

ANALYSIS OF DAMAGED AND EXPIRED RETURN GOODS PROCEDURES FOR MERCHANDISE INVENTORY INTERNAL CONTROL SYSTEM AT PT INDOMARCO ADI PRIMA PEKANBARU BRANCH

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Abstract

This research is entitled "Analysis of Damaged and Expired Return Procedures on the Internal Control System of Merchandise Inventory at PT Indomarco Adi Prima Pekanbaru Branch". This study aims to determine the effectiveness of the procedure for returning damaged goods and returning expired goods within the internal control system of goods supply and to find out the effectiveness of the internal system of controlling goods supply at PT Indomarco Adi Prima Pekanbaru branch. This research is qualitative research with data collection techniques using interview sheets. The interview data were analyzed descriptively. The results showed that the return procedure for damaged and expired goods at the Pekanbaru branch of PT Indomarco Adi Prima has been implemented properly (effectively) so that it can help companies record financial reporting. make it easier for companies to find out the flow in and out of inventory and stiffen losses. Return procedures for damaged and expired goods can only help companies control inventory but cannot minimize losses. Therefore, solutions must be made to minimize damaged goods such as increasing security during the production and distribution process. To minimize the loss of expired goods, it is necessary to check the expiration period regularly and arrange goods according to the expiration date and provide discounts for goods that are close to expiration to accelerate the pace of sales. The internal inventory control system at PT Indomarco Adi Prima Pekanbaru branch has been effectively implemented in accordance with the components identified under COSO. Return procedures for damaged and expired goods can only help companies control inventory but cannot minimize losses. Therefore, solutions must be made to minimize damaged goods such as increasing security during the production and distribution process. To minimize the loss of expired goods, it is necessary to check the expiration period regularly and arrange goods according to the expiration date and provide discounts for goods that are close to expiration to accelerate the pace of sales. The internal inventory control system at PT Indomarco Adi Prima Pekanbaru branch has been effectively implemented in accordance with the components identified under COSO. Return procedures for damaged and expired goods can only help companies control

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Keywords: *Return Procedure, Damaged Goods, Expired Goods, Internal Control System of Inventory, COSO.*

1. INTRODUCTION

In general, companies are established with the aim of generating and obtaining the most profit or profit for its shareholders and creating wealth for the company. Optimal profit achievement can be used to measure the success or failure of a company. Profit is the amount of money remaining after paying for the resources needed to produce goods or services from the amount of money received from customers for the sale of these goods and services. The profit of a business is usually generated through the sales process. A good sales process will provide big profits for the company. On the contrary, if the company is not able to manage the sales process properly, it will be difficult for the company to develop and even cause losses (Surti et al., 2023).

One that can cause losses to the company is the existence of goods regulations. Goods return is returning merchandise. Efforts to return this product can be made by the seller to the supplier or by the buyer to the seller. This is referred to as a sales return and a purchase return as a result. Sales and purchase returns are terms familiar to every trade organization, whether it's a large business or a small retailer that only carries certain items, such as bakery goods. Financial reports for trading companies also require recording of returns, particularly in the form of purchase returns and sales returns. This is done to track the flow of goods in and out of the supply chain and to quantify losses resulting from returned goods. Attempts to return a product to the seller by the buyer are known as sales returns. Sales returns result in a loss, but just like any increase in the quantity of goods, the loss occurs because the vendor must bear the costs of manufacturing the

product when it is returned. The seller has the option to replace the returned item with cash or a new item according to the agreement (Arizal et al., 2021).

Sales returns cause receivables or bills from the seller to the buyer to decrease. When recording sales returns in the financial journal, fill in the debit column with a sales return account, while accounts receivable are written on the credit side. In buying and selling transactions, usually the company divides sales returns into three, namely sales returns that return the buyer's cash, sales returns that reduce the buyer's receivables, and sales returns to replace damaged goods from the buyer with new goods. The seller in this return transaction must have a record of the item returned, otherwise known as a "credit note." The credit note serves as proof of the return of goods by the buyer. The seller has proof of decrease in receivables from the seller to the buyer through this memorandum. Purchase returns occur when the seller sends merchandise back to the supplier. Many products are usually returned in this type of transaction. There are two different types of purchase returns: cash purchase returns and credit purchase returns. Returns of goods made in cash to vendors are referred to as cash purchase returns. If the item is found to be damaged, the seller is free to return it to the source without reimbursement. Since it was paid in cash, cash can be used to return goods. A return on credit purchases is sending goods to a supplier on credit. In other words, the vendor has not paid off the cost of the product. The reason for buyers to return goods to the company is usually due to damaged or defective goods during the distribution process or the sales process and expired goods. Damaged goods are goods that do not meet production standards and do not require further processing to repair them. Usually such items can be sold for their salvage value or thrown away because they have no value at all. In the production process, manufacturing companies always try to have zero defects, but it is difficult to avoid the occurrence of spoiled goods, defective goods, scrap goods and waste items. Each department or section must work together to achieve good quality control (Fadilurrahman et al., 2021).

Expired goods are the length of time a product or the period of time that has been set to be the validity period of the products produced can be consumed and when the time period is up, then these goods cannot be consumed or traded on the market, expired goods will start to smell bad, change color, and broken. Expired products are products that are not suitable for consumption after passing the consumption time limit set by the company. Because each product has an economic age and nutrition for consumption is reduced, it can even cause illness if expired products are still consumed. Therefore it would be better if the expired product is destroyed (Achmad, 2018). Expired goods for trading companies are very important because they can cause losses, because the goods that have been sold are returned back to the company and make the seller's receivables reduced from deducting the amount of goods returned. As with damaged goods, losses incurred due to expired goods must be accounted for through a reporting system, so that better control can be exercised over these losses. According to Bastian and Nurlala (2006), damaged products are products produced in the production process, where the products produced are not in accordance with established quality standards, but economically these products can be repaired by incurring certain costs, but the costs incurred tend to be greater. of the sale value after the product is repaired.

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The number of goods returns affects the internal control system of goods inventory. Recording of returns that are not in accordance with the actual situation results in an increase in inventories because returns in the accounting records do not match the items added to the warehouse. This resulted in a difference in merchandise inventory at the time of stock taking. The risk of violations or regulations on damaged and expired goods on merchandise can be prevented with good internal controls. The internal control system is a process carried out by the board of commissioners, management and other staff, which is designed to provide reasonable assurance for the achievement of three groups of objectives, namely operational efficiency and effectiveness, reliability of financial reporting, compliance with applicable laws and regulations. Recording of returns that are not in accordance with the actual conditions results in an increase in inventories because returns in the accounting records do not match the items added to the warehouse. This resulted in a difference in merchandise inventory at the time of stock taking. The risk of violations or regulations on damaged and expired goods on merchandise can be prevented with good internal controls. The internal control system is a process carried out by the board of commissioners, management and other staff, which is designed to provide reasonable assurance for the achievement of three groups of objectives, namely operational efficiency and effectiveness, reliability of financial reporting, compliance with applicable laws and regulations. Recording of returns that are not in accordance with the actual conditions results in an increase in inventories because returns in the accounting records do not match the items added to the warehouse. This resulted in a difference in merchandise inventory at the time of stock taking. The risk of violations or regulations on damaged and expired goods on merchandise can be prevented with good internal controls. The internal control system is a process carried out by the board of commissioners, management and other staff, which is designed to provide reasonable assurance for the achievement of three groups of objectives, namely operational efficiency and effectiveness, reliability of financial reporting, compliance with applicable laws and regulations (Syuaib et al., 2023).

Basically, internal inventory control in a trading company can facilitate the company's operations which are carried out routinely, namely buying and selling merchandise. Hery (2013) explains that internal control is defined as a set of policies and procedures to protect company assets or assets from all forms of misuse, ensure that there is accurate company accounting information, and to ensure that all legal provisions (regulations) or management laws and policies have been complied with. complied with or implemented as required by all employees of the company. Therefore, the importance of internal control over inventory must be considered by the company. There are five components of COSO 2013 internal control that can be used as a standard in implementing good internal control in company activities. COSO is a private sector initiative formed in 1985. Its main objective is to identify the factors that lead to fraudulent financial reporting and make recommendations to reduce its occurrence. COSO has developed a general definition of internal controls, standards and criteria that companies can use to assess their control systems (Fajar & Rusmana, 2018). The main objective is to identify the factors that lead to fraudulent financial statements and make recommendations to reduce their occurrence. COSO has developed a general definition of internal controls, standards and criteria that companies can use to assess their control systems (Fajar & Rusmana, 2018). The main objective is to identify the factors



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Effective and consistent internal controls in managing inventory will assist in decision making, accountability in running the business, and production of relevant reports that will increase efficiency. Corporations can develop efficient control activities to identify the ideal amount of inventory they should have through their internal inventory control. Provides physical security for inventory as well as actions that could harm the business. Inventory is one of the company's assets that is prone to violations and can potentially be detrimental if not managed properly. Smith and Skousen (2009) say "Inventory is the term given to assets that will be sold in the normal course of the company or assets that are put directly into goods that will be produced and then sold." Companies must carry out or implement internal controls on inventory properly in order to minimize fraud or violations that will occur later. Inventory conditions that are prone to fraud cause inventory in the warehouse to be processed reliably. Supervision of inventory within the company is absolutely necessary, because inventory is a source of income for the company through its sales. Internal control is not intended to immediately eliminate the possibility of fraud such as misuse of merchandise inventory or theft of merchandise or returns on damaged and expired goods, but with internal controls it can minimize the occurrence of fraud on merchandise inventory or as a security measure for the company, and if fraud is found then the company can immediately find out and deal with it. In addition, internal control can help companies record company financial reports that are affected by damaged and expired goods regulations. but with internal control it can minimize the occurrence of fraud in merchandise inventory or as a security measure for the company, and if fraud is found, the company can immediately find out and deal with it. In addition, internal control can help companies record company financial reports that are affected by damaged and expired goods regulations. but with internal control it can minimize the occurrence of fraud in merchandise inventory or as a security measure for the company, and if fraud is found, the company can immediately find out and deal with it. In addition, internal control can help companies record company financial reports that are affected by damaged and expired goods regulations (Satriadi et al., 2023).

PT Indomarco Adi Prima Pekanbaru Branch which is a form of consumer product distribution business which is engaged in a field that contributes to meeting the needs of the community, because it sells various kinds of goods from various brands, shapes, prices and characteristics that are different, so that the inventory of goods is vulnerable to damage, obsolescence, excess or shortage of inventory, the company must have one effective inventory system. Inventory management activities include directing the flow of inventory stock and handling inventory on a regular basis starting from procurement, storage, delivery and up to the issuance of inventory stock. Supplies must be available at the time needed, in adequate quantity and quality, in the right place and in an orderly manner.

The procedure for returning damaged goods from the buyer, can be in the form of goods that are damaged in shape or packaging. However, goods can be returned to the company and accepted by the company if the goods have at least 75% damage. Procedure is a series of tasks or methods that are interconnected which is a sequence of time and a certain way to do the work that must be completed. A procedure cannot stand alone because it is a whole where the factors in it influence each other and have dependence on one another, because in organizational life humans are not individuals who are separated from each other but are intertwined in a form of cooperation to achieve personal goals. and the goals of the organization where he is (Rachmawati, 2012). Meanwhile, returns of expired goods are not affected by the form and packaging and contents do not affect the goods returned. According to Mulyadi (2016), the return of goods is the return of goods from consumers because they are not suitable for sale in conditions close to expired or damaged. Basically returns are not a detrimental thing, even for certain conditions it can improve the situation, for example overstock. However, the return of goods is due to the fact that the schedule of goods has entered the specified date and is not suitable for consumption or resale by the customer. So that companies and customers of goods do not experience disappointment because the goods purchased can be returned at the same price when making a purchase because the system records every purchase and price through purchase history. So that there is no big influence from returns of damaged and expired goods on the internal control system of goods inventory. So an effective return procedure is needed to reduce returns on damaged and expired goods.

Based on the background above, it can be seen how important the internal control of merchandise inventory is for the company, because it can avoid fraud and losses from inventory received in the form/form of goods that are not good, the place for storing goods is irregular and inventory increases but demand decreases so that goods returns due to expiration.

2. LITERATURE REVIEW

Procedure

Procedure is a series of tasks or methods that are interconnected which is a sequence of time and a certain way to do the work that must be completed. A procedure cannot stand alone because it is a whole where the factors in it influence each other and have dependence on one another, because in organizational life humans are not individuals who are separated from each other but are intertwined in a form of cooperation to achieve personal goals. and the goals of the organization where he is (Rachmawati, 2012).

Goods Return

According to Mulyadi (2016), the return of goods is the return of goods from consumers because they are not suitable for sale in conditions close to expired or damaged.

Damaged goods

According to Bastian and Nurlela (2006), damaged products are products produced in the production process, where the products produced are not in accordance with established quality standards, but economically these products can be repaired by incurring certain costs, but the costs incurred tend to be greater. of the sale value after the product is repaired.

Expired Items

Expired Product (*expired*) are products that are not suitable for consumption after the consumption time limit set by the company. Because each product has an economic age and nutrition for consumption is reduced, it can even cause illness if expired products are still consumed. Therefore it would be better if the expired product is destroyed (Achmad, 2018).

Internal control

Hery (2013) explains that internal control is defined as a set of policies and procedures to protect company assets or assets from all forms of misuse, ensure that there is accurate company accounting information, and to ensure that all legal provisions (regulations) or management laws and policies have been complied with. complied with or implemented as required by all employees of the company.

COSO Internal Goods Control Components

COSO (*Committee Of Sponsoring Organizations*), an organization whose members consist of AAA (the American Accounting Association), AICPA, IIA (the Institute of Internal Auditors), IMA (the Institute of Management Accountants), and FEI (the Financial Executive Institute), stated that every personnel in an organization has responsibilities and is part of the organization's internal control structure (Mokoginta, 2015).

Supply

Smith and Skousen (2009) say "Inventory is the term given to assets that will be sold in the normal course of the company or assets that are put directly into goods that will be produced and then sold." Furthermore, Martiani Dwi et al. (2012) stated that: Inventory is an individual company which is one of the important assets for retail, manufacturing, service companies and other entities.

Effectiveness

Referring to the Big Indonesian Dictionary (2021), effectiveness is information which means a measure of task results or success in achieving goals. Effectiveness can be interpreted as the existence of an influence, effect, impression. Effectiveness is not just giving influence or messages but also related to the success of goals, setting standards, professionalism, setting goals, existence

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of programs, materials, relating to methods or ways. Targets or facilities and can also have an influence on the goals to be achieved.

Framework of thinking

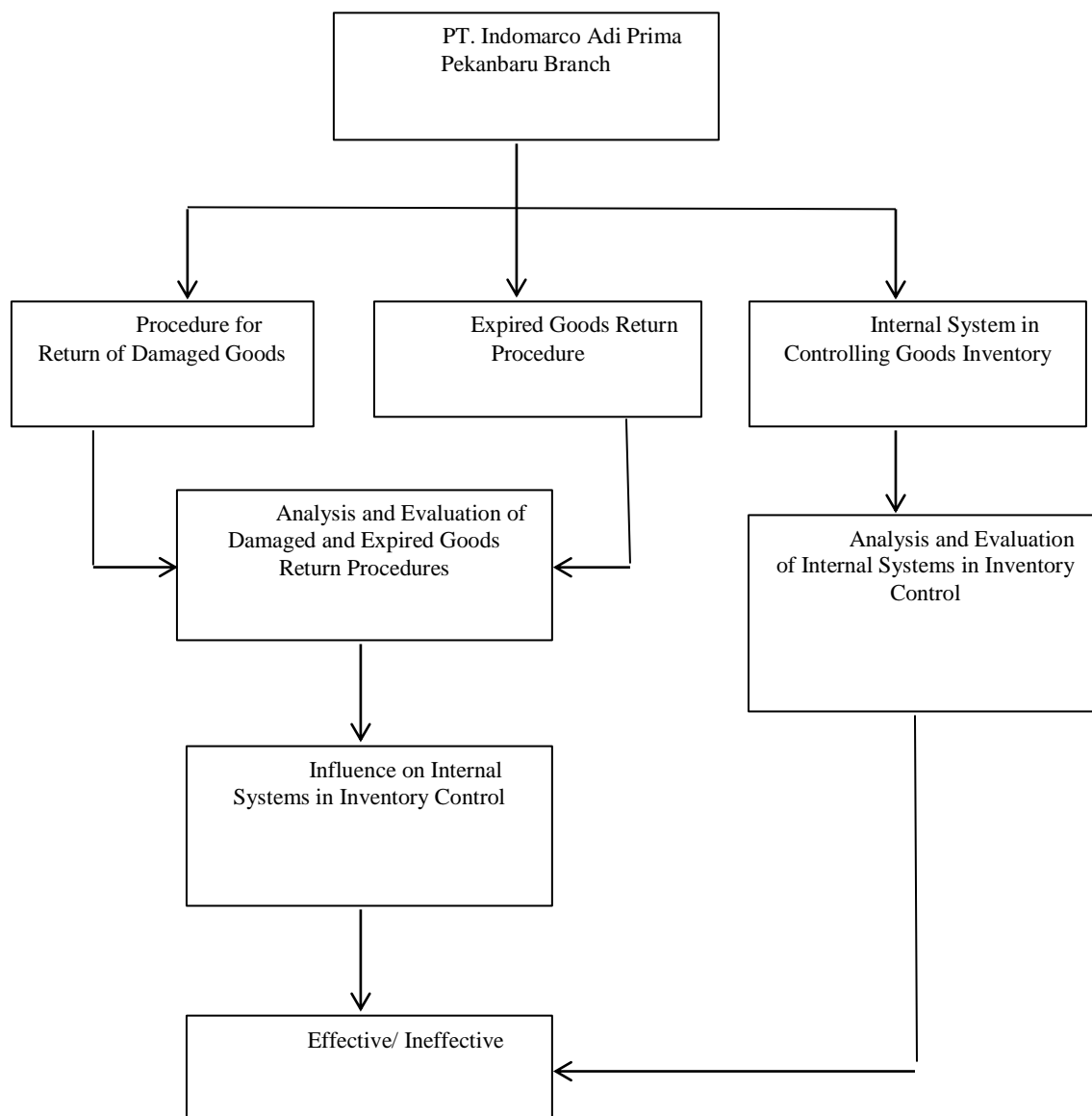
At PT Indomarco Adi Prima Pekanbaru Branch there is a procedure for returning damaged and expired goods to help control goods against the internal system of merchandise inventory. Then the internal control of merchandise inventory and procedures for returning damaged and expired goods will be analyzed or evaluated. From the results of this analysis a conclusion is drawn whether or not the procedure for returning damaged and expired goods and the internal control system in controlling merchandise inventory at PT Indomarco Adi Prima Pekanbaru Branch and how the role of the procedure for returning damaged and expired goods can help the internal system in controlling merchandise inventory in PT Indomarco Adi Prima Pekanbaru Branch.

Research Hypothesis

Based on the background of the problems and framework above, the hypotheses put forward in this study are:

1. The procedure for returning damaged goods at PT Indomarco Adi Prima Pekanbaru Branch has been effective.
2. The procedure for returning expired goods at PT Indomarco Adi Prima Pekanbaru Branch has been effective.
3. Internal control of merchandise inventory at PT Indomarco Adi Prima Pekanbaru Branch has been effective.

Figure 1 Thinking Framework



3. RESEARCH METHODS

This research was carried out at PT Indomarco Adi Prima Pekanbaru Branch, which is located at Jalan Raya Teratak Buluh No. 88, Teluk Kuantar, Siak Hulu. This study aims to analyze the procedure for damaged goods and returns *expired* on the internal control system of merchandise inventory at PT Indomarco Adi Prima Pekanbaru Branch. The population is a generalization area consisting of objects/subjects that have certain qualities and characteristics (Sugiyono, 2015). The

population of this research is PT Indomarco Adi Prima, Pekanbaru Branch, Tenaya Raya District. This study uses simple random sampling, namely taking sample members from a population that is randomly carried out in that population. In this study, the samples were shops that were consumers of PT Indomarco Adi Prima, Pekanbaru Branch, Tenaya Raya District, which were taken randomly. This research is a qualitative research. In this study, the qualitative data is the effectiveness of the damaged goods return procedure, the effectiveness of expired goods return procedures, and the effectiveness of the internal control system for merchandise inventory. This study will analyze the procedure system for returning damaged and expired goods to the internal control system for merchandise inventory using descriptive qualitative analysis techniques. Research data collection techniques used to obtain data are by means of observation, interviews, documentation and literature study.

4. RESULTS AND DISCUSSION

Damaged Goods Procedure

1. **Product Quality**, Product quality that is usually returned by buyers has damage such as leaks, dented cans or packaging, contents change in taste and color and change shape than usual. Based on the information explained by the informant, it can be concluded that product quality greatly affects the return of goods, because the goods returned are goods that have been damaged so that they cannot be consumed or used. Goods damage can occur during distribution or during the production process, therefore it is necessary to check goods before distribution, besides that security during distribution also affects the quality of goods.
2. **Consumer Ethics**, Based on information from informants, it can be concluded that goods returned by consumers are not goods that are intentionally returned by consumers due to errors from the consumers themselves, goods returned are goods that are damaged due to the production and distribution process. However, if there is an unethical return of goods by the consumer, the company will take action because it can harm the company.
3. **Goods Return Policy**, In returning goods there are policies such as replacing damaged goods with new goods, recording returned goods, checking goods, checking FPB forms, matching goods, and so on and the procedures as explained by the informant. Based on information about the return policy by the informant, it can be concluded that in the procedure for returning damaged goods, goods returned due to damage can be replaced with new goods or reduced customer bills/receivables.
4. **Goods Return Intention**, goods returns often occur which have an impact on losses for the company. Customer dissatisfaction with the quality of goods is the cause of frequent product returns. Based on the information explained by informant 1, it can be concluded that cases of returned goods often occur due to poor or damaged

quality of goods. Therefore, a review is carried out by the brand so that the quality of the goods increases thereby reducing the intensity of goods returns.

PROSEDUR RETUR BARANG RUSAK PADA PT INDOMARCO ADI
PRIMA CABANG PEKANBARU

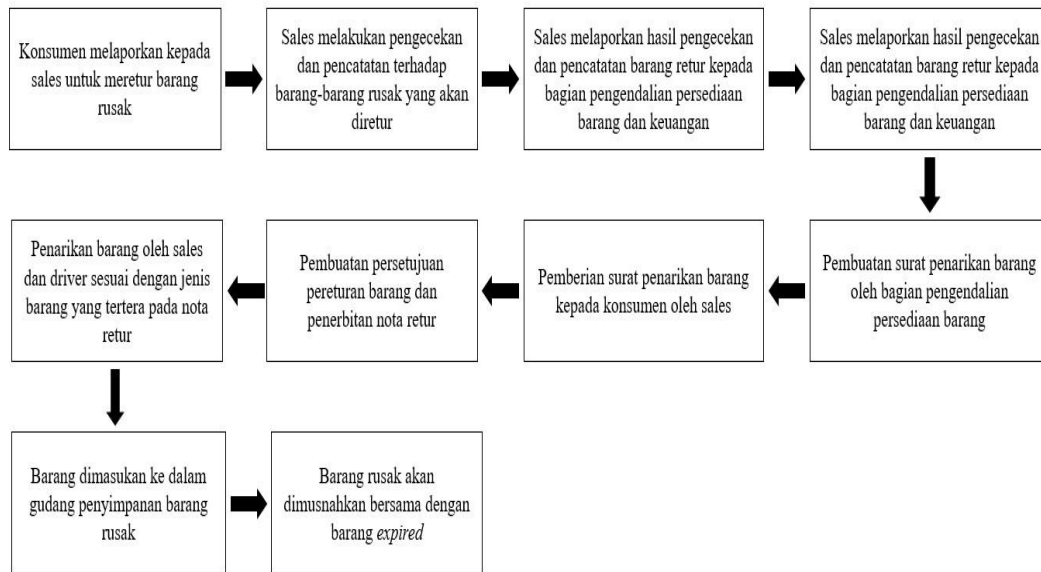


Figure 2 Procedure for returning damaged goods at PT Indomarco Adi Prima Pekanbaru branch

Expired Goods Return Procedure

1. Goods Checking, Expired goods can be returned. Before making a return on expired goods, a check will be carried out in advance whether the goods to be returned have entered their expiration date. In addition to avoiding expired returned goods, a reduction in selling prices or discounts for consumers is also carried out so that sales of goods are faster. Based on the information presented by informant 2 Mr. Ferdi as the head of the warehouse, it can be concluded that the company PT Indomarco Adi Prima Pekanbaru branch has carried out the procedure before the expired goods return by checking the expiration date printed on the product packaging and later it will be entered into the application so that a letter will be issued withdrawal of the goods.
2. Policy on Return of Expired Goods, Based on the information explained by informant 2 Mr. Ferdi as the head of the warehouse, it can be concluded that before carrying out the return of expired goods, checking and recording of expired goods and goods that are close to expiration have been carried out so that actions are taken to minimize returns of expired goods such as arranging goods according to

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expired date and giving discounts on items that are approaching expiration. Apart from that, in the process of returning goods, PT Indomarco Adi Prima Pekanbaru branch has also carried out according to the established procedures, starting from checking the FPB form, recapitulating expired goods to be returned, matching the type of goods to be returned according to proof of goods withdrawal, making approvals for goods returns and issue a return note so that the goods can be withdrawn by the company.

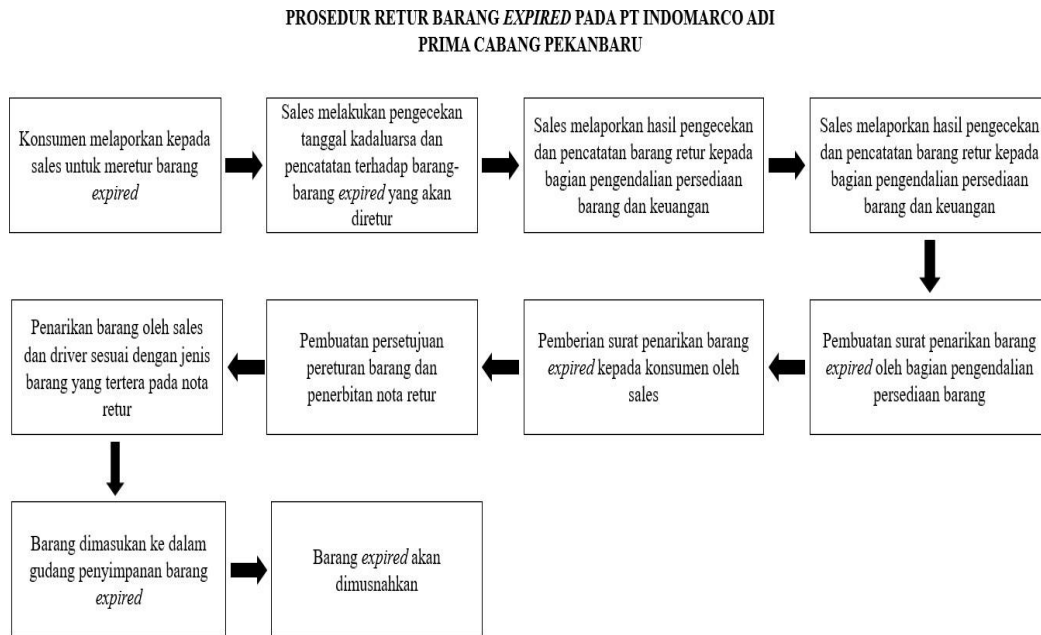


Figure 3 Procedure for returning expired goods at PT Indomarco Adi Prima Pekanbaru branch

Internal Control System

a. Control Environment

The control environment determines the quality of the entity by influencing the control awareness of those around it.

1. Commitment to Integrity and Ethical Values, based on the informant's statement it can be concluded that PT Indomarco has a code of ethics regulations that are communicated in a clear, detailed and structured manner with a code of conduct (COC) that must be obeyed by every employee, supplier, supplier and other business partners . If there is a violation of the code of ethics, the company will provide sanctions to employees who violate it in the form of a warning letter. This means that



- the integrity and code of ethics at PT Indomarco Adi Prima Pekanbaru branch have been implemented properly.
2. Carry out Responsibility and Supervision, based on information from informants it can be concluded that the implementation of supervisory responsibilities at PT Indomarco Adi Prima Pekanbaru branch is carried out by the internal audit committee (stock control point). Then employee performance appraisal is carried out daily or monthly, this is done to make it easier for the audit committee team to evaluate employee performance.
 3. Establishing the Organizational Structure, Authorities and Responsibilities Based on the information submitted by the informants, it can be concluded that the determination of the organizational structure, authority and responsibilities of employees controlling goods at PT Indomarco Adi Prima Pekanbaru branch has been well established. Employees have their respective duties and responsibilities in accordance with the authority and responsibility that has been given. Then segregation of duties is carried out so that work is easier and control of goods can be well controlled.
 4. Commitment to Competence Based on the information provided by the informants it can be concluded that the commitment to competence at PT Indomarco Adi Prima Pekanbaru branch is carried out according to established procedures. This can be seen starting from the recruitment of employees which is handled by personnel with written exams and interviews. Written exams and interviews aim to find out whether the competencies possessed by prospective employees are in accordance with what is needed by the company. To maintain and improve competence, employee training programs and employee assessments are carried out on a daily or monthly basis.

Risk Assessment

PT Indomarco Adi Prima Pekanbaru branch has conducted an assessment of the possible risks that occur in the inventory control process. Some of the risks that may occur are returns of damaged goods, returns of *goodsexpired*, or acts of fraud or theft. Based on the information submitted by the informant, it can be concluded that the assessment of risks that may occur both internal and internal risks and the identification of risks that occur through the internal audit team have been carried out by PT Indomarco Adi Prima Pekanbaru branch properly. In addition, the company also provides an assessment of the risk of fraud committed by employees and policies against the risk of fraud, such as by imposing penalties on replacing the difference in goods or evaluating employees which results in termination of employment.

Control Activities

1. Developing Control Activities, in controlling activities, several things that must be considered by PT Indomarco Adi Prima Pekanbaru branch, namely proper documents and records, physical control, performance checking and evaluation. Based on the information submitted by the informant, it can be concluded that inventory control activities carried out at PT Indomarco Adi Prima Pekanbaru branch are by segregating employee duties, proper documents and records, physical control, performance checking and evaluation. Separation of duties has been assigned to each employee, such as logistics for receiving inventory, marketing for sales of goods, and accounting for finance.
2. Develop General Control Over Technology Based on the information submitted by informants, it can be concluded that general control over technology at PT Indomarco Adi Prima Pekanbaru branch has utilized technology very well and appropriately. For inventory data collection, the company uses a database that can only be accessed by employees' superiors. In calculating the inventory, the company uses a bar code scanner and for monitoring inventory in the warehouse, the company equips the warehouse with CCTV which helps monitor operational conditions.
3. Detailing Into Policies and Procedures, Based on the information submitted by informants it can be concluded that the policies and procedures applied to PT Indomarco Adi Prima Pekanbaru branch are in accordance with the established policies and procedures starting from the policy on determining minimum and maximum inventory levels, policies and procedures the company for purchasing, receiving, managing and moving inventory, procedures regarding checking the quality, quantity and accuracy of inventory received with purchase orders, procedures for physical inventory counting, procedures for separating damaged and obsolete inventory before writing off inventory, updating procedures for damaged goods inventory, obsolete, and discarded, through inventory holding procedures.

Information and Communication

This component consists of the information system used to generate inventory information and how to communicate that information. Based on the information conveyed by the informant, it can be concluded that PT Indomarco Adi Prima Pekanbaru branch has used information and communication systems properly. The information system used is in the form of an application that is operated via a computer in inventory control. Information and communication systems are very important to achieve organizational goals and all parties have received information about responsibilities that are communicated to all employees.

Monitoring

1. Continuous and/or Separate Evaluation Based on the explanations submitted by informants it can be concluded that continuous evaluation at PT Indomarco Adi

Prima Pekanbaru branch is carried out periodically. This periodic evaluation is carried out to minimize the occurrence of errors in inventory control and improve supervision to minimize damage or loss of goods.

2. Evaluating and Reporting Any Deficiencies. Based on the information provided by informant 3, it can be concluded that the evaluation and reporting of any deficiencies that occur in the inventory control system will be immediately followed up by management and the company. Any deficiencies will be evaluated as material for improvement for further evaluation.

Discussion

1. Procedure for Return of Damaged Goods

Return is the return of goods by the buyer to the seller due to several things such as damage to the goods or expiration. Returns in a trading company must have a record in the financial report, this is done to make it easier for the company to find out the flow of goods in and out of inventory and calculate losses due to goods returns. Therefore, the company has a set procedure for ordering goods.

The procedure for returning goods carried out by PT Indomarco Adi Prima Pekanbaru branch is in accordance with the procedures set by the company. Before receiving damaged returned goods from customers, the salesman checks the damaged goods that will be returned by the customer whether the goods are damaged due to the production and distribution process and not goods that have been intentionally returned by the customer in an unethical way and records the goods which will be returned. After making sure the goods returned are damaged goods, the salesman will report to the inventory and finance department to make a withdrawal letter. Then a withdrawal letter will be given to the customer for further regulatory approval and issuance of a return note,

The procedure for returning damaged goods implemented by PT Indomarco Adi Prima Pekanbaru branch has been well implemented so that it can assist companies in knowing the flow of goods in and out of inventory and financial records, although it cannot minimize losses received by the company because damaged goods are caused by the production and distribution process, so that minimizing losses can only be done by increasing security in the process of production and distribution of goods.

2. Expired Goods Return Procedure

Not much different from the return of damaged goods, returns of expired goods also have procedures set by the company. Returns of expired goods occur because the goods are not sold until the safe limit for consumption or the expiry date. In returning expired goods, financial statements are also recorded to make it easier for companies to find out the flow of goods in and out of inventory and to calculate losses.

The procedure for returning expired goods implemented by PT Indomarco Adi Prima Pekanbaru branch has been running effectively. Before returning expired goods, the salesperson will check and record the expired goods to be returned by looking at the expiration date printed on the packaging. After ensuring that the goods being returned are expired goods, then the sales will report to the inventory and finance department to issue a withdrawal letter later. Then the sales will bring a withdrawal letter to the customer to later make regulatory approval and issue a return note so that the expired goods can be recalled by the company brought by the driver for further destruction.

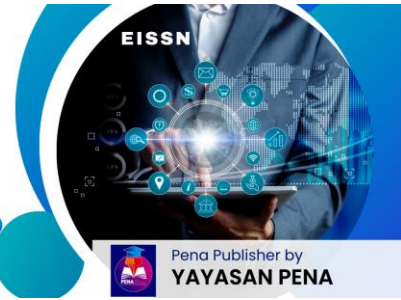
The procedure for returning goods implemented by PT Indomarco Adi Prima Pekanbaru branch has been well implemented so that it can assist companies in controlling inventory and recording company finances. However, the procedure for returning expired goods implemented by the company cannot minimize losses even though it has been implemented properly, therefore to minimize returns for expired goods, a sales strategy is needed by always checking the expiration date of the goods and arranging the goods in the store according to the expiration date so that the goods are close to expiration. can be sold quickly and are still safe for consumption by consumers, besides that the company can also provide special prices or discounts for goods that are approaching expiration to speed up the pace of sales of goods.

3. Internal Control System

The internal inventory control system is very important in protecting the company's assets from possible risks such as fraud, waste, theft by employees, damaged and expired goods, as well as internal risks such as floods and fires. The inventory internal control system implemented by PT Indomarco Adi Prima Pekanbaru branch can be identified from internal control based on the Committee of Sponsoring Organizations of the Treatway Commission (COSO) which consists of 5 components, namely the control environment, risk assessment), control activities (control activities), information and communication (information and communication), and supervision (monitoring).

1. Control Environment

The control environment requires integrity and ethical values, commitment to competence, and participation from the board of directors and commissioners (Muliyanto, 2013).



PT Indomarco Adi Prima Pekanbaru branch pays great attention to integrity and ethical values by making policies and regulations that must be obeyed by every employee. Every employee must have polite ethics both in behavior, speech, and dress. In implementing the code of ethics in the company, the company has a code of ethics in the form of a code of conduct (COC) for each employee based on position. Code of conduct regulations that are conveyed or communicated in a clear, detailed and structured manner with a code of conduct (COC) that must be obeyed by every employee, supplier, supplier and other business partners. If there is a violation of the code of ethics, the company will provide sanctions to employees who violate it in the form of a warning letter. It means,

Supervision of employee performance at PT Indomarco Adi Prima Pekanbaru branch is supervised by an internal audit committee (stock control point) which plays a role in supervising and controlling employee performance and evaluating employee performance. Employee performance appraisal is carried out daily or monthly, this is done to make it easier for the audit committee team to evaluate employee performance. This means that the monitoring of employee performance has been carried out properly by the audit committee.

PT Indomarco Adi Prima has a clear formal organizational structure and each employee has the authority and responsibility according to the position given. Determination of the organizational structure, authority and responsibility of goods control employees at PT Indomarco Adi Prima Pekanbaru branch has been well established. Employees have their respective duties and responsibilities in accordance with the authority and responsibility that has been given. Then segregation of duties is carried out so that work is easier and control of goods can be well controlled.

PT Indomarco Adi Prima Pekanbaru branch has certain criteria in recruiting employees and conducting training programs for employees to improve the competencies possessed by employees. In addition, employee performance is always evaluated so that commitment to competence does not decrease. Commitment to competence at PT Indomarco Adi Prima Pekanbaru branch is carried out according to established procedures. This can be seen starting from the recruitment of employees which is handled by personnel with written exams and interviews. Written exams and interviews aim to find out whether the competencies possessed by prospective employees are in accordance with what is required by the company. To maintain and improve competence, employee training programs and employee assessments are carried out on a daily or monthly basis.

2. Risk Assessment (*Risk Assessment*)

According to Mulyadi (2013), in risk assessment, management needs to identify, estimate how significant the risk has an impact on assessing the possibility of risk occurring, and make corrective actions to reduce risk.

PT Indomarco Adi Prima Pekanbaru branch has conducted an assessment of the possible risks that occur in the inventory control process. Some of the risks that may occur are returns of damaged goods, returns of expired goods, as well as acts of fraud or theft. The company also identifies risks and evaluates fraud committed by employees regarding inventory loss and discrepancies. Assessment of risks that may occur both internal and external risks and identification of risks that occur through the internal audit team have been carried out by PT Indomarco Adi Prima Pekanbaru branch well.

3. Control Activities (*Control Activities*)

Control activities include separation of functions, clear authority and adequate documentation (Mulyadi, 2013). Inventory control activities carried out at PT Indomarco Adi Prima Pekanbaru branch, namely by segregating employee duties, proper documents and records, physical control, checking and evaluating performance. Separation of duties has been assigned to each employee, such as logistics for receiving inventory, marketing for sales of goods, and accounting for finance.

The use of technology in inventory control will facilitate control within the company. The technology used at PT Indomarco Adi Prima Pekanbaru branch is in the form of databases, bar code scanner equipment, and CCTV, each of which has an important role in inventory control. General control over technology at PT Indomarco Adi Prima Pekanbaru branch has utilized technology very well and appropriately. For inventory data collection, the company uses a database that can only be accessed by employees' superiors. In calculating the inventory, the company uses a bar code scanner and for monitoring inventory in the warehouse, the company equips the warehouse with CCTV which helps monitor operational conditions.

The company also supervises employees in accordance with established policies and procedures. Policies and procedures carried out in the form of policies for determining minimum and maximum levels of inventory, company policies and procedures for purchasing, receiving, managing and transferring inventory, procedures regarding checking the quality, quantity and accuracy of inventory received with purchase orders, procedures for calculating physical inventory, procedures segregation of damaged and obsolete inventory before inventory is written off, updating procedures for damaged, obsolete and discarded inventory, and inventory storage procedures.

4. Information and Communication (*Information and Communication*)

Information and communication includes providing an understanding of individual roles and responsibilities related to internal control. Communication also includes the extent to which employees understand their work in the division of tasks that have been made (Mulyadi, 2013).

PT Indomarco Adi Prima Pekanbaru branch has used information and communication systems well. The information system used is in the form of an application that is operated via a computer in inventory control. Information and communication systems are very important to achieve organizational goals and all parties have received information about responsibilities that are communicated to all employees.

5. Surveillance (*Monitoring*)

Supervision is carried out before, during, and after the implementation process takes place (Mulyadi, 2013). PT Indomarco Adi Prima Pekanbaru branch conducts periodic monitoring and continuous and/or separate assessment of inventory control. This periodic evaluation is carried out to minimize the occurrence of errors in inventory control and improve supervision to minimize damage or loss of goods.

Evaluations that are carried out periodically will be corrected thoroughly to find any deficiencies that exist so that they can be reported and re-evaluated. evaluation and reporting of any deficiencies that occur in the inventory control system will be immediately followed up by management and the company. Any deficiencies will be evaluated as material for improvement for further evaluation. This means that PT Indomarco Adi Prima Pekanbaru branch has carried out good supervision.

5. CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Based on the results of research and discussion in this study. So the authors draw some conclusions as follows:

1. The procedure for returning damaged and expired goods at PT Indoarco Adi Prima Pekanbaru branch has been implemented properly (effectively) so that it can assist companies in recording financial reporting, making it easier for companies to find out the flow of goods in and out of inventory and calculate losses.

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2. Return procedures for damaged and expired goods can only help companies control inventory, but cannot minimize losses. Therefore a solution must be made to minimize damaged goods such as increasing security during the production and distribution process. To minimize losses on expired goods, it is necessary to routinely check expiration dates and arrange goods according to expiration dates and provide discounts for goods that are nearing expiration to speed up the pace of sales.
3. The internal inventory control system at PT Indomarco Adi Prima Pekanbaru branch has been implemented effectively according to the components identified based on COSO.

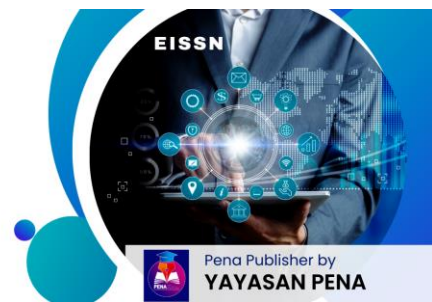
Suggestion

Based on the conclusions that the researchers put forward above, the researchers provide the following suggestions:

1. The procedure for returning damaged and expired goods and the internal inventory control system that has been effectively implemented by PT Indomarco Adi Prima Pekanbaru branch should be maintained and improved. For further research on the same topic, it is hoped that it can complete and complement this research and become reference material in further research.

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