Operational Audit in Improving the Effectiveness, Efficiency and Economics of Merchandise Inventory at PT. Aneka KaryaFarma

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ABSTRACT

A companyutilizes its resources or assets effectively, efficiently, and economically for the process of achieving the goals in carrying out its activities. One of the assets owned by the company which is directly related to the process of achieving the goals is inventory. Inventory management is very important in the efforts to maintain the stability of the inventory amount. Operational audit of inventory is expected to have a positive impact on the company to analyze and identify the weaknesses in the inventory management system applied and to provide improvement suggestions for the inventory management, thus it can run more effectively, more efficiently and more economically. In addition to the problems that can harm the company can be solved.The purpose of this study was to implement an operational audit of managing merchandise inventory at PT Aneka KaryaFarma in improving the effectiveness, efficiency, and economics of its merchandise inventory.The analytical method used in this research was descriptive qualitative by analyzing operational audit by conducting observations and interviews with the company concerned, testing its inventory control system through the Internal Control Questionnaires (ICQ) addressed to the warehouse, pharmacists and the company's management and conducting compliance test and analytical procedures.The results of this study indicated that the operational performance of the overall inventory function was quite effective, efficient, and economical. However, there were still weaknesses in the internal control of the company's merchandise inventory, in which it did not carry out the procedure of physical inventory counting (StockOpname) following the Standard Operation Procedure (SOP) of the Stock Opnameset by the company, thus the implementation guidelines of Stock Opname were not explained to the employees because there were no special and explicit task divisions of responsibility for the implementation of Stock Opname, and it was not done routinely (carried out as necessary). Therefore, the remedial actionson the weaknesses of internal control of the company's merchandise inventory were needed to improve the operational performance of merchandise inventory to be more effectively, more efficiently and more economically.

Keywords: Operational Audit, Merchandise Inventory, Effective, Efficient, Economical.

INTRODUCTION

One of the assets owned by the company which is quite large in number and is directly related to the achievement process of its goals is inventory. Inventory is a current asset owned by a company which are purchased and stored for resale in the normal business operations of the company. Inventory is the most important asset that must be achieved, thus the customer's demand can be fulfilled. And to determine the smoothness of sales, it requires aproper inventory management to maintain the quality and the stability of the inventory quantity. Improper inventory management carried out by the company will have an impact on the unfulfilled of customer's demand because the lack of inventory caused by damage, expiration, loss and fraud against inventory which hinder the operational activities and greatly harm the company. It is very important to carry out an operational audit on the inventory management. By conducting an operational audit of merchandise inventory management, it can help the interested parties to find out and to assess whether the operational activities of merchandise inventory management which are being carried out are effective, efficientand economical. They also can provide an overview of the current condition of inventory management, thus the existing inventory risks such as damage, expiration, loss and fraud against inventory can be avoided. After the operational audit is carried out, then the results are reported in the form of improvement recommendations to the existing weaknesses to improve the management of merchandise inventory to be more effective, more efficient and more economical.

PT. Aneka KaryaFarma is a trading company in Manado which is engaged in pharmaceutical distribution. Merchandise inventories at PT. Aneka KaryaFarma are medicines requiring a special treatment to prevent the bad things such as damage, loss and expiration, insufficient storage space (warehouse) and excessive storage costs. Considering the importance of merchandise inventory, then it is necessary to have an operational audit on its management to assess the weaknesses in the company's merchandise inventory management and to have improvement suggestions in order to improve the management of merchandise inventory to be effective, efficient, and economical.

This study aimed to implement an operational audit on the management of merchandise inventory at PT Aneka KaryaFarma in increasing the effectiveness, efficiency and economics of its merchandise inventory.

THEORETICAL BASIS

Operational Audit

Operational audit is a systematic design for examining the operational activities of a company, including accounting and operational policies that have been used and carried out effectively, efficiently and economically. The steps in implementing an operational audit are as follows (Agoes, 2017):

1. Preliminary Survey
2. Review And Testing Of Management Control System
3. Detailed Examination
4. Report Development

Compliance Test and Analytical Procedure

Compliance test is an examination conducted to determine whether the company has complied with the applicable regulations and policies, both those determined by the internal company (management and board of commissioners) and external parties (Government, Bapepam, Bank Indonesia, Directorate General of Tax and others) (Agoes, 2017).

Analytical procedures consist of evaluating financial information made by studying the reasonable relationships between one financial data and another, or between financial data and non-financial data. Analytical procedures include the comparisons between the recorded amounts or their calculated ratios (Hery, 2019: 117).

Supply

Inventory is one type of current assets that is quite large in a company, which is purchased and stored for resale in the daily normal business operation of the company. Without a supply at a certain time, the company cannot fulfill the needs of the people. According to (Agoes, 2017), inventory has the following characteristics:

1. It is usually a current asset because its turnover period is usually less or equal to a year.
2. Representing a large number, especially in trading and industrial company.
3. Having a great influence on the report of financial position (balance sheet), profit and loss calculations.

Inventory Recording and Valuation Method

According to Rudianto (2018), there are two methods for calculating and recording inventories, which are as follows:

1. Physical Method (Periodic)
2. Perpetual Method

There are three alternatives that can be considered by an entity related to the inventory valuation according to (Rudianto, 2018), they are:

1. First In First Out / FIFO
2. Last In First Out / LIFO
3. Weighted Average
4. Special Identification

The Ratio of Inventory Turnover

Inventory turnover is the ratio used to measure the number of times the funds embedded in inventory will rotate in a period or how long (in days) the average inventory is stored in the warehouse until it is finally sold. The higher the inventory turnover ratio, it means that the more liquid the company's inventory is, the lower the inventory turnover ratio shows that the working capital embedded in the merchandise inventory is greater (over investment) (Hery, 2015). The formula for measuring the inventory turnover ratio and how long (in days) the average inventory is stored in the warehouse until it is finally sold according to Hery (2017) in his book Auditing and Assurance Comprehensive Edition is as follows:

Inventory Turnover Ratio =
$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Goods Sold}}{\text{Inventory Average}}$$

Average Length of Inventory =
$$\text{Average Length of Inventory} = \frac{365 \text{ Days}}{\text{Inventory Turnover Ratio}}$$

Information:

a. Cost of Goods Sold is the purchasing price from the supplier for the sold goods.
b. Inventory Average is the beginning merchandise inventory added to the ending merchandise inventory and then divided by two.
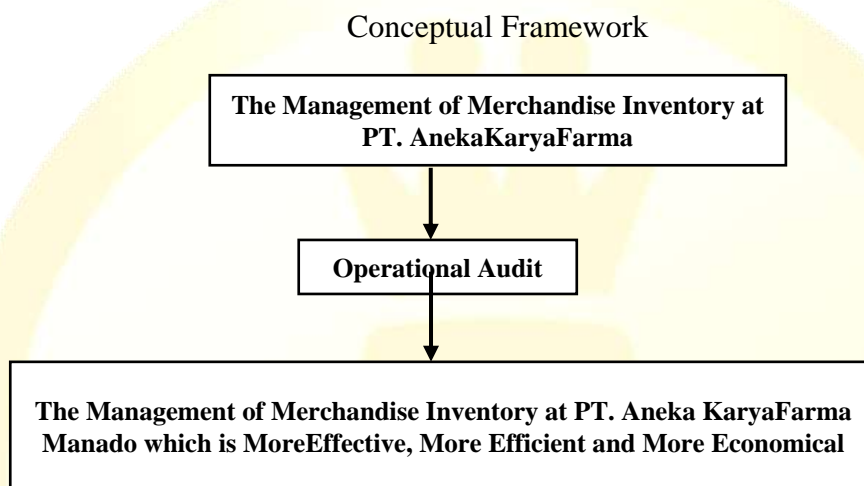
Effectiveness, Efficiency, Economics

According to Bhayangkara (2011) quoted by (Suryani, 2015), effectiveness can be defined as the success rate of a company to achieve its goals. If an organization achieves its goals, then it can be called as an effective organization.

Efficiency is related to the method of work (operation), and in the relation of the input-process-output, it is the ratio between output and input. How big the output produced is by using a number of inputs owned by the company.(Agoes, 2017).

According to Agoes (2017), economization is a measure of the input used in various managed programs. This means that if the company is able to obtain the resources that will be used in the operation at the least cost, thenit is able to obtain the resources economically.

Conceptual Framework

Conceptual Framework

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│  The Management of Merchandise Inventory at   │
│           PT. AnekaKaryaFarma                 │
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          │   Operational Audit    │
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│  The Management of Merchandise Inventory at PT. Aneka │
│  KaryaFarma Manado which is MoreEffective, More       │
│  Efficient and More Economical                        │
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Source: Processed Data (2020)

The research process was carried out by conducting an operational audit of the management of merchandise inventory at PT. Aneka KaryaFarma, by collecting the existing evidences, looking at the strengths and weaknesses of the internal control of merchandise inventory management and conducting the detailed testing tests, which were compliance testing and analytical procedures. The final result of this operational audit was that the audit report was expected to provide the recommendations to PT. Aneka KaryaFarma in improving the management of merchandise inventory to be more effective, more efficient and more economical.

Research Method

Types and Sources of Data

The types of data used in this research were qualitative and quantitative data. Qualitative data used in this study such as an overview of the company, organizational structure, job descriptions and its standard operational procedures. Meanwhile, the quantitative data used such as company's financial data in the form of sales reports, cost of goods sold, purchasing of merchandise, and merchandise inventory reports at PT. Aneka KaryaFarma.

Sources of data used in this study were primary and secondary data. Primary data were the data obtained directly from the company, in this case the leaders/staffs there, and the result of the questionnaires filled out by them related to the management of merchandise inventory at PT. Aneka KaryaFarma, and secondary data were the data obtained indirectly or through intermediaries (other people or documents), in this case the history of the company, organizational structure, division of tasks, Standard Operational Procedures of the Company as well as sales reports, cost of goods sold, purchasing merchandise and merchandise inventory obtained from the research object, which was at PT. Aneka KaryaFarma.

Data Collection Technique

1. **Field Research**

   Collecting data by making direct observations of the object studied by means of observation, interviews, documentaries and questionnaires.

2. **Literature Research**

   Conducting a literature research to study the literatures and the lecture materials related to the problem being researched.

Data Analysis Method

The analytical method used was descriptive qualitative method which was a method of discussing problems describing the data or situation, thus a conclusion was drawn to answer the existing problems. To carry out an operational audit of merchandise inventory at PT. Aneka KaryaFarma, the researcher conducted several stages of operational audit implementation. Following are the stages of the operational audit according to (Agoes, 2017):

1. **Preliminary Survey**

   The implementation of an operational audit began with a preliminary survey of the company's history, organizational structures, division of tasks, as well as direct observations of the company and conducted interviews with the leaders/staffs with the aim of obtaining a physical picture of the company that was directly related to the operational activities of managing merchandise inventory and operational policies established by the company in running the business, especially in the management of merchandise inventory. Based on the results of this preliminary survey, it would be concluded that the objective of conducting an operational audit was a target which was considered important to be proceeded to the next stage.

2. **Review and Test of Management Control Systems**

   Conducted to evaluate and test the effectiveness and efficiency of management controls at PT. Aneka KaryaFarma, especially in managing the merchandise inventory by using the Internal Control Questionnaire (ICQ) instrument and asking questions adjusted to the process of managing merchandise inventory in the company.

3. **Detailed Examination**

   Detailed testing of the management of merchandise inventory was carried out in two stages they were compliance test and analytical procedure. The compliance test was carried out to determine how effective the company complied with the regulations or the policies which had been established,and the analytical procedure was carried out to determine the efficiency of the company in managing its inventory. This was done in order to identify the effect when there was a deviation in the company causing inefficiency in managing the merchandise inventory.

4. **Report Development**

   Operational audit reports were presented based on the statement of conditions, criteria/standards, cause, effect/impact and the recommendations on the conditions found.

Data Analysis Technique

The analysis techniques used by the researcher in this study were:

1. Collecting the general information of the company's background in the form of its history, organizational structure, division of tasks, physical description related to

the management of merchandise inventory, as well as the operational policies established specifically in managing the merchandise inventory, and making objectives for conducting operational audits.

2. Conducting a test of the internal control system for merchandise inventory to ensure that the evidences obtained from the company, especially in the management of merchandise inventory could be expanded into the detailed test.

3. Conducting detailed tests on the management of merchandise inventory, which were carried out in 2 ways, they were compliance test to evaluate the effectiveness of company compliance in managing the merchandise inventory based on the operational policies and analytical procedure to assess the efficiency and economics of the company in managing the merchandise inventory to get sold quickly.

4. Making the audit report

Operational Definition

1. **Operational Audit**

   Systematic procedures for evaluating the efficiency and effectiveness of an organization's activities to achieve the goals, and the economy of the organization's operations under management control and reporting to the appropriate people for the results of these evaluations along with the recommendations for the improvement.

2. **Supply**

   Goods stored to be used or sold in the future period to fulfill the customer's demand.

3. **Effectivity**

   Effectiveness is if a goal or a program can be achieved within the targeted time limit, regardless of the costs incurred.

4. **Efficiency**

   Act in a way that minimizes loss or waste of resources in implementing or producing something.

5. **Economics**

   Be careful in using something to its greatest benefit. This means that the company is able to obtain the resources that will be used in the operations at the least expense.

<div align="center">**Research Result and Discussion**</div>

Overview of Research Object

PT. Aneka KaryaFarma is a family company with a type of business (Pharmaceutical Wholesalers) found on August 31, 2006, located at the family's residence, Pumorow street no. 100 Banjer sub district, Tikala district, Manado, North Sulawesi, which surelyfulfilled the building requirements (Deed of Incorporation) to run its business. In accordance with its function as a drug distributor, PT. Aneka KaryaFarma distributes medicines to pharmacies, hospitals, other pharmaceutical wholesalers or other health units designated by the minister of health. As the business grew, PT. Aneka KaryaFarma had begun to be recognized and fulfilled the demands from pharmacies, hospitals, other pharmaceutical wholesalers and other health units not only in the Manado City, but also in Bitung, Gorontalo, Sanger, Tahunaand Ternate. As one of the major pharmaceutical traders in the city of Manado, PT. Aneka KaryaFarma focuses more on the customer's satisfaction with the company's existing drug supplies. Therefore until now PT. Aneka KaryaFarma supplies well-known types of drugs, their efficacy is guaranteed and is in accordance with the Regulation of the Indonesian Food and Drug Supervisory Agency no. 9 of 2019 concerning Technical Guidelines for Good Drug Distribution Methods.

Research Result

1. **Based on the direct observations to the company and interviews with the management. Researcher got the information as following:**

   a. located at the family's residence, Pumorow street no. 100 Banjer sub district, Tikala district, Manado, North Sulawesi, which surely fulfilled the building requirements (Deed of Incorporation) to run its business

   b. Having a well-structured organization and running effectively because there was a division of tasks, determination of positions, assignment of tasks and authorities and clear responsibilities.

   c. Company documents which were neatly arranged.

   d. Supporting facilities for the employees such as computers, telephones, printers, internet services and vehicles for the adequate employees.

   e. Merchandise Inventory at PT. Aneka KaryaFarma was not too many compared to the other large pharmaceutical companies, thus it did not require a large storage space/warehouse.

f. The quality of space/warehouse for storing the merchandise inventory was adequate for medical supplies and was equipped with CCTV cameras for the inventory security.

Based on the interviews conducted with the company's management, the information obtained that PT. Aneka KaryaFarma as a pharmaceutical trading company had a good internal company control. This was because in addition to having a clear organizational structure and division of tasks, the company had a Standard Operational Procedure established as a reference for carrying out its activities. Standard Operational Procedure of PT. Aneka KaryaFarma was prepared by the pharmacist in charge of the company, approved by the head of the company and the division having responsibility for the designated of Standard Operational Procedure. The Standard Operational Procedure for managing the merchandise inventory at PT. Aneka KaryaFarma consisted of the Standard Operational Procedure for drug procurement, drug acceptance, drug storage, drug distribution/sale and Stock Opname.

2. **Review and Test of the Merchandise Inventory Control System**

Based on the results of the Internal Control Questionnaire (ICQ), it could be seen that the procurement of merchandise inventory at PT. Aneka KaryaFarma was carried out by the procurement department and authorized by the responsible pharmacist. The procurement of merchandise inventory would be carried out when the inventory required additional stock and also when there was an inventory that was being sold. For merchandise stocks that experienced deviations when received, confirmation was made with the supplier or with the delivery person (expedition) to determine what policies would be carried out with the inventory experiencing the deviation.

On the internal control of merchandise inventory storage at PT. Aneka KaryaFarma, the supplies were separated among the damaged goods, not according to the classification and slow moving with the good goods. The damaged inventory would be destroyed, the inventory which did not suit the classification would be stored in the quarantine warehouse and the slow moving inventory would still be stored in the storage warehouse but in a different shelf from the good supplies. There was a clear separation of functions, job limits and authority between the warehouse section and the other parts of the company. The damaged merchandise inventory would be stored in the quarantine warehouse for a while before being

destroyed. The warehouse for storing merchandise inventory was under the supervision of warehouse keepers and pharmacists, thus but themthe others were prohibited from entering the warehouse. The company used a perpetual inventory system and a first in first out (FIFO) valuation for the merchandise inventory.

To control the distribution/sale of the merchandise inventory at PT. Aneka KaryaFarma, the company made shipping documents in the form of sale invoices and other document attachments on every delivery of supplies to the customers (outlets). The sales invoices which would be sent were checked in advance whether they were in accordance with the customer's order served by the sales department, after which the batch number (identification) and the expiration date of the inventory were printed as an attachment to the shipping document. There was a physical inspection of the inventory which would be sent to the customer whether it was in accordance with the order,thus there was no errorand the inventory items were sent on time to the customers in accordance with the agreement made between the company and them.

The implementation of the inventory counting (Stock Opname) at PT. Aneka KaryaFarma, either those who supervised or performed calculations and compiled a summary of the results of the calculation were inseparable from the control of the warehouse and pharmacist section of the company, and for the implementation of Stock Opname, there had been written instructions made as a guide for its implementation, but it had not been explained to the implementation team of Stock Opname.

3. **Detailed Examination**

   a. **Compliance Test**

   According to the Standard Operational Procedure of the Company, the procedures for managing the merchandise inventory at PT. Aneka KaryaFarma consisted of inventory procurement procedures, inventory receiving procedures, inventory storage procedures, inventory distribution procedures and inventory counting procedures (Stock Opname).

   b. **Analytical Procedure**

   The merchandise inventory at PT. Aneka KaryaFarma was medicines that had to have a special attention because the supply was prone to damage and had an expiration date. Analytical procedure on the merchandise inventory at PT. Aneka KaryaFarma was to evaluate the efficiency of a company in

managing its inventory to sell quickly, thus there was no additional cost of storing inventory in the warehouse (more economical). In this study, researcher took samples of the Sales Reports, Merchandise Purchases, Cost of Goods Sold and Merchandise Inventory in 2018 and 2019 at PT. AnekaKaryaFarma.

1) **Net Sales Comparison of 2018 and 2019**

   Net sales in 2018 = Rp. 13.601.839.205

   Net sales in 2019 = Rp. 12.640.037.853

   Decline = Rp. 961.801.352

   The decline percentage of sales in 2019 when compared to 2018 was 7.07%, which meant that the sales in 2019 had decreased compared to 2018.

2) **Purchasing Comparison in 2018 and 2019**

   Purchase in 2018 = Rp. 10.438.853.098

   Purchase in 2019 = Rp. 9.492.151.778

   Purchases of merchandise inventory credit in 2019 were less than in 2018.

3) **The Calculation of Inventory Turnover Ratio**

   Inventory Turnover in 2018

   $$\frac{Rp.\ 10.551.457.806}{Rp.\ 953.745.464} = 11.06$$

   The Merchandise Inventory at PT. Aneka KaryaFarma in 2018 rotated for 11.06 times.

   $$\frac{365\ Days}{11.06} = 33\ Days$$

   The average length of the stored merchandise inventory at PT. AnekaKaryaFarma before they could be sold in 2018 was for 33 days.

   Inventory Turnover in 2019

   $$\frac{Rp.\ 10.440.228.441}{Rp.751.367.264} = 13.9$$

The Merchandise Inventory at PT. Aneka KaryaFarma in 2019 rotated for 13.9 times.

$$\frac{365 \text{ Days}}{13.9} = 26 \text{ Days}$$

The average length of the stored merchandise inventory at PT. Aneka KaryaFarma before they could be sold in 2019 was for 26 days

Discussion Result

1. **Direct Observation to the Company and Interviews With the Management**

   Based on the results of the preliminary survey conducted, a conclusion was made on the objectives of the operational audit analysis on the merchandise inventory at PT. Aneka KaryaFarma as a target which was considered important for the analysis and test.

2. **Review and Test of the Merchandise Inventory Control System**

   Based on all the information collected through the questionnaires or the Internal Control Questionnaires (ICQ), it could be concluded that the internal control system for merchandise inventory at PT. Aneka KaryaFarma was quite effective and efficient. The weaknesses in the internal control of merchandise inventory management at PT. Aneka KaryaFarma was in the inventory counting process (Stock Opname) where there was still no clear separation of functions between the warehouse section and those who were in charge of the inventory counting, because the inventory counting (Stock Opname) team had not yet been formed and the guidance in the process of carrying out the Stock Opnamehad been written in the Standard Operational Procedure, but had not yet been explained to the inventory counting operator (Stock Opname).

3. **Detailed Examination**

   a. **Compliance Test**

      In the compliance test carried out on the management of the merchandise inventory at PT. Aneka KaryaFarma, it could be seen that in the process of procurement, receipt, storage, and distribution/sale of merchandise/medicinal goods inventory had been carried out in accordance with the Standard Operational Procedure set by the company. However, the

inventory counting process (Stock Opname) was not carried out in accordance with the established Standard Operational Procedure. According to the Standard Operational Procedure, inventory counting (Stock Opname) was considered important because with its implementation, the company could obtain results regarding the conformity between the physical inventory and the data on the computer system, thus when there was a difference between them in the computer system, it could be fixed immediately.

b. Analytical Procedures

The results of the sales and purchases comparison of merchandise inventory at PT. Aneka KaryaFarma in 2018 and 2019 showed that the company's procurement of supplies/drugs was in accordance with the Standard Operational Procedure for the Procurement of Supplies (Medicine), which was the purchaseswould be made according to the sales estimation. Theinventory purchases occurred in 2019 was less than in 2018 this was because the sales in 2019 were also reduced compared to 2018. The purchase planning which was getting better from 2018 to 2019 was evidenced by an increase in the merchandise inventory turnover from 11.06 times in 2018 to 13.9 times in 2019, and the average length of merchandise inventory stored in the warehouse had decreased, which in 2018 the average length of merchandise inventory stored in the warehouse was 33 days reduced to 26 days in 2019 before it was finally sold.

4. Report Development

a. There was no clear division of duties and authorities in terms of physical inventory calculations (Stock Opname)

PT. Aneka KaryaFarma had not yet formed an implementing team in terms of inventory counting. This was because there was no routine schedule for the implementation of "Stock Opname" in the company. Inventory counting was carried out by warehouse personnel under the direction of the pharmacist in charge of the company, and was only carried out when necessary. Based on the Standard Operational Procedure of Stock Opname at PT. Aneka KaryaFarma, it had to be carried out once a year and carried out by the Stock Opname team consisting of 2 teams, which were therecording team and the field team consisting of a combination of

warehouse personnel and non-warehouse personnel.This could occur because the company considered that the existing inventory was not too much, and it could be controlled by the warehouse personnel through the stock cards and the computerized systems owned. The inventory counting was only carried out by the warehouse personnel and pharmacists, because they were considered to know more about its location/position,therefore the company had not done this task to other employees. As a result, when the company did not carry out the "Stock Opname" routinely and did not form the team, there could be a loss of drug stock/inventory, especially drugs/supplies that were small in size in the warehouse, manipulation of the results of the inventory counting report and the actual conditions of the goods/drugs in the warehouse. It was better if the company starts to distribute the tasks clearly and firmly in terms of physical inventory counting by forming the team which was in accordance with its Standard Operational Procedures. This was done in order that the inventory of merchandise both in the inventory card and in the physical could be controlled properly, and when there was a deviation or a difference between them and with the company's computerized system, it could be resolved immediately.

b. Guidelines for counting the physical inventory (Stock Opname) in the Standard Operational Procedures of the company were not explained to the employees.

PT. Aneka KaryaFarma had a Standard Operational Procedures of Stock Opname which contained a guide for carrying out a physical inventory counting (Stock Opname). However, these guidelines were not explained to the employees, and when carrying out the physical inventory counting was only based on the directions from the pharmacist in charge of the company. The Standard Operational Procedure that had been established had to be explained to all the employees, in which it had to be explained to the physical inventory counting team (Stock Opname). The guidelines for the implementation of physical inventory counting that had been made in the Standard Operational Procedure of Stock Opname were not explained because the company did not have a routine schedule for its implementation (carried out as needed), thus it did not have a special Stock Opname

implementation team to study the procedures for carrying it out. The ineffective Standard Operational Procedure of Stock Opname that was compiled and determined by the company as a reference for the implementation of its activities had to be implemented. In its implementation, it is necessary to form a special team to carry it out and to explain the guidelines made, because it was an important part of managing the company's merchandise inventory.

5. The Impact of Conducting an Operational Audit at PT. Aneka KaryaFarma

   a. Effective

   The results of the operational audit showed that the management of merchandise inventory at PT. Aneka KaryaFarma was quite effective. This was proved by the number of yes answers to the Internal Control Questionnaires given. However, there were still weaknesses in the internal control of inventory counting (Stock Opname). The counting of merchandise inventory (Stock Opname) was one of the important things in internal control of merchandise inventory management for a trading company. With this, the merchandise inventory both in the inventory card and in the physical could be controlled well, and when there was a deviation or a difference between them and the computerized system, they could be resolved immediately. With the implementation of this, the Standard Operational Procedure of the Stock Opnameset by the company would be effective.

   b. Efficient

   The results of operational audits conducted at PT. Aneka KaryaFarma showed that the management of merchandise inventory was increasingly efficient. This was proved by the results of the Internal Control Questionnaire showing that PT. Aneka KaryaFarma had an efficient internal control. And the detailed test by calculating the inventory turnover ratio in 2018 and 2019, which was the average length of the merchandise at PT. Aneka KaryaFarma stored in the warehouse before being sold from 2018 to 2019 which was relatively short.

   c. Economical

The shorter period of merchandise inventory stored in the warehouse before finally being sold from 2018 to 2019 had an economics impact on PT. Aneka KaryaFarma. This could reduce the cost of storing merchandise inventory, and minimize the losses if the inventory was damaged (expired) before being sold.

Conclusionand Suggestion

Conclusions

Based on the results of the internal control analysis, compliance test and analytical procedure of PT. Aneka KaryaFarma, the conclusions could be drawn by the researcher were:

1. The management of merchandise inventory at PT. Aneka KaryaFarma was quite effective. This was proved by the results of the Internal Control Questionnaire which showed that almost every management activity of trading goods inventory had been carried out in accordance with the company's Standard Operational Procedures. However, there were still weaknesses in the internal control of the company's merchandise inventory by not implementing the physical inventory counting procedure (Stock Opname) which was in accordance with the established Standard Operational Procedure of the Stock Opname. It was worried that this weakness could cause losses to the company due to the deviation such as loss of drug stocks in the warehouse or the difference between the stock card and the physical inventory, thus disrupting the company's activities.

2. Management of merchandise inventory was considered to be more efficient. This was because the company managed its inventory based on its Standard Operational Procedure. Therefore, the inventory turnover ratio from 2018 to 2019 was considered to be better which meant that the merchandise inventory could be sold in a relatively shorter period of time, thus there was less merchandise inventory stored in the warehouse.

3. Management of merchandise inventory from 2018 to 2019 was considered to be more economical because of the shorter period of merchandise inventory stored in the warehouse before finally being sold from 2018 to 2019. The less merchandise inventory stored in the warehouse could reduce the cost of storing merchandise

inventory and minimize losses if the inventory was damaged (expired) before it is sold.

Suggestions

Based on the conclusions described above, the suggestions that can be used to increase the effectiveness, efficiency and economics of the merchandise inventory at PT. Aneka KaryaFarma are:

1. The company should carry out a physical inventory counting procedure (Stock Opname) in accordance with its Standard Operational Procedure of (Stock Opname). By carrying out a routine Stock Opnameand being carried out by its special team, the company can control the suitability of the physical quantity of drug/inventory with those recorded on the stock card or in the company's computerized system, and if any discrepancies occur, they can be immediately resolved and can minimize the deviation such as loss of drug stocks/supplies in the warehouse.

2. The company is expected to continue to improve the quality of management of merchandise inventory that is increasingly efficient in the following years.

3. The company is expected to be able to further reduce costs for storing merchandise inventory and minimize losses because of the damaged inventory quality (expired) before being sold.

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