

Analysis of the Role of Internal Control of the Sales and Collection Cycle in Improving Sales Effectiveness in a Case Study of PT Mayora Indah Tbk for the Period 2022–2024

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ABSTRACT

This study investigates the role of internal control in the sales and collection cycle to enhance sales effectiveness at PT Mayora Indah Tbk during 2022–2024. The research aims to analyze how internal control mechanisms impact sales performance and cash flow quality. Employing a descriptive quantitative approach with a longitudinal case study design, the population consists of all financial and operational data related to sales and collections. Purposive sampling was used to select annual financial reports, accounts receivable records, inventories, and supporting documents. Data were analyzed using financial ratio analysis and COSO-based internal control evaluation. The findings reveal that the implementation of credit authorization, integrated order processing, separation of collection and cash receipt duties, and technology-based receipt monitoring led to increased sales, improved collection quality, and a higher cash realization ratio. However, challenges remain in inventory management, as indicated by rising days inventory outstanding and cash conversion cycle. The study concludes that comprehensive internal control strengthens operational efficiency and cash flow stability.

Keywords: Cash Flow, Internal Control, Inventory Management, Sales Effectiveness, Working Capital

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INTRODUCTION

Research Phenomenon

In an increasingly dynamic business environment, the effectiveness of the sales and collection cycle is crucial for manufacturing companies to maintain smooth cash flow and increase profitability. A sales cycle integrated with an adequate accounting information system and internal controls can help companies manage transactions, minimize risks, and ensure accurate and transparent recording (Ani, 2021; Setiadi, 2020). Manufacturing companies in Indonesia, such as PT Mayora Indah Tbk, face challenges in managing high credit transaction volumes, requiring an effective internal control system to support business growth and maintain financial stability (Rosalina, 2022; IAI, 2021).

Advances in information technology have also encouraged companies to strengthen their internal control systems, particularly in the sales and collection cycle. Implementing sound internal controls not only serves as a risk mitigation tool but also drives operational efficiency and improves the quality of financial reporting (Ani, 2021; Setiadi, 2020). Recent studies confirm that companies that optimally manage the sales and collection cycle tend to have better financial performance and greater competitiveness in the global market (Rosalina, 2022; IAI, 2021).

Research Problems

Although the importance of internal control is widely recognized, many companies still face challenges in implementing it, particularly in credit authorization, order processing, billing, and

allowances for receivables. The main issues that frequently arise are the high concentration of receivables held by related parties, increasing days inventory outstanding (DIO), and a persistently high cash conversion cycle (CCC), indicating that working capital is tied up in inventory and receivables (Ani, 2021; Setiadi, 2020).

In the case of PT Mayora Indah Tbk, financial data for the 2022–2024 period shows increased sales and distribution cost efficiencies. However, credit risk and inventory management remain significant challenges. A stable and low expected credit loss (ECL) ratio indicates sound credit risk management, but the high proportion of related receivables and the increase in the DIO indicate the need for improved governance and inventory management (Rosalina, 2022; IAI, 2021).

Furthermore, suboptimal segregation of duties, lack of real-time monitoring of receivables aging, and the suboptimal use of information technology in the reconciliation and financial reporting processes are obstacles to improving the effectiveness of the sales and collection cycle. Previous research has also highlighted that weaknesses in internal control can lead to increased fraud risk, operational inefficiencies, and decreased cash flow quality (Ani, 2021; Setiadi, 2020).

Purpose, Urgency, and Novelty of the Research

This study aims to analyze the role of internal control in the sales and collection cycle in improving sales effectiveness at PT Mayora Indah Tbk for the 2022–2024 period. The urgency of this research lies in the company's need to strengthen accounts receivable and inventory governance to maintain cash flow stability and support sustainable business growth. The novelty of this study lies in the use of three years of longitudinal data, the comprehensive application of the COSO framework, and an in-depth analysis of the relationship between internal control, sales effectiveness, and cash flow quality in a large manufacturing company in Indonesia (Rosalina, 2022; IAI, 2021).

METHOD

Types and Methods of Research

This research uses a quantitative descriptive approach with a longitudinal case study design at PT Mayora Indah Tbk during the period 2022–2024. This method was chosen to obtain a comprehensive overview of the effectiveness of internal controls in the sales and collection cycle, as well as its impact on the company's sales effectiveness. The data analyzed were secondary data, namely annual financial reports, notes to the financial statements, and other relevant supporting documents. Case studies allow researchers to conduct in-depth analysis of phenomena occurring in a single research object on an ongoing basis, in accordance with the recommendations of Sugiyono (2022) and Cresswell (2021), who emphasize the importance of selecting methods according to the objectives and characteristics of the research problem (Malia & Sisdiyanto, 2024; Hidayat & Putri, 2022).

Data Analysis Instruments and Techniques

The main instruments in this study are the financial statements of PT Mayora Indah Tbk, which include the income statement, statement of financial position, cash flow statement, and notes to the financial statements related to accounts receivable, inventory, and allowance for impairment losses. The data analysis techniques used were financial ratio analysis and internal control evaluation based on the COSO framework. The analysis was conducted quantitatively to measure sales growth, gross margin, selling expense ratio, accounts receivable turnover, DSO, ECL, proportion of related receivables, DIO, DPO, CCC, and cash realization ratio. Furthermore, descriptive analysis was used to interpret the results of inter-year comparisons and evaluate the effectiveness of internal control. This technique aligns with the approach suggested by Sudaryono (2023) and Emzir (2022), who emphasize the importance of data validity and systematic analysis in accounting research (Nasution, 2021; Sari, 2019).

Population and Sample

The population in this study includes all financial and operational data of PT Mayora Indah Tbk related to the sales and collection cycle during the 2022–2024 period. The research sample was taken purposively, namely, annual financial report data, accounts receivable records, inventory, and

other supporting documents relevant to the sales and collection cycle. Sample selection was based on considerations of data relevance and completeness, so that analysis can be carried out in-depth and accurately. This purposive sampling technique is in accordance with the principles put forward by Sugiyono (2022) and Cresswell (2021), which emphasize the importance of selecting a representative sample to answer the research objectives (Malia & Sisdianto, 2024; Seftyananta et al., 2024).

Research Procedures

The research procedure began with the collection of secondary data from the financial statements of PT Mayora Indah Tbk for the 2022–2024 period. The collected data were then processed and analyzed using financial ratio analysis techniques and internal control evaluation based on the COSO framework. Each financial indicator and internal control activity was systematically evaluated to assess the effectiveness of the sales and collection cycle. The analysis results were then interpreted descriptively to provide recommendations for improving and strengthening internal control. This procedure followed the research stages suggested by Sugiyono (2022), Sudaryono (2023), and Cresswell (2021), which emphasize the importance of systematicity and validity in each research step (Hidayat & Putri, 2022; Satria & Fatmawati, 2021).

FINDING AND DISCUSSION

Summary analysis of financial report figures of PT Mayora Indah Tbk.

Values are displayed in Rupiah (IDR) derived from the main data of the Annual Financial Report of PT Mayora Indah Tbk. for the periods 2022, 2023, and 2024. In sales information transactions obtained from COGS, Gross Profit, Marketing Expenses, and G&A, taken from the consolidated Income Statement. For accounts receivable (third parties and related parties), as well as inventory and accounts payable, taken from the Statement of Financial Position. Gross Accounts Receivable and Allowance for Impairment Losses (ECL): obtained from the Notes to the Financial Statements (accounts receivable). Revenue from customers: obtained from the Cash Flow Statement (direct method), and for 2022, the average calculation (AR/Inventory/AP) uses 2021 figures as a comparison.

Table1. Summary of PT Mayora Indah Tbk's financial report

Item	2022	2023	2024
Sales	30,669,405,967,404	31,485,008,185,525	36,072,949,285,930
Cost of Goods Sold (COGS)	23,829,982,628,480	23,077,230,426,842	27,770,649,971,673
Gross Profit	6,839,423,338,924	8,407,777,758,683	8,302,299,314,257
Selling Expenses	3,708,573,358,051	3,357,800,596,307	3,529,023,051,904
General & Administrative Expenses (G&A)	697,735,339,172	750,501,815,176	857,911,490,235
Accounts Receivable - Third Parties (net)	353,876,660,824	250.189.161.535	402.141.744.744
Accounts Receivable - Related Parties (net)	6,135,528,728,699	5,848,243,953,678	6,732,073,568,928
Accounts Receivable - Total (net)	6,489,405,389,523	6,098,433,115,213	7,134,215,313,672
Accounts Receivable - Gross	6,541,887,951,489	6,163,277,050,140	7,196,476,121,458

Item	2022	2023	2024
Allowance for Doubtful Accounts Receivable (ECL allowance)	52,482,561,966	64,843,934,927	62,260,807,786
Receipts from customers	29,519,519,535,689	31,896,213,560,339	35,017,446,066,877
Inventories	3,870,496,137,257	3,556,864,426,525	6,437,101,615,270
Accounts Payable - Third Party	1,576,147,984,797	1,785,245,057,218	2,380,272,688,394
Accounts Payable - Related Parties	82,371,087,484	109,415,027,985	60,586,015,177
Accounts Payable - Total	1,658,519,072,281	1,894,660,085,203	2,440,858,703,571

Based on data analysis in the financial statements of PT Mayora Indah Tbk for the period 2022 to 2024, there is an increase in sales from Rp30,669,405,967,404 in 2022 and Rp36,072,949,285,930 in 2024. Meanwhile, accounts receivable showed a significant increase from Rp6,541,887,951,489 in 2022 and Rp7,196,476,121,458 in the 2024 period. Compared to accounts receivable in 2021.

Sales Effectiveness & Collection Quality Indicators

Sales effectiveness measures how well activities achieve targets and positively impact the company. The following is a calculation of PT Mayora Indah Tbk's sales and collection cycle metrics for 2022, 2023, and 2024.

Table 2. Sales Effectiveness & Collection Quality Indicators

Metric	2022	2023	2024
YoY Sales Growth		2.66%	14.57%
Gross Margin	22.30%	26.70%	23.02%
Selling / Sales	12.09%	10.66%	9.78%
SG&A / Sales (Selling + G&A)	14.37%	13.05%	12.16%
Accounts Receivable Turnover (Sales / Avg AR)	5	5	5
DSO (days) = 365 / AR Turnover	74	73	67
ECL to Gross Receivables Ratio	0.80%	1.05%	0.87%
Proportion of Related Receivables (net)	94.55%	95.90%	94.36%
DIO (days) = Avg Inventory / COGS * 365	53	59	66
DPO (days) = Avg Accounts Payable / COGS *365	26	28	28
Cash Conversion Cycle (days) = DSO +DIO - DPO	53	59	66
Cash Realization Ratio = Receipts from customers / Sales	96.25%	101.31%	97.07%

From the metric calculations carried out on the sales and billing cycle for the Financial Report of PT Mayora Tbk., the following is obtained:

- Sales effectiveness has increased: 2024 sales rose by 14.57% accompanied by a decrease in Selling/Sales to 9.78%.
- Collection quality improved: DSO decreased from 73.0 days (2023) to 66.9 days (2024); AR turnover increased to 5.45x.
- The level of concentration of receivables with related parties is very large ($\pm 94-96\%$ of the total), so that commercial credit risk is low, but increases management risk (arm's-length, pricing, tenor, and potential override).
- High cash to sales achievement: 97.07% in 2024 (2023 even $>100\%$ due to collection of receivables from the previous period).
- Working capital decreased on inventory: DIO increased to 65.7 days, leaving CCC lasting >100 days (2024: 104.1 days).

The Role of Internal Control in the Sales and Collection Cycle

In general, Article 14 of the company's articles of association regulates the work areas, duties, obligations, and authorities of the board of directors. Each member of the board of directors is required to carry out their duties and responsibilities wholeheartedly, with a sense of responsibility and sincerity, and in accordance with applicable laws and regulations. PT Mayora Indah Tbk prioritizes and reviews the duties and responsibilities of each employee. This ensures that the company's receivables are managed properly and without error.

The sales and collection cycle is the process that begins with the sale of a product or service and ends with the receipt of money from the customer. Throughout this cycle, various key metrics are used to assess the efficiency and effectiveness of the process. First, the sales cycle is the average time it takes from identifying a potential customer to completing a transaction or sale. This calculation is made by adding the duration of each sales transaction that occurs during a specific time period and dividing it by the number of transactions. The shorter the sales cycle, the faster a company can convert leads into cash. Second, the conversion rate is the percentage of leads that become customers. This indicator is crucial in determining the effectiveness of the sales process. It is calculated by dividing the number of successfully closed sales transactions by the total number of incoming leads and multiplying by 100%. Third, the average collection period is the number of days it takes a company to receive payment from customers after a credit sale. The formula is to multiply the number of days in a specific period by the average accounts receivable, then divide by net credit sales during that period. This figure measures how quickly a company generates cash from credit sales. If the collection period is too long, it indicates a problem with the collection process, which can impact the company's cash flow. (Yosvara, J. (2020))

The role of sales and collection cycle control in PT Mayora Tbk.'s financial statements is as follows:

Credit Authorization and Limit (Pre-Sales)

Credit authorization is the process of granting credit facilities to consumers before a sale is made. The goal is for a company to only sell to those who can afford to pay. In this case, PT Mayora Indah Tbk demonstrated an increase in DSO based on quantitative evidence, with ECL $<1\%$ and the majority of receivables not yet due (based on the disclosure of receivables aging in the accounts receivable notes). However, the greatest risk is the dominance of related parties, which requires independent policies (price, terms, yields, rebates) with independent approval.

Order Processing-Shipping (Sales processing & Shipping)

Sales Processing & Shipping is a series of processes that begins with the receipt of a client's order and continues until the goods are delivered to the customer. This process is crucial to ensuring that the client receives the correct goods, on time, and in good condition.

PT Mayora Indah Tbk manages its inventory using an inventory presence and cut-off control system. The company assigns a sequential number to each order and product, automatically blocks

customers who exceed their cut-off or are past due, and reconciles the cut-off date. This procedure aims to ensure a smooth sales process by verifying inventory levels and assigning a number to each product, ensuring smooth business operations from order receipt to payment.

Cash Billing and Receipt

The company separates the duties of billing, cash receipts, and recordkeeping. This includes setting up virtual accounts/safety lockboxes for each customer, automating payment-invoice matching, and daily bank and general ledger reconciliation. In this regard, the company demonstrated a high cash realization ratio, reaching 97.07% in 2024 and reaching 101.31% in 2023, based on its accounts receivable collection history. In this case, billing and cash receipts are very useful for separating duties and reconciling accounts.

Accounts Receivable Reserve & Monitoring (ECL)

Accounts receivable allowance is a fund set aside by a company to cover the possibility of uncollectible accounts. ECL techniques include assessing customer payment history, current economic conditions, and predicting the likelihood of future defaults. Monitoring systems enhance this process by providing decision-makers with accurate and timely data, enabling them to manage risk and take mitigating actions such as changing credit policies or increasing collection efforts.

The cycle calculation and analysis for PT Mayora Indah Tbk. Resulted in stable and low ECL ratios, namely 0.80% (2022), 1.05% (2023), and 0.87% (2024). It was found that the allowance for doubtful accounts was reasonable, in accordance with the actual risk, where the company's receivables aging monitoring system was implemented well. Overall, the ECL allowance and effective technology-based receivables monitoring can reduce the risk of losses, improve cash flow, and increase the efficiency of the company's receivables management.

Inventory planning

Companies begin inventory planning by estimating inventory needs based on forecasted market demand and client orders. At PT Mayora Indah Tbk., DIO increased from 52.9 days (2022) to 65.7 days (2024). CCC remains high at >100 days. The control method in this scenario is not optimal, but it does slow the cash conversion cycle even though receivables remain current. Consequently, organizations must maintain controlled inventory levels to avoid overstocking or stockouts. Excess inventory can result in excessive storage costs and the risk of damaged goods, while understocking can cause the business to miss sales targets, decrease customer satisfaction, and potentially lose revenue.

CONCLUSIONS

Based on the research results, it was found that internal control in the sales and collection cycle at PT Mayora Indah Tbk for the 2022–2024 period played a significant role in improving sales effectiveness and collection quality. The implementation of credit authorization, integrated order processing, segregation of collection and cash receipt duties, and technology-based receivables monitoring has driven increased sales, decreased the selling expense ratio, and improved the cash realization ratio. Although the expected credit loss (ECL) ratio remains low and the concentration of receivables with related parties is high, the company still faces challenges in inventory management, as reflected in the increasing days inventory outstanding (DIO) and cash conversion cycle (CCC). These findings confirm that strengthening overall internal control can improve operational efficiency and cash flow stability.

This study is limited by the use of secondary data sourced only from annual financial reports and supporting records, so the analysis cannot directly reveal external factors such as changes in market policy or customer behavior. Furthermore, the focus on a single manufacturing company limits the generalizability of the results to other sectors. For future research, it is recommended that the analysis be expanded with primary data, interviews, or direct observation, as well as comparisons with other companies in similar sectors. The practical implication of this study is the need for companies to continuously strengthen their internal control systems, particularly in inventory

management and receivables diversification, to maintain sales effectiveness and long-term financial stability.

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