

# EVALUATION PROCEDURES OF DEPARTMENT MATERIAL CONTROL



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## INTRODUCTION

PT XYZ is a company in the Riau Islands engage in manufacturing that produce Printed Circuits Board Assembly (PCBA) electronic products and Electronic Box Build products. The problems found include, among others, the Standard Operating Procedure (SOP) of the material control department is still not detailed and not updated and a small percentage of Material Control (MC) employees work not according to procedures. To reduce these problems, the author provides recommendations based on the evaluation results and suggested procedures updates in order to improve the efficiency and effectiveness of employees at work.



## LITERATURE REVIEW



### Internal Control System, Mulyadi (2016)

The internal control system is a system consisting of organizational structures, methods, and procedures arranged to meet key objectives



### Champion Method, ( Daos & Angi, 2019)

To assess the effectiveness of the implementation of internal control in the company, a questionnaire calculation method based on the Dean J. Champion formula is used.

$$\text{Presentation} = \frac{\text{Amount yes answer}}{\text{Amount no answer}} \times 100\%$$



### Conversion Cycle (Romney et. al, 2021)

The conversion cycle is a series of repetitive activities in business and data processing operations involving labor, raw materials, overhead, and equipment to produce goods ready for sale.

## RESULT

Evaluation of procedures related to knowing the production plan through the SAP system has been carried out very effectively with a value of 93%. While 7% of production plans do not use SAP.

Evaluation of procedures related to converting plan orders to production orders through COOIS and MD04 was ineffective with a score of 20%. Meanwhile, 80% of MC employees changed plan orders by not using COOIS and MD04 T-codes this is due to the change of function in the COOIS t-code.

Evaluation of procedures related to making material commitment reports before production runs is less effective with a score of 40%. Meanwhile, 60% of MC employees do not make material commitment reports because they are waiting for information from the PC due to limited time.

Evaluation of procedures related to material issues provided by MC to substore was ineffective with a score of 0% due to changes in Qty, PO, and the addition of ECO.

Evaluation of procedures related to checking material back orders through LX02 is quite effective with a score of 73%. While 27% of employees do not check back order materials through T-code LX02 but also through Z-WIP & MB25. This T-code appears due to an update in the system.

Evaluation of procedures related to the release of transfer requests (TR) for production orders with complete materials, with confirmation of material delivery through the system (LP10) is ineffective with a value of 0%. Because the LP10 t-code is not effective for TR release, the t-code is changed through LB01.

Evaluation of procedures related to checking confirmation of materials to be scrapped and updates is ineffective with a score of 0% because confirmation of scrapped materials is only carried out by certain people.

Evaluation of procedures related to MC on time in closing PO is less effective with a score of 33%. While 63% were late in closing the PO due to an ECO or cogi error.

## SOLUTION

### Conduct socialization to employees regarding the procedures below

- Converting plan orders to production orders can be done through CO02.
- Make a material commitment report before starting production.
- Checking material backorders can not only be done through LX02 but also through Z-WIP or MB25.
- Release TR uses LB01 instead of LP10
- On time in closing PO

### Reward employees who comply with procedures.

### Create a new procedure.

## METHOD

### Internal Control Quisoner (ICQ)

Create a question based on the material control department's standard operating procedures (SOP). ICQ is a list of questions related to internal control, systems, and mechanisms that have been implemented by the company.

### Interview

Based on the Internal Control Quisoner (ICQ) that has been made, the author conducts interviews in writing by filling out the questionnaire and verbally by asking directly.

## REFERENCE

Lumbantoruan. (2022). Champion Analysis Method. Chapter I Introduction, 35. Mulyadi. (2016). Accounting System. Fourth Edition

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