



Accounting Information Systems as a Tool for Effective Petty Cash Control: Evidence from a Hotel Case Study

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Abstract

This study investigates the role of accounting information systems (AIS) in controlling petty cash disbursements within the hospitality industry, specifically through the implementation of a fluctuating fund-balance system at Hotel X in Surabaya. Utilizing a descriptive qualitative approach, the research involved data collection through interviews, observations, and documentation over five months. The results indicate that Hotel X manages petty cash disbursements via two distinct methods based on fund holders: the general cashier and the front office, with each method serving different types of expenses. The fluctuating fund-balance system adjusts petty cash balances according to operational needs, which provides flexibility while enhancing control over cash flow. However, findings revealed a lack of sufficient internal controls and documentation that led to discrepancies between recorded disbursements and supporting evidence, highlighting a significant gap in cash management practices. The integration of a robust AIS helps mitigate these challenges by improving internal controls, reducing fraud risks, and ensuring the reliability of financial reporting. This research contributes to the literature on AIS by demonstrating its utility in petty cash management, underscoring its importance for operational efficiency and financial security in the hospitality sector. The findings suggest that adopting such a system can lead to improved financial accountability and better adherence to internal control standards in cash handling.

Keywords : Accounting Information System Fluctuating Fund-Balance System Petty Cash Management Internal Control Hospitality Industry

JEL Classification : M41 - Accounting

1. INTRODUCTION

Every firm or organization requires information to make informed decisions, necessitating a system that incorporates elements grounded in the organization's current operations, particularly regarding cash management. Accordingly, enhancing

firm efficiency can be achieved by the use of an objective information system (Margaret Naisono et al., 2023). This objective information possesses trustworthy features and is founded on genuine facts, necessitating accuracy in the development of an acceptable information system. An objective information system for cash control facilitates a company's management of effective information transmission, so ensuring the sustainability of its growth.

Accounting information systems are the key element in overseeing corporate finances. Numerous firms have used accounting information systems due to their potential to enhance organizational value. An accounting information system is an interconnected framework that performs the functions of evaluating, processing, and implementing data to generate output information essential for managing corporate finances. Utilizing an accounting information system enables firms to obtain more pertinent and dependable information regarding their financial status (Simbolon & Dewanto, 2020). Accounting involves the identification and collecting of transaction data, followed by recording in journals and ledgers, to provide a financial report that provides essential information for stakeholders (Martha et al., 2020).

Effective petty cash management is evidenced by a consistent expenditure flow in accordance with corporate regulations and the utilization of comprehensive documentation as a control mechanism (P. Wulandari & Epi, 2021). Cash and cash equivalents are critical and require enhancement in internal control to prevent fraud (T. Wulandari et al., 2022). Every department within the organization bears an indirect obligation to establish internal controls to prevent fraud in cash-related transactions (Mindhari et al., 2020). Internal controls on cash expenditure enhance the reliability of a company's financial reports by facilitating the detection of theft or fraud (Rochmah & Kustiningsih, 2021).

Hotel X is a three-star establishment situated in Surabaya City. The general cashier oversees the handling of petty cash at Hotel X, including fund establishment, distribution, and replenishment of petty cash reserves. The general cashier is responsible for managing petty cash funds effectively, efficiently, and transparently, ensuring that disbursements comply with business standards for transaction acceptance (Solikhin et al., 2023). The petty cash management at Hotel X lacks a sufficient accounting information system, particularly with petty cash disbursements. Hotel X employs a petty cash distribution diary for tracking its petty cash disbursement system, so integrating it into the variable fund-balance system (Angelia, 2023). The petty cash account in a variable fund-balance system possesses an amount that is contingent upon the company's requirements.

This research elucidates the significance of accounting information systems in regulating petty cash disbursements within organizations, particularly those in the hospitality sector. This study is inspired by the work of Sumarlin and Rokhman (2023) on the analysis of accounting information systems utilizing fluctuating fund-balance systems for managing petty cash funds, demonstrating that such systems facilitate the responsibilities of involved parties. Febrianti et al. (2023) investigated the petty cash accounting information system within a corporation, demonstrating that this system

can yield superior and efficient organizational performance. Several of these papers share similar study facets with the author about petty cash distributions. Regulating petty cash disbursements is essential for an accounting information system to enhance the operation of hotel enterprises.

Consequently, the author intends to implement an accounting information system to regulate petty cash disbursements utilizing a variable fund-balance system at Hotel X Surabaya, in accordance with the theory proposed by P. Wulandari and Epi (2021). This research is expected to enhance understanding of accounting information systems in hotel enterprises, representing the author's contribution. Employing an accounting information system with a variable fund-balance mechanism for petty cash disbursements can enhance internal control and diminish the likelihood of fraud, hence ensuring the reliability of the resultant financial reports.

2. LITERATURE REVIEW

Petty Cash

Petty cash refers to cash utilized for payments of relatively minor quantities, typically disbursed frequently, and necessitates effective management to serve as a productive liquid asset (Aladin et al., 2021). Petty cash is described as cash held by a corporation for little expenditures that are impractical to pay by check (F. W. Wijaya & Prawira, 2022). In addition to facilitating payments of modest sums, petty cash funds can also be utilized for urgent transactions, allowing for instant access.

Petty Cash Disbursements

According to P. Wulandari and Epi (2021), there are two categories of procedures or systems employed in the disbursement of small cash. The techniques are the imprest fund system and the changing fund-balance system. Both the imprest fund system and the fluctuating fund-balance system share commonalities in the process of augmenting starting money, specifically by debiting the petty cash account and crediting the cash account. The imprest fund system is a management approach for petty cash that maintains a constant balance, whereby the replenishment of petty cash is based on the total disbursements made. The fluctuating fund-balance system is a petty cash fund management system that adjusts its balance amount each period based on requirements (Simangunsong et al., 2023). The procedure for replenishing petty cash funds mirrors that of initial fund replenishment and is typically modified according to requirements, resulting in a variable balance of these funds.

Cash Control

Cash control refers to the management of all cash-related activities, necessitating effective coordination among all parties involved in cash transactions

(Rahmaniar & Khairita. H, 2023). A method is required to manage cash and cash equivalents, particularly petty cash, as it is essential for ensuring the company's sustainability (Rat, 2024). Management of cash and cash equivalents encompasses all facets, including petty cash. Petty cash control is essential for overseeing the formation, disbursement, and replenishment of petty cash funds in accordance with the company's established policies.

Accounting Information System

An accounting information system involves the collection, recording, and management of data into information utilized by relevant stakeholders for decision-making, while adhering to established procedures and internal controls within the organization (B. Romney et al., 2021). As stated by Rahmadhani and Isnaini (2021), an accounting information system involves the collection of data and its transformation into information, necessitating reliable data and effective financial management. Accounting information systems enhance firm value by improving the quality of services and products, decreasing associated costs, and increasing operational efficiency. Accounting information systems generate precise data to assist stakeholders in making informed decisions.

3. RESEARCH METHOD

This study employs a descriptive qualitative methodology. Qualitative research initiates with the identification and formulation of the problem, followed by data collection and analysis, culminating in the presentation of research findings along with compiled recommendations (Harahap, 2020). This study is conducted at Hotel X, a three-star establishment situated on Jemursari Street, Surabaya, Indonesia. The petty cash funds at Hotel X are utilized for frequent payments of relatively modest nominal amounts, with the primary emphasis of this study being the control of petty cash disbursements. The qualitative descriptive research aims to provide an in-depth explanation of the accounting information system governing petty cash payments at Hotel X. The participants in this study comprised employees and everyday workers at Hotel X, including financial controllers, accounting personnel, front office staff, and operational supervisors.

The data gathering for the research spanned five months, from January to May 2024, employing interviews, observations, and documentation methods. This study employs a data analysis technique comprising steps of data gathering, presentation, reduction, verification, and conclusion. During the preliminary phase, data collection activities were conducted utilizing informants, journals, books, notes, and literature pertinent to the examined events through various data collection approaches. The obtained data is subsequently curated to concentrate on the examined events, hence facilitating a clear representation and aiding researchers in their investigations. The chosen data is subsequently articulated narratively and depicted in a flowchart pertaining to the accounting information system of Hotel X's petty cash disbursement,

which employs a variable fund-balance system. Additionally, conclusions are derived from the data supplied by analyzing the petty cash disbursement system in accordance with the theory proposed by P. Wulandari and Epi (2021).

4. RESULTS AND DISCUSSION

Results

Hotel X is situated in Surabaya City, Indonesia's second-largest metropolitan area, serving as the hub for the region's economics, politics, and culture. This three-star hotel offers a range of comprehensive amenities to ensure excellent service for guests. The Accounting Department of Hotel X comprises various areas, including income audit, accounts payable, general cashier, accounts receivable, storekeeping, and purchasing. The accounting department use Visual Hotel Program software to perform its functions. A financial controller oversees the accounting department to administer all financial and accounting operations within the hotel.

Nearly every segment of the accounting department at Hotel X lacks an established procedure or structure for its execution. Numerous factors detrimental to petty cash disbursements arise from inadequate control, notably the financial controller's absence of an internal control system for documentation of petty cash disbursements and related journals. Discrepancies frequently arise between the nominal amounts in the supporting documentation and those in the proof of petty cash disbursements. User requests for small cash payments are not consistently substantiated by written documentation; they predominantly depend on verbal requests.

The initial establishment of the petty cash fund for Hotel X involves transferring a specified sum of cash from the cash account to the petty cash fund custodian. Moreover, the petty cash allocated to the fund user will be documented in the petty cash disbursement journal at the time of the transaction, indicating that this petty cash disbursement system pertains to the variable fund-balance system as per (P. Wulandari & Epi, 2021). The petty cash fund replenishment method will be executed based on the amount disbursed as required.

Discussion

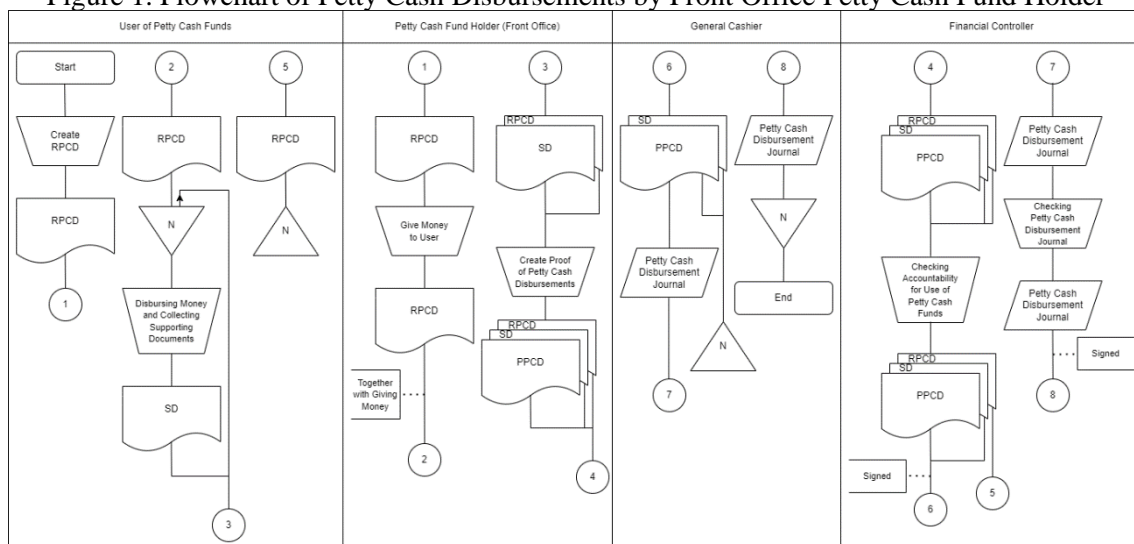
The general cashier and the front office are responsible for providing evidence of petty cash disbursements for the petty cash fund. Hotel X implements two petty cash disbursement systems according to its petty cash fund holders: disbursements by the front office petty cash fund holder and disbursements by the general cashier petty cash fund holder. Typically, petty cash payments made by the front office petty cash fund holder possess a lower nominal value compared to those made by the general cashier petty cash fund holder.

(1) Petty Cash Disbursements by Front Office Petty Cash Fund Holder

The general cashier allocates petty cash funds to the front office, with a nominal value established at the fund's inception. Disbursements from the front office petty cash fund may encompass travel expenses (fuel, parking), vehicle maintenance expenditures (inflating tires), waste disposal expenses, and urgent or non-deferrable items. When the petty cash fund in the front office is nearly depleted, the front office reimburses the general cashier department to restore the petty cash fund based on the total amount of petty cash disbursements made.

A flowchart is a visual representation of a flow diagram that delineates the procedures or steps involved in executing a process (Zalukhu et al., 2023). The flowchart must meet various criteria, specifically being clear, concise, organized, and logical (Tuasamu et al., 2023). Figure 1 illustrates the process for petty cash disbursements by the front office petty cash fund custodian.

Figure 1. Flowchart of Petty Cash Disbursements by Front Office Petty Cash Fund Holder



Notes:

RPCD : Request for Petty Cash Disbursements

SD : Supporting Documents

PPCD : Proof of Petty Cash Disbursements

The documents utilized in a hotel company's petty cash disbursement system include requests for disbursements, evidence of disbursements, and supporting documentation. Petty cash fund users submit disbursement request paperwork to obtain funds from petty cash holders. Evidence of petty cash disbursement serves to verify that cash has been allocated to the recipient of petty cash money. Supporting papers must be appended to the proof of petty cash distribution, typically including a

payment invoice from the vendor, a payment receipt, a screenshot of payment data, among others.

Hotel corporations own multiple responsibilities for the administration of the petty cash disbursement system, encompassing the accounting function, petty cash fund management function, and internal audit function. The accounting responsibilities of the general cashier are crucial for documenting petty cash distribution diaries, which facilitate the replenishment of petty cash reserves. The petty cash fund holder is responsible for overseeing the safekeeping of petty cash in the House Bank to ensure its utilization aligns with its intended purpose. The financial controller conducts the internal audit by analyzing and approving petty cash disbursements and overseeing their recording.

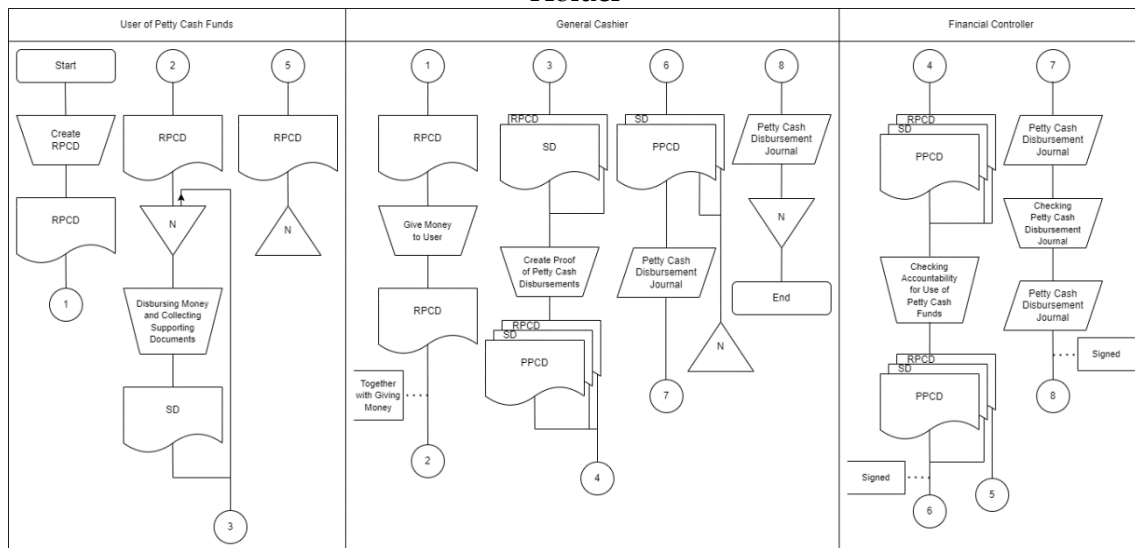
The accounting records utilized by the general cashier in the petty cash disbursement system comprise the petty cash disbursement journal. The petty cash disbursement log is documented upon the occurrence of petty cash payouts and the replenishment of the petty cash fund. Hotel X refills the petty cash reserve by the equivalent amount of petty cash disbursed. Consequently, a petty cash disbursement journal is required to ascertain the total amount disbursed.

(2) Petty Cash Disbursements by General Cashier Petty Cash Fund Holder

The general cashier serves as the custodian of the petty cash fund and compiles the petty cash disbursement ledger within this system. Disbursements from the petty cash fund managed by the general cashier may include the acquisition of office stationery, procurement of goods or services from vendors, expenses related to events, charges for social media promotion, among others. Figure 2 illustrates the flowchart of petty cash distributions by the general cashier, who is the custodian of the petty cash fund.

The utilized documents are fundamentally identical, including petty cash distribution requests, evidence of petty cash disbursement, and ancillary documentation. The responsibilities linked to the petty cash disbursement system by the general cashier, who serves as the petty cash fund custodian, encompass accounting functions, petty cash fund custodian duties, and internal audit functions. The accounting documentation utilized by the general cashier in the petty cash disbursement system is the petty cash disbursement journal.

Figure 2. Flowchart of Petty Cash Disbursements by General Cashier Petty Cash Fund Holder



Notes:

RPCD : Request for Petty Cash Disbursements

SD : Supporting Documents

PPCD : Proof of Petty Cash Disbursements

The classification of cash and cash equivalents in the statement of cash flows, as per PSAK 207 about the Statement of Cash Flow, is delineated into operating, investing, and financing activities. Petty cash is classified as a cash equivalent and will be reported in the statement of cash flows; hence, effective control of petty cash disbursements necessitates a robust accounting information system (Anggita et al., 2024). The management of petty cash disbursement at Hotel X Surabaya is executed by the fluctuating fund-balance system, as per the theory proposed by P. Wulandari and Epi (2021). Upon the occurrence of a petty cash disbursement transaction, the general cashier shall document it in the petty cash disbursement diary in accordance with the transaction date (Simangunsong et al., 2023).

The petty cash disbursement system in a hotel organization, as outlined by P. Wulandari and Epi (2021), necessitates a robust internal control mechanism to mitigate the incompleteness or inconsistency of documents and data. Requests for petty cash disbursement must be submitted in written form to ensure proper documentation and adjustment in the disbursement journal, in accordance with the fluctuating fund-balance system principle.

5. CONCLUSION

The study conducted at Hotel X in Surabaya highlights the critical importance of implementing accounting information systems to control petty cash disbursements

through a fluctuating fund-balance mechanism. This system provides a structured approach that enhances the efficiency, transparency, and effectiveness of petty cash management within hotel operations. Utilizing a descriptive qualitative method involving interviews, observations, and documentation, the research reveals that Hotel X manages petty cash through two distinct systems based on fund holders: one managed by the front office and the other by the general cashier, with the front office typically managing smaller nominal amounts. The fluctuating fund-balance system adjusts the petty cash balance according to the periodic needs, thereby facilitating stricter control and accountability. Despite the implementation of this system, the findings indicate a significant gap in documentation and internal control, often leading to discrepancies between petty cash expenditure records and supporting documents. This emphasizes the need for proper documentation and a robust internal control framework for all transactions. Ultimately, the use of an accounting information system employing the fluctuating fund-balance mechanism effectively enhances internal control, minimizes fraud risk, and ensures the reliability of financial reporting, which is particularly vital for the hospitality industry where efficient petty cash management supports daily operational activities. This study contributes to the existing literature by underlining the essential role of enhanced accounting information systems in improving operational efficiency and financial security within hotel enterprises.

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