

Policies and Procedures Review of the Management of Account Receivable in Swiss-Belhotel Harbour Bay Batam

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Abstract. This research aims to find out how the management of accounts receivable in Swiss-Belhotel Harbour Bay Batam run followed the existing policies and procedures. This is a qualitative research with descriptive analysis. The method of data collection was done through observation and documentation. Study results has concluded that credit given without a contract between company and customers raise the highest risk of accounts receivable loss. In addition, there is no strict sanctions for the delay settlement of account receivable. This research suggests that the company should follow the procedures that exist in case granting of the credit facilities and provide strict sanctions over the late paid of account receivable.

Keywords: credit facility, uncollectible receivable, policy, procedure

Introduction

Accounts receivable is an asset of the company incurred when the company did a transaction of sale goods or service in the credits. Accounts receivable-shaped number of bills from the seller to the buyer. Lending a sum of money to the other party as well as accounts receivable. In essence, the accounts receivable is the right to receive an amount of money on which shall come upon the transactions that occurred at this time.

Management of receivables is very important considering the receivables are classified into current assets. It takes a good control in order to minimize the risk of on set loss of receivables for the company. According to Baridwan (2004), states are associated with the presentation of account receivable in the balance sheet value of the realization/settlement measurement basis (settlement/realizable value). This measurement basis set accounts receivables are stated in the amount of the gross amount of the receivables is

reduced by the amount of the estimate, which is unacceptable (Gunawan & Lina, 2015).

Associated with receivables management, assessment of the accounts receivable is on every important thing to scrutiny in order to be recognized a huge loss receivables the company should be recognized. The first method that can be done is to do a backup assessment of loss receivables that will be charged to the period in question. The other method is to perform the deletion of accounts receivable directly. In addition to the valuation accounts receivable other accounts receivable management, forms can be either the collection of receivables, acceptance receivables, the release of the recording of receivables, etc. One of the companies that run the activities of the management of accounts receivable businesses is the Swiss-Belhotel Harbour Bay Batam.

Swiss-Belhotel Harbour Bay Batam is a 4-star international hotel provides hospitality and facilities with a high standard of quality. Management of accounts receivable in Swiss-Belhotel Harbour Bay Batam are essentially already implemented by

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following the procedure pretty well. Starting from the consideration of granting credit to customer requirements as well as reliable, recording/recognition of receivables into the accounting system, up to the implementation to customer billing. Problem found is when there is some cases customer bill payment limits agreed upon both parties. In addition, the grant of credit between the company and the customer without a credit facility is based on for customers that have an impact on the risk of higher accounts receivable losses.

Literature Review

Definition of Procedures

According to Baridwan (2009), the procedure is a sequence-order clerk (clerical), usually involving several people in one or more sections, arranged to ensure the existence of a uniform treatment against those transactions the company is going. Whereas Mulyadi (2008), stated that the procedure is a sequence of clerical activities, usually involving several people in one or more departments, created to ensure the handling of the company's transactions are uniformly repetitive

Based on the understanding of the above procedure, the authors concluded that the procedure is a sequence of steps involving multiple people within a Department or more against transactions that occur repeatedly in the same way.

The Definition of Receivables

According to Baridwan (2004), trade receivables showed a receivable arising from sale of the goods or services of the resulting company. In a normal company activities, usually trade receivables will be repaid within a period of less than one year, so it is classified in current assets.

According to Kieso et. al, (2011), receivable are also financial assets-they are also a financial instrument. Receivables (often referred to u.s. loans and receivables) are claims held against customers and other money, goods, or services. While bonds of Accountants Indonesia (2004) argues for the accounts receivable billing as arising due to the sale of a product or the delivery of services in the framework of normal activities of the company.

Based on some understanding of the above, the authors of the receivable can conclude that the receivables are receivables arising upon the sale of

goods or the delivery of services from a company that received later in the form of money.

Management of Accounts Receivable

Akmal (2009), stated that the management of the accounts receivable include threestages. The first stage, regarding the condition that causes the receivable. Second, regarding the Administration and accounts receivable. The last stage, concerning therepayment of debt.

Recognition of Receivables

Sugiri and Sumiyana (2005), declares that the accounts receivable business acknowledged the company when selling goods/services in credit to consumers of goods/service cash price when the sale occurred. The accounts receivable subsequent recognized diminished after the payment transaction by the debtor and measured the amount of paid.

Assessments Receivable

According to Baridwan (2004), stating that to report receivables that will be reported in the balance sheet is the amount that would be realized, namely the amount expected to be billed. The amount of receivables that can be charged is calculated by reducing the amount of estimated uncollectible receivables from the existed receivables.

The Method of Recording Losses of Accounts Receivable

Jusup (2014), stating that the recording of losses of accounts receivable can be done by two methods, as follows:

a) Direct Elimination Method

This method explains that the loss of receivables will be recorded when the company got the assurance that a certain debt to the debtor will not be billed. That belief appears, for example, when the company got the information that the debtor is declared bankrupt by the Court or the debtor cannot carry out kewajibanya after billed over and over in a period of time long enough.

b) Reserve Method

The backup method explained that companies must estimate the magnitude of the estimated receivable cannot be billed, at the end of each year. That way, it will be retrieved matching between income and loads more precisely. Furthermore, in the report of the

financial position, accounts receivable can be presented net value of receivables that can be realised.

Credit standards and terms of Credit

Credit standards and terms of credit are two matters related to accounts receivable management policy. Sartono (2001) suggests credit standards as one of the criteria used to select the company to which the subscription will be given credit and how much is given. This relates to subscription or customer in the habit of repaying, the possibility of a subscription do not pay credit given, and the average period of payments from customers. Next Sartono (2001), States that the terms of credit or credit term is the condition required for repayment of receivables from customers. These conditions include the granting of credit and the cash (cash discount) and other special requirements.

The Characteristics of Business Credit Sales Procedures

In essence, the procedure of credit sales as well as a related part in it adjust on the characteristics of the type of business of a company. Reeve, et. al, (2009), suggests that the activity involves granting services company services to customers. Conversely, income trading company activity involves buying and selling merchandise. Beginning with the purchase of the goods for sale to customers, as sales revenue recognition (after sales), and the recognition of costs as a burden which is called cost of goods sold.

Krismiaji (2005), posited on procedures of sales trading business credit (manual) as follows:

Sales Section:

- a) received a letter from the buyer purchase order
- b) on the basis of the letter of the order, make a Sales Order as 6 sheets and distributed to each section of the billing, Credit, part of the Shipping Section (2 double), subscribers and archived match sort number

Credit Section:

- c) on the basis of Mail Order Sales sheet in the 3rd and 4th received Part credit, review customer credit data, including credit history and credit limit (credit limit) customers. Furthermore, this section gives approval (signature) for the Sales Order and a Letter forwarded to the Warehouse

Warehouse Section:

- d) on the basis of Mail Order Sales sheet of the 3rd and the 4th has been authorized, a part of the warehouse to prepare items to be sent. This next section distributes the Mail Order Sales as follows:

- 3rd-sheet handed to the shipping Section along with the goods

- 4rd- sheet handed is archived to ordinal number Delivery Section:

- e) After receiving sales orders (which has been authorized) and goods from the Warehouse Section, this section is issued a Sales Order sheet of the dossier.

- f) on the basis of these two documents, this section makes the delivery notes as much as 3 pieces and distributed to each Billing Section (along with a Sales Order that has been authorized), the 2nd sheet together with the Mail Order Sales sheet 2nd archived sort dates and 3rd sheet is sent to the customer together with the goods.

Billing Section:

- g) After receiving sales orders (which has been authorized) and note the sheet delivery from the delivery, this section issued a Sales Order sheet 1 and letter of purchase orders from Customers of the dossier.

- h) on the basis of this document, the fourth Part makes Billing Invoice Sales by as much as 3 pieces, and distributed as follows:

- sheet 1, sent to the customer

- the 2nd Sheet, submitted to the accounts receivable

- Sheets, archived order number together with the Mail Order Sales sheet to which has been authorized, n. 1st sheet Delivery, Mail Order customer purchase and Sales Order sheet, having previously been used as the basis for a journal to record the sale.

Accounts Receivable Section:

- i) after receiving the sales invoice sheet 1 of this section, the Billing Section check the serial number of the invoice. The next part of this will posting the transaction into the account of the concerned customers, and archive them in order of the date.

Results and Discussion

Procedure for the Management of Accounts Receivable

A) Credit Sales Procedures

Credit sales procedures in Swiss-Belhotel Harbour Bay Batam can be explained as follows:

1. Customers booking through the front office cashier and submit supporting documents (guarantee Letter/voucher)

2. Front Office prepared the city ledger guest folio created duplicate 2

3. The first double-handed to guests and the second paragraph along with the supporting documents submitted to the Auditors in the Department of Accounting income as documents bill

4. After inspection, the bill submitted to the staff AR

5. Section AR doing the recording sales credit into the system, then prepare the invoice duplicate 2

B) Billing and Invoice Issuance Procedure

The procedure of issuance of the invoice and billing in Swiss-Belhotel Harbour Bay Batam can be explained as follows:

1. After examination of the bill (guest folio and supporting documents) by income auditor, the document submitted to the staff of AR and then prepare the invoice creation

2. Next, the invoice had printed two of the double handed over to AR Collector

3. AR collector do the shipping invoice to the customer, the first double-handed over to the customer and duplicate both saved as archive section AR

C) Management of accounts receivable procedures

Procedure for the management of accounts receivable in Swiss-Belhotel Harbour Bay Batam can be explained as follows:

1. Upon an existing invoice document archive, AR section create a list of accounts receivable based on the age then printed to the financial controller and stored in computer archives

2. Top of the Receivables which have been overdue staff AR make reminder letter subsequently printed and submitted to the financial controller

3. After the reminder letter documents examined by the financial controller, the document submitted to the GM and waiting decision related that accounts receivable.

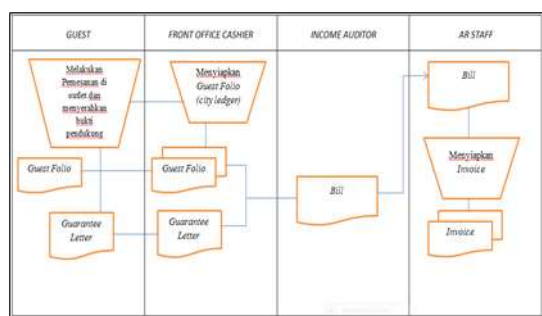


Fig. 1 Flowchart of credit sales procedures

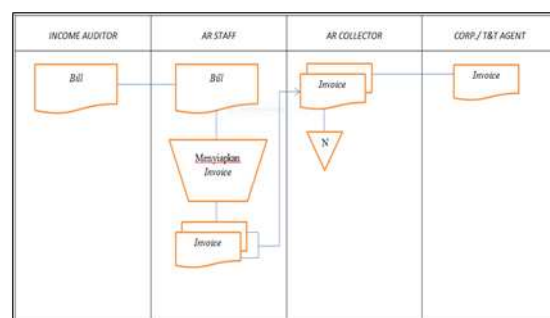


Fig. 2 Flowchart of billing and invoice issuance procedures

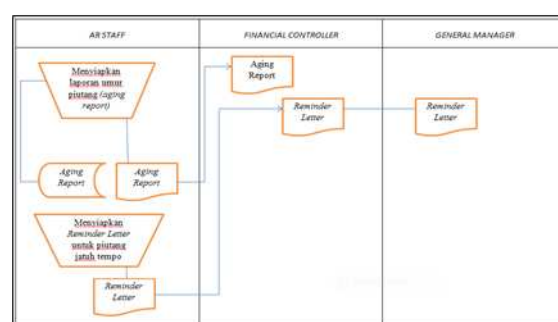


Fig. 3 Flowchart of management of accounts receivable procedures

Review the policy of granting credit facilities in Swiss-Belhotel Harbour Bay Batam

The company certainly expects the entire receivable will be received before maturity for the sake of keeping the cash flow of the company running optimally. It takes the presence of good handling by the careful management and control policy that is able to govern the receivable activities. In this case, of course, the integration between the parts involved in this transaction activity is also sorely needed.

Upon credit sales transactions conducted by hotel, need policies over the management of the accounts receivable. These policies aim to set up transaction processing accounts receivable starting from the initial occurrence of transaction accounts receivable procedures until admission (accounts receivable). Every customer who wants to get credit facilities from the hotel can apply to the part of the sales and marketing section & accounting by filling out the form credit facility letter. Before application the customer can be recommended to the Financial Controller and General Manager, personnel from the sales & marketing works closely with credit supervisor/account receivable supervisor checked against the applicant party. In this case, checking cannot be delegated to another party. Checking is done

include references such as applicant-owned credit to other parties.

Based on SOP assigned companies, credit facilities reserved only to companies and tour travel agent who already have a contract/agreement with the company, while for individuals not granted credit facilities. In the Credit Facility Letter, set the deadline for repayment of the receivable. For the company given the tempo of 1 month from the date of the transaction city ledger occurs, whereas agent with a shorter maturity that is two weeks.

Table 1 Table of maximum credit limit

Corporate	Travel Agent Local	Travel Agent Domestic (out of town)	Credit Limit
Corporate 1			Rp3.000.000,-
Corporate 2			Rp5.000.000,-
Corporate 3			Rp10.000.000,-
	Travel Agent 1		Rp2.000.000,-
	Travel Agent 2		Rp4.000.000,-
	Travel Agent 3		Rp6.000.000,-
		Travel Agent 1	-
		Travel Agent 2	-
		Travel Agent 3	Rp5.000.000,-

Based on the Table 1, it can be seen the determination of the maximum credit limit granted to customers are distinguished based on the category of company and agent itself. The highest credit limit granted to company category 3 with credit limit of Rp 10.000.000,-, whereas agent local category 1 gets the lowest i.e. credit limit is Rp. 2.000.000,-

Policies set forth by management Swiss-Belhotel International (SBI) is imposed on Swiss-Belhotel Harbour Bay Batam. This policy essentially has been defined well enough, but in practice its own fixed credit granting facilities given to the parties in the absence of a contract between the hotel and the customer through a guarantee by the Sales section & Marketing for a particular purpose. Surely it is deviating from the standard operational companies that should be sustainability guidelines in a business unit. This practice is basically not an issue if the customer has a historical transaction/a good track record of settlement-related receivables, but the loss will be dependent of the company when that happened was the opposite. To that end, applying what has been set forth in the company's operational standards is one of the things right according to the author for the sake of reduce the risk that may occur.

Review of the Management of Accounts Receivable due and Receivable Not Collectible

As explained earlier, that the management of accounts receivable that will have an impact both to the company's cash flows are optimal. It has certainly become a target company that does the sale of goods or services in credit. Credit sales in fact aims to increase the productivity of the company, but this credit transaction will be at risk of harming the company when not managed properly.

Activity management starting from the granting of credit to certain customer who apply for a credit facility as well as meet the requirements. Furthermore, the new accounts receivable transactions can be done/city ledger between the hotel and the customer after their petition received authorization by the General Manager. Technical management activities carried out by the Front Office as the recipients of reservations, Sales and Marketing as guarantor & Accounting as the main Manager of transaction occurrence began settlement of accounts receivable.

Accounts receivable billing functions are the responsibility of the Accounting section. The entire compulsory invoice sent to your billing address at the latest two days after guests check out. The entire invoice sent directly by the accounts receivable supervisor and report shipping log book invoice to the financial controller. The company's accounts receivable billing done orally by the staff of AR by phone a little over a week after the invoice is submitted. List of aged accounts receivable made also regularly each week in order to be known the magnitude of the receivables which have been overdue or past the deadline for repayment. List of aged accounts receivable (aging report) is reported to the Financial Controller by the AR staff to get suggestions directly related management of accounts receivable.

Accounts receivable billing processes in Swiss-Belhotel Harbour Bay Batam has basically run properly following the procedure but nonetheless found billing accounts receivable related problems. The problems encountered are like customers who repay the stalling of the time as well as the refusal to pay the Bills. Upon this, the ARStaff will usually prepare a Reminder Letter consists of a Reminder 1, 2, and 3 (final) to the customer such as customer/notice to immediately repay. Reminder Letter first sent to customers 14 days from payment due date for company and 7 days for agent. Furthermore, if payment has not been made next to a Reminder sent a Reminder that the third (final) with a statement more

emphatically of the Reminder Letter previously delivered.

Another issue facing the company is the management of accounts receivable is uncollectible. For the management of accounts receivable is not collectible, applied this procedure removal of accounts receivable. Deletion of accounts receivable is generally done when the company got the assurance that customers really can not perform the duty of payment of receivable because of bankruptcy or the customer is not able to repay debt after billed over and over. In Swiss-Belhotel removal policy of its own, accounts receivable is subject to approval from the Board of Directors and management Swiss-Belhotel International. Accounts receivable that will do the removal must also meet the following criteria: 1) the company was declared bankrupt; and 2) party which was recorded as party payer in the letter of guarantee (guarantee letter) stated as not being able to make the payment. Although there is a policy to delete accounts, however the hotel prefers to continuously perform billing to customers even after the promulgation of the warning letter. This is for authors is not very effective and will have an effect on the financial statements of the company.

With regard to accounts receivable with guarantees from the sales of hotel marketing there are 2 options that are usually done as an effort of the management of accounts receivable that are not collectible. First, by the method of removal must be approved by General Manager. Second, parts Sales Marketing & who laid the responsibility for paying off the debt. This is the author as the risk of loss will be borne by the company on the granting of credit facilities to customers in the absence of a contract/agreement in advance.

The right solution according to the author of the related management of accounts receivable due and not collectible this is to avoid the granting of credit facilities to customers that do not have the rights to it (such as the granting of guarantees by the sales section & marketing) let alone when the customer does not meet the standards of the established credit management. The company also should begin to set fines against customers that do late payments, it is intended that the customer did not procrastinate in making payment of the receivable. Related overcoming the risk of loss of receivables which may occur at any given author solutions, i.e. so that the company conduct valuation of losses on receivables owned by the company so that it can be determined the magnitude of the loss reserves receivable and accounts receivable net worth can be presented that can be realized in the financial statements.

Conclusion

This study aims to review the effectiveness of policies and procedures that are applied against accounts receivable management company business. The review was done starting from the stage of granting credits towards the customer, process transactions receivables to billing stages. In addition, accounts receivable management also explained how the late pay and not collectible.

Based on the results and discussion on the previous section, then the researchers obtained a conclusion as follows:

1. Granting credit through guarantees from the Sales contract in the absence of Marketing & between company and customer poses a risk of loss receivables the most high.

2. No enactment of sanctions firmly linked payment of receivable so often does delay the receipt of payment to a loss receivable is not collectible for the company.

Based on the research that has been done, the authors summarize the suggestions that can be used as a consideration for the company as well as an improvement over the research that will be done next as follows:

1. Best avoided granting the credit without the existence of a contract between the parties. If it still needs to be done over a certain reason, we recommend you do further checking against the track record of settlement accounts receivable from the customer.

2. Need for unequivocal sanctions agreed the company and the customer for the delay in the settlement of accounts receivable. This can be either a fine or the imposition of an additional charge over receivables are late paying.

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