaknesses of the payroll accounting information system in PT HOBBY SENTOSA:

<table>
<thead>
<tr>
<th>Weaknesses</th>
<th>Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel function and payroll register function is done by the human resources manager.</td>
<td>Segregate the personnel function and payroll register function. The new head of personnel from the recommended organizational structure will do personnel function, and the new head of payroll will do payroll register function.</td>
</tr>
<tr>
<td>Time record function and cost accounting function is done by the head of warehouse and administration.</td>
<td>Segregate the personnel function and payroll register function. The new cost accounting clerk will help the head of administration to do the cost accounting job.</td>
</tr>
<tr>
<td>Financial function is done by the general manager and director.</td>
<td>It would be better if the new head of finance can do the financial job.</td>
</tr>
<tr>
<td>No employee paycheck.</td>
<td>Add employee paycheck.</td>
</tr>
<tr>
<td>The distribution of the payroll payment is done by the human resource manager and the head of warehouse and</td>
<td>Choose someone to be a paymaster to distribute the payroll payment.</td>
</tr>
</tbody>
</table>
administration themselves.

<table>
<thead>
<tr>
<th>Issue</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delay in sending the payroll documents</td>
<td>The director, general manager, and heads of division should monitor more.</td>
</tr>
</tbody>
</table>

Based on the recommendations, the payroll accounting information system flowchart of PT HOBBY SENTOSA will also change. This is the recommended flowchart of PT HOBBY SENTOSA:
Recommended Description:

- The head of administration is no longer taking the cost accounting job,
- The new cost accounting clerk does the cost accounting job which is the job to make a labor distribution summary.
Recommended Description:

- Human resources manager is no longer taking care of the personnel and payroll jobs,
- The head of payroll is the one who take cares of it,
- The personnel jobs are now taken by the head of personnel,
- Employee paycheck is made,
- The employee paycheck is sent to paymaster for payroll payment distribution.
Accounting (Accounting Manager)

Recommended Description:

No changes
Finance (Head of Finance)

D

Checks
Documents
and Sign
“Bukti
pengeluaran
kas kecil”

Bukti
Pengeluaran
Kas kecil

Payroll
Register

Reviews
Documents
and Writes
Check

Check
Register

Bukti Kas Kel.

Payroll
Register

Check Copy

Check

Check

Sign and Give to
Factory Paymaster

Sign and Give to Office
Paymaster

E
Recommended Description:

- Director and general manager are no longer doing the financial jobs,
- The finance jobs are now done by the head of finance,
- The signed checks are now given to the factory paymaster and office paymaster.
References

Agoes, Sukrisno. *Auditing (Pemeriksaan Akuntan) oleh Kantor Akuntan Publik.*


Curriculum Vitae

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Weight: 72 kg
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NIK: 3173012807880002
Passport No.: U 413284
Religion: Christian

OBJECTIVE:
Seeking a position that would best fit my qualifications and further develop my talents and skills for continuous career improvement.

EDUCATIONS:

College: Bina Nusantara International University (Undergraduate Program)
Hang Lekir, South Jakarta, DKI Jakarta, Indonesia
Degree: Sarjana Ekonomi and Bachelor of Commerce
Majoring in: Applied in Accounting Technology (Curtin), Accounting (Bina Nusantara)
Current GPA: 2.80

Thesis: Analysis and Design of Payroll Accounting Information System in PT HOBBY SENTOSA. The research concentrated on showing the design of accounting information system in PT HOBBY SENTOSA (textile company)

Highschool: SMAK 1 BPK Penabur
Jl. Tanjung Duren Raya No.4, West Jakarta, DKI Jakarta, Indonesia

SKILLS:

Computer:
Operating System: Microsoft Windows
General: Microsoft Word, Microsoft Excel, Visio Technical, ACL (Audit Command Language), MYOB (accounting software), Axapta, SPSS
(statistic software)

**Additional:**
Financial Modelling – Financial Analysis using Microsoft Excel

**Language:**
Indonesia (Mother tongue)
Mandarin/Chinese (Daily language with parents)
English (Good)

**WORK EXPERIENCES:**
Private Teacher – High School Mathematic
Accountant – In PT. MLP, Surabaya (All accounting activities were conducted in Microsoft Excel 2003)

**SEMINARS AND TRAININGS:**
Outbond (2006)
Binusian 2010 Program (2006)
IFRS Workshop – Issues and Challenges in Indonesia (2009)

**ADDITIONAL COURSES:**
*English Course* – Private Teacher, EEP English Course, EF English Course, ILP English Course

*Mandarin Course* – Private Teacher

*Music Course* – Yamaha (Keyboard), Purwacaraka (Keyboard), Private Teacher (Electric Guitar, Bass Guitar, Drum)
Interview with General Manager

1. Bagaimana keadaan sistem penggajian di perusahaan ini?
   Answer: Sudah cukup baik.

2. Apakah pernah ada komplain dari karyawan – karyawan di kantor?
   Answer: Tidak.

3. Siapa yang mengatur pembuatan daftar gaji?
   Answer: Human resources manager.

4. Siapa yang mencatat penggajian?
   Answer: Accounting manager.

5. Siapa yang memberikan dana pembayaran gaji?
   Answer: Saya sendiri.

6. Apakah pendistribusian pembayaran gaji juga dilakukan oleh anda?
   Answer: Tidak. Setelah menandatangani cek berisi dana untuk pembayaran gaji, cek itu kemudian diserahkan kepada human resources manager untuk pembayaran gaji karyawan kantor dan kepada head of warehouse and administration untuk pembayaran gaji karyawan dan buruh pabrik.

7. Apakah untuk buruh dan karyawan pabrik juga demikian?
Answer: Tidak. Pak direktur yang mengawasi pabrik, sedangkan saya hanya mengawasi bagian kantor.

8. Pernahkah ada komplain dari para karyawan atau buruh?
Answer: Tidak.

**Interview with Human Resources Manager**

1. Apakah anda yang membuat daftar gaji?
   Answer: Ya.

2. Apakah ada bagian lain yang menangani masalah personalia?
   Answer: Tidak. Saya sendiri juga yang menangani.

3. Dokumen – dokumen apa saja yang digunakan dalam sistem penggajian di perusahaan ini?
   Answer: daftar gaji, kartu waktu, formulir perubahan gaji, dan bukti pengeluaran kas kecil.

4. Apakah tidak ada slip pembayaran gaji untuk karyawan?

5. Apakah hanya anda dan karyawan – karyawan tersebut yang mengetahui gaji mereka masing – masing ataukah ada pihak lain yang mengetahui?

6. Apakah anda yang melakukan pencatatan waktu untuk para karyawan?
   Answer: Ya.

7. Apakah untuk buruh dan karyawan pabrik juga?
   Answer: Tidak. Itu dilakukan oleh head of warehouse and administration yang memang bertempat di pabrik.

**Interview with Accounting Manager**

1. Apakah anda yang melakukan semua pencatatan tentang penggajian?
   Answer: Ya.

2. Dokumen pencatatan apa saja yang anda gunakan?
   Answer: Jurnal umum, neraca lajur, dan bukti pengeluaran kas kecil.

**Interview with Head of Warehouse and Administration**

1. Apakah anda yg melakukan pencatatan waktu dan kerja buruh di pabrik?
   Answer: Ya.

2. Dokumen apa saja yang anda gunakan?
   Answer: Kartu waktu dan kartu kerja buruh.
APPENDIX B

All Payroll Documents

From

PT HOBBY SENTOSA