THE PRACTICAL ACCOUNTING INFORMATION SYSTEM TO CONTROL AND TO MAINTAIN THE FUND EFFECTIVELY AT FOREIGN COMPANY (BASED ON A CASE STUDY)

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ABSTRACT

The writer has observed how to maintain and to control cash effectively at one of foreign companies in Surabaya. It is applied for one of the companies which has a head office in the United States of America. The head office controls all financial things in Indonesia's company due to the size of branch in Indonesia. The head office itself has many branches almost worldwide. There are some constraints to control the cash maintenance in this case; since a final controlling role will be performed by the head office and an executor role will be performed by the branch, and both of them are separated for thousand miles away, no available on-line accounting system and the branch is not allowed to have a bank account by itself, the only similar thing is they utilize the same program for accounting system. The PCs used in the branch are stand-alone computers. Herewith the writer would like to share an applied system to minimize the mistakes and to smoothen the cash maintenance and control.

Keywords : Accounting Information System, Head Office and Branch's reports, Reconciliation Report, Pecuniary Liability, Pre-Payment Auditor, Accounting Classification, Transmittal Number

INTRODUCTION

As we have known some companies in Indonesia belong to foreign investors, although their numbers apparently is getting fewer due to our national stability but the writer would like to spot the idea on how to maintenance the cash effectively as applied to one of the foreign companies in Surabaya. The writer thinks it would be very great idea to share the practical and simple way on doing that. By reading the title above, some questions might be summarized are as follows:
- How to control and to maintain cash at the branch ? The branch and head office are located in the different countries.
- How to control the head office's bank account that is also used by the branch ?

- How to ensure that all receipts and payments have been monitored and agreed by the head office when on-line accounting information system is not available ?
  And the writer would like to conclude the goals of this writing are as follows:
- By simple and practical accounting system, the head office can monitor the branch's activities in daily manner
- By simple report, the head office can monitor the head office's bank account that is used by the branches.
- The on line accounting system is not a must for a foreign company having many branches out of the head office's country.

ACCOUNTING INFORMATION SYSTEMS AND FOREIGN COMPANY

Accounting Information Systems

Accounting systems are the software packages used by all business to keep track of their expenditures, revenues, and other financial data that is vital to the operations of a business is an essential part company. Keeping accurate files on the financial operations of a business is an Essential part of conducting any sort of business in general, and having an accounting system in place ensures that recordkeeping is easy, efficient, and accurate. Accounting systems will usually handle accounting functions, e-commerce, sales, discounts, inventory, shipping, returns, and payroll; individual accounting systems will vary slightly as to exactly which functions are included but they are designed to be capable of processing these types of tasks.

The Functions of an Accounting System

The staggering number of accounting systems available make it very difficult to know which one is best particular business. The first criteria by which the market can be narrowed down is the size of the business enterprise accounting systems are very different from small business software. Enterprise accounting system massive packages of software and can span fields such as supply chain management, manufacturing, human resources, clients, and distribution. Many are capable of producing all types of reports that summarize data of expenses, revenues, and more. In contrast, small business accounting systems may handle only basic accounting functions, sales and financial reporting tasks. Mid-range accounting system will naturally bridge the gap these two types of systems and are an excellent solution for businesses that have outgrown a small-scale system but do not yet require the capabilities of an enterprise solution.

Selecting an Accounting Information System

Other criteria that a business should consider before investing in an accounting system are the licensing structure and compatibility with technological infrastructure. While many accounting systems are cross-platform, some do require specific software configurations in order to function properly. This is specially true of proprietary systems, and is one of the most important considerations when choosing an accounting system. Trying to make a software solution work on a platform it was not designed for can be extremely difficult, if not completely impossible. Accounting information systems differ in price, and the pricing structures may also vary. It is more standard for them to be priced according to the number of licenses necessary. For smaller business, they may only need to be one or two licenses bought, while larger companies will need many more, thus more expense.

The need of Accounting Information System

Accounting information system becomes a significant issue if one company has another company located out of country. Advantage that a company can gain by having another company out of country is cheaper distribution costs, as goods no longer need to be sent from the only country where the company's factory is. For example, if a computer hardware company based in the USA sets up its factory in Indonesia, they no longer need to export their goods from the USA for the Asian market. This can significantly contribute to lowering the production cost. A country that plays host to these companies will enjoy a good share of benefits, which stimulates the national economy growth. However, these countries also face a good deal of uninvited problems by having a giants operating in their country. There are many benefits to be enjoyed by countries that play host to foreign countries. A foreign investing in an area may result in a significant boost of the local economy. This may provide jobs directly or through the growth of local secondary businesses such as banks and insurance. This can contribute to the growth of other industries to generate more income as newly employed workers spend their wage.

The Main Idea of Accounting Information System

As we have studied at the University and from many literatures that there are many ways to control cash. The best answer is a good and sufficient accounting information system, The main idea of accounting information system is a separated or differed roles on disbursing money, on authorizing the payment and the role on checking the voucher, receipts and any available supporting documents. We could not make all mentioned roles to be put at one person or we might end up by having the problem on money cheating. The easiest way to provide a good control cash is to have a good and settled accounting information system.

Foreign Company

A company which is incorporated under the laws of a different state or nation. A foreign company must file a notice of doing in any country in which it does substantial regular business. Some definitions emphasize structural criteria such as the number of countries in which a firm is doing business, or ownership by persons from many nations, or composition of the top management. Other definitions stress performance characteristics such as the absolute amount or relative share or earnings, sales, assets, or employees derived from or commited to foreign operations. Still other definitions are based on behavioral characteristics of top management such as thinking globally.

ACCOUNTING INFORMATION SYSTEM FOR ONE OF FOREIGN COMPANIES IN SURABAYA

The first of all, it would be better to know how the foreign company works for financial management issues. At the observed foreign company, they have set up a Financial Management Office to maintain the fund at Surabaya branch.

A. THE FLOW CHART AND THE RESPONSIBILITIES

This is a simple flow chart and it has been proved as an applicable way for years for observed foreign company.

FINANCIAL MANAGER/SUPERVISOR

BUDGET & ACCOUNTING UNIT	VOUCHER EXAMINING UNIT	CASHIER UNIT	PAY LIASON UNIT
* Financial Analyst Staff	* Voucher Examiner	* Cashier	* Pay Liaison
* Accounting Staff			

Below is an explanation for what kind of the role to be set up for fund control at that company. But this discussion would be more emphasizing on Voucher Examining Unit and Cashier Unit.

1. Financial Manager/Supervisor

The Manager/Supervisor is responsible for:

The supervisors or the managers have general supervisory responsibility for the branch. These responsibilities may be exercised through financial manager who:

a. Ensure that adequate equipment and secure facilities are provided for financial operations
b. Ensure that personal selected to perform cash management functions of disbursing, cashiering, or collecting of funds are made aware of their accountability, responsibility and liability and are adequately trained to perform the function
c. Ensure that regular hours are established during the official workday for the transacting of business and that such hours are to allow sufficient time for the proper maintenance of official accounting records, verification function, and preparation of fiscal reports as required.
d. Investigate all suspected or alleged shortages or overages of cash or misuse of official funds and reports such cases which can not be satisfactorily resolved within 48 hours after discovery to Headquarter
e. Supervisory personnel failing to carry out the basic responsibility to assure protection of the fund from waste, fraud, or misuse may be held personally liable for the repayment of the loss and/or disciplinary action by the Headquarter
f. Audit cashier operations by performing unannounced cashier verifications and reviewing the adequacy agency regulations and guidelines

2. Budget and Accounting (Fund Control) Unit
   This unit is responsible for:
   a. Preparing materials used in the formulation of budgets, program plans and financial plans
   b. Developing justification in support of requests for additional funds
   c. Maintaining and monitoring accounts
   d. Determining availability of funds for a purchase
   e. Determining whether obligation is in compliance with laws and regulations and consulting with the Financial Manager if there is a question
   f. Assigning strip codes/cited account to proposed obligations

3. Voucher Unit
   This unit is responsible for:
   a. Examiner vouchers, invoices, and other documents the request payment in foreign or local currency for goods, services and other expense transactions
   b. Ensure that all appropriate backup documentation is attached
   c. Determine whether or not these vouchers are legal, correct and proper for payment
   d. Determine whether an expense has been authorized, goods and services have been delivered. We may call this process as pre-audit
   e. Ensure that the cited account/the strip code on the voucher payment is correct

f. Process vouchers in a prompt and timely fashion to take advantage of a vendor's discount if any and to avoid late payment and a prompt pay penalty
g. Forward properly pre-audited vouchers for approval to Financial Manager/Supervisor

The difference between illegal, improper and incorrect.
A payment is legal if:
It is authorized by authorized person, not prohibited by current laws, regulations or directives, and if it is compatible with legal and regulatory specifications for the expenditure, and the funds are available and obligated for the payment and if it was incurred during the time period for which the appropriation is available
A payment is proper if:
The expenditure was authorized, goods or services were received, and delivery or performances was in accordance with the terms of the agreement, and if it was approved by an designated individual ,and if it is in accordance with the payment schedule agreed upon, and the payment is not a duplicate payment, and the important thing is if name and address of payee are correct.
A payment is correct if:
Quantities, unit prices, and amounts are accurate and the math is correct, and if the amount of payment is accurate and arithmetically correct, and if allowable deductions or cost-effective time discounts have been taken and if the provisions of the Prompt Payment Act have been observed

4. Cashier Unit
   This unit is responsible for:
   a. Receiving and assuming accountability for an operating cash advance
   b. Disbursing, collecting, depositing and accounting for cash and cash instruments in foreign and local currencies
   c. Advancing petty cash funds for official purchases upon determination that a request has been properly authorized
   d. Distributing payroll checks in those countries where checks/EFT are not yet implemented

5. Payroll Liaison Unit
   This unit is responsible for:
   a. Advising on pay and allowance benefits entitlements as required
   b. Processing vouchers dealing with salary things
   c. Assisting with pay and allowance problems

In this company, there is a term that is called " **pecuniary liability** ";

A certifying one (and will be a Financial Manager/Supervisor)found to be individually responsible for certifying a voucher that was illegal, improper, or incorrect may be required to reimburse to company for the amount of payment.

Voucher Examiner can help Financial Manager/Supervisor to avoid liability by:
- following an established system of procedures and controls minimizing opportunities for incorrect or improper payments and ensuring that you and your subordinates are following these control
- requesting an advance decision from Financial Manager/Supervisor
- being alert to the possibility of vouchers or vouchers schedules and supporting documents being processed a second time by establishing internal control procedures which prevent duplicate payment
- making use of evidence that is available, such as fund availability certification and other documentation (e.g., Approving and Receiving Person signatures) that would indicate procedural safeguards regarding payments have been observed.
- returning payment vouchers that are inadequately documented to the appropriate office or agency for the proper approvals and supporting documents
- ensuring the voucher shows that the Funds Control Person has initialed that funds are available/obligated to cover the payment
- not asking the Financial Manager/Supervisor to sign blank forms
- ensuring the certified voucher is not returned to the Voucher or Accounting unit between certification and being sent for payment. After certification, the original voucher and invoice file copy should be perforated or annotated in such a way that it could be paid again.
- Obtaining on file a current list of authorized ordering, receiving, and approving officers for each agency and maintaining a signatures of these designated officers.

B. PURCHASE ORDER, RECEIVING REPORT AND VOUCHER

The voucher examiner will process:
   a.   Purchase Order
   b.   Voucher
PURCHASE ORDER
   The Ordering unit prepares the PO (Purchase Order)and send it to the Financial Management Office for the "Availability of Funds"
   The Accounting unit verifies accuracy and completeness and determines if funds are available as per head office's guidance. If so, the accounting code is entered in the availability of fund box and the PO is forwarded to the Fund Controls/Financial Manager/Supervisor who initials "Availability of Funds" then returns the PO to the Ordering Officer, filling a copy of the PO in the Accounting unit. The Ordering unit signs and orders goods and services from the vendor based on available funds. Once goods are services are received, the receiving unit signs the PO and sends it along

with the invoice – which is signed "APPROVED FOR PAYMENT" to the Financial Management Office (Voucher Unit). The Voucher Examiner audits the invoice, ensures it is not a duplicate payment and funds for it are obligated. The Voucher Examiner enters the vendor's invoice number on PO. The Voucher Examiner traditionally completes the PO by listing any difference between invoice amount and amount verified for payment, by entering local currency and US dollar accounts with the exchange rate, indicating whether the payment is complete, partial or final and inserting the full accounting code in the Accounting Classification box. He/She must initial/verify the voucher, type the name and title of the Certifying Person and forward the voucher to either the Pre-payment Auditor or the Certifying Person.

Note: in larger Financial Management Offices, Pre-payment Auditor checks the Voucher Examiner's work. When the voucher passes all verification checks, Pre-payment Auditor initials the voucher, batches it with other pre-certified vouchers and distributes all required documents to the Certifying Person. In smaller offices, there may not be enough employee to perform a pre-certification check. The Certifying Person checks the voucher and original supporting documentation for accuracy, completeness, and the legality, then signs the voucher and forwards it to the head officer or Cashier Unit for payment.

IMPORTANT: The Ordering, Receiving and Certifying Person should be different individuals. This arrangement provides for good internal controls over the procurement process. As smaller posts, a manager/supervisor may have to perform dual functions. In any case, the Certifying Person must not sign for the Ordering or Receiving Persons. The Financial Management Office should keep a copy of the Certifying, Ordering and Receiving Persons signature list.

VENDOR CODES: Vendor codes in system are made up of two components. A one-digit vendor prefix followed by the vendor nine-digit alphanumeric suffix.

a. Vendor Prefix Codes are:
   0 = Employee including foreign employees
   1 = Vendors
   9 = Agency
   8 = Use 8 when an employee has requested a second vendor code be established for a second bank account.
   2-7 = Use these codes when an employee requires more than two vendor codes for bank accounts be established

b. Vendor Suffix Codes are:
   If the prefix is 0 or 2 through 8, continue to use the employee's social security or Payee identification number.
   If the prefix is 1 use any code up to nine digits long beginning with the post code, For example: 1-212LUFTHA

VENDOR NAMES: Any name up to 44 digits. However, if the vendor is in the United Sates and will receive EFT payments, you can only up to 22 digits in the system.

VENDOR ADDRESS: There are five lines for the vendor addresses. At least the first and second lines must be completed on every vendor record.

VENDOR CURRENCY: Each vendor will be assigned a currency. When that vendor code is used on an obligation or voucher, the obligation or voucher must be in the assigned currency. Currency codes commonly used:

001 is for USD payments made to USD bank accounts in the United States

022 is for USD payments made to USD bank accounts outside the United States

023 is for making a Euro payment to a bank not located in a Euro country. Using this code requires sub-routing information.

EURO Countries: use '9' plus last two digits of the currency code for payments to that country, for example, Germany would be 940, France 936 etc.

Non-EURO countries: use the original currency code.

(SAMPLE OF) PURCHASE ORDER, RECEIVING REPORT AND VOUCHER

PURCHASE ORDER NO :
CONTRACT NO :
DATE :
VOUCHER NO :
PREPARED BY :
VENDOR :

ITEM NO.	ARTICLES OR SERVICES	Q	COST/UNIT	AMOUNT
			TOTAL	

I CERTIFY THAT THE ORDERED ITEMS LISTED WERE RECEIVED ON ………,
EXCEPT AS FOLLOWS :

(SIGNATURE OF RECEIVING PERSON)   (SIGNATURE OF ORDERING PERSON)
TITLE :   TITLE :

EXCHANGE RATE: TO $ 1

ACCOUNTING CLASSIFICATION :
AVAILABILITY OF FUNDS :

PAYMENT : ( ) COMPLETE	AMOUNY BILLED, AS PER ATTACHED	
( ) PARTIAL	BILL(S) DIFFRENCES :	$/Rp….
( ) FINAL		
	AMOUNT VERIFIED CORRECT FOR	$/Rp…

PURSUANT TO AUTHORITY VESTED IN ME,   METHOD OF PAYMENT :
 I CERTIFY THAT THIS VOUCHER IS CORRECT   CHECK NO :   DATED ON :
AND PROPER FOR PAYMENT.   CASH $/Rp.   DATED ON :

(AUTHORIZED CERTIFYING PERSON)   PAYEE :
DATE :

VOUCHER – not Requiring Purchase Order Number

For payments not requiring a Purchase Order Number, an employee with knowledge of the need for the payment in question usually prepares the voucher form. If there is a contract or lease involved, the contract/lease number and date must be inserted. Here are examples of vouchers not requiring a purchase order number: Utility/Telephone vouchers, Allowances vouchers, Representation vouchers, small purchasing vouchers such as gasoline, office supplies, cleaning supplies, payments against a post contract or lease and etc. Notice that the general rule for vouchers is that both an Ordering Person signature and a Receiving Person signature are required for action by the Financial Management Office. However, the ordering signature is on the original lease contract, contract, which should be used to verify the payment is being made according to contract terms. If you perform this verification, the Ordering Person's signature on the voucher is redundant because you are checking the signature on the lease contract. Each post will vary in the procedures used to control various type of payments, the individual with knowledge that the service has been received signs " APPROVED FOR PAYMENT "
Depending on branch procedure for the type of voucher in question, the accountant initials for availability of funds.

The Voucher Examiner audits the invoice, ensure it is not a duplicate payment and, if the accountant has not already done so, checks that funds for it are obligated. The Voucher Examiner enters the vendor's invoice number on PO under the details of articles or services. Depending on the procedures directed by the branch's Financial Service Office, the Voucher Examiner then assigns a unique voucher number and completes the form. The Voucher Examiner traditionally completes the form by listing any differences between invoice amount and amount verified for payment, by entering the local currency and U>S dollar amounts with the exchange rate, indicating whether the payment is complete, partial or final, and inserting the full strip code line in the Accounting Classification box. He/she must initial (verify) the voucher, type the name and title of the Certifying Person, and forward it to either the Pre-payment Auditor or the Certifying Person. Note: If there is no Receiving

Person's signature in Receiving box, type" SEE ATTACHED APPROVED INVOICE" in the receiving box.

The Pre-payment Auditor, the Certifying Person, and the cashier perform their duties to make payment the same as the Purchase Order/Voucher Payment. IMPORTANT : The Voucher Unit should have on file a copy of the initial obligating document, e.g., contract, lease. These can be obtained from the Accounting Unit.

C. ASSIGNING A VOUCHER REFERENCE NUMBER

The Voucher Reference Number is a unique identifier assigned to each voucher processed in the Financial Management Office. The numbering scheme allows the Voucher Examiner to:
   a.   Identify and retrieve the voucher from the database
   b.   Monitor the amount of time that the voucher is in the processing cycle
   c.   Report on a voucher's status in the payment cycle
   d.   Additionally, it identifies the Voucher Examiner who processed the voucher for easy reference

D. VOUCHER REFERENCE NUMBER FORMAT

Voucher Examiners assign a voucher reference number each time a new voucher is prepared or entered into the system. The voucher reference number has maximum length of 11 characters (not counting the hyphen). Financial Management Offices should maintain two voucher reference number logs:
   a.   One in the Voucher Unit with a numbering sequence starting from "O" at the beginning of a new fiscal year, and
   b.   One in the Cashier Unit with a numbering sequence starting from "O" at the beginning of a new fiscal year.
Note: Some branches may maintain a separate voucher reference number log in the Pay/Allowances Unit if required by the workload. Branches may keep separate voucher Reference number logs for specific types of payments: such as utilities.

Sample Voucher Reference Number:
Surabaya's branch code is 234. For each non-cashier voucher, we will use "EVT" for "Every Voucher Transaction". However, at branch, the Voucher Examiner would use his/her own initials. For each cashier voucher, we will use "ZAA" the Surabaya cashier code. However, at branch, the cashier would use his/her 3-digit cashier code assigned by the Headquarter.

Sample non-cashier voucher reference number : 234-4EVT1234
Position 1-3   = Branch Code

Position 4	= Last digit of fiscal year
Position 5-7	= Voucher Examiner's initials
Position 8-11	= Four-Digit sequential number

Sample cashier voucher reference number: 789-4ZAA1235

Position 1-3	= Branch Code
Position 4	= Last digit of fiscal year
Position 5-7	= Cashier's code assigned by the head office
Position 8-11	= Four-Digit sequential number

Cashiers using Window-Automated Cashier Services are getting a voucher number automatically from system. It reads as follows:

XXX	Post Code
X	Type of transaction
X	Last character of cashier code
X	Fiscal year
XXXX	System sequential number

	Types of transactions
V	Vendor voucher
L	Collections
D	Deposits
R	Cashier replenishment checks/Electronic Fund Transfer
X	Accommodation Exchange

All explanation above is describing the flow of vouchers before being entered in the system. All transactions that happened in the branch must be processed through the set up procedure and it will be giving a guarantee that the control role has been fulfilled by the branch. After all this process, the branch can prepare the simple report that it can be called as a Reconciliation Statement.

REPORT

Below is sample of Reconciliation Statement that the writer took from the source on October 4'2005.

RECONCILIATION STATEMENT
(Taken from the source on October 4'2005)

Branch : Surabaya, Indonesia

		IDR	USD
L01	Ending Date of Head Report used for reconciliation :09/26/2005	339,978,325	22,928.52
L02	New Balances shown above dated Head Report	0	0
L03 OH	Collection Documents (Receipt not yet sent to Head Office)	0	0
L04 OH	Accommodation Exchange Receipts	0	0
L05 IT	Checks/transfers received (not yet recorded on Head Report)	0	0
	L06 IT Head Office Actions including Accommodation Exchange Checks		
	(not yet recorded on Head Office Report)	0	0
L07 IT	Collection Documents (receipts not yet recorded on Head Report)	235,508,900	0
L08 IT	Accommodation Exchange Receipts sent to Head Office (not yet		
	Recorded on Head Office Report)	0	3,150.00
L09	Total Increases (Add line 03 through 08)	235,508,900	3,150.00
L10 IT	Accommodation Exchange payments sent to Head Office (not yet		
	Recorded on Head Office Report)	30,385,000	200.00
L11 IT	Deposit slips sent to Head Office (not yet recorded on Head Report)	233,000,000	15,739.98
L12 IT	Paid Vouchers & Sub Vouchers sent to Head Report)	11,637,800	0.00
L13	Total Decreases (Add lines 10 to 12)	275,022,800	15,139.98
L14	Total Accountability : add lines 02 and 09, deduct line 13	300,464,425	10,138.54
L17 OH Cash		177,104,425	8,871.54
L18 OH	Cashier Reimbursement Check	0	0
L19 OH	Cash Advances to sub branches/interim receipts	53,060,000	1,267.00
L20 OH	Paid Vouchers & Sub Vouchers not sent to Head Office	0	0
L21 OH A/E Payments not sent to Head Office		0	0
L22 OH Checks/Deposit Slips not sent to Head Office		0	0
L23 OH A/E Checks Received not sent to Head Office		0	0
L24 OH Debit Vouchers not sent to Head Office		0	0
L25 OH Other Delayed/Lost Cashier Check (issuances recorded on Head Report)	70,300,000	0
L26	Check Book balance (for branches who have a checking account)	0	0
L27	Other (specify here or on reverse side)	0	0
L28	TOTAL ACCOUNTABILITY : Add lines 17 through 27	300,464,425	10,138.54
L29	Difference(s) between lines 14 and 28 if any, please explain		
L30	TOTAL OF REPL. CHECKS REQUESTED FROM HEAD OFFICE	55,100,000	0
	(not received, not recorded on Head Office Report)		
L31	USD and LC/TC projected accountability : Add 14 and 30	355,564,425	10,138.54

L32	Dollar value of line 31, computed with an exchange rate of 10,200		
	IDR for 1 USD	0	44,997.80
.L33	AUTHORIZED ADVANCES per letter designation. If amount shown		
	On line 32 is in excess, please explain why	0	45,000.00

Line 01

Head Office will send their report to branches regularly, it could be everyday or every three days via e-mail. And the branch will clear the transaction in their report based on the head office report and this step will make the ending balance of the head office report (HOR) is same with the new balances shown on Reconciliation Statement as per shown in Line 02.

Line 03

On Hand Collection Document will not be zero, if the branch still has un-deposited money from Collection.

That's why the head office always encourages the branch to deposit all Collection to the head office bank's account in daily manner.

Line 04

Since the company is worldwide company and has many branches all around the world, it might some employee travel to many countries on official duties. Accommodation exchange is a privilege for foreign employee to change their $, traveler checks and personal checks to local currency at the host branch. It will be appeared as On Hand (OH) on the report if the Branch has not transmitted the transaction.

Line 05

In Transit (IT) Checks/Transfers will not be zero if the branch has sent the checks/the transfers to Head Office and Head Office has not received it yet. Once the Head Office receives it, they will record on the HOR and the branch can clear these transactions based on HOR.

Line 06

Sometimes the head office makes some correction/adjustment on the branch report. It will be appeared in Line 06.

Line 07

Collection Document is a receipt/document to record all collected money/fund that are received by the branch. It could be local currency money, $ money, personal check, bank draft, traveler checks etc. The collection can be from vendors, employees, buyers and sellers. All document are transmitted and sent to head office in daily manner. The IT (in transit) code will be appeared in branch office's report when head office hasn't recorded the transaction in head office report. As per previous explanation, the branch will not change the code status (IT or OH) in branch report as long as they don't see the transaction recorded in head office report.

<u>Line 08</u>
Please see Line 04. In this line all transaction have been transmitted and sent to head office but the transaction has not been recorded in head office report.
<u>Line 09</u>
It is counted from line 3 through line 8.
<u>Line 10</u>
In Transit, it means we have transmitted the transaction to the head office but the HO has not recorded the transaction yet.
<u>Line 11</u>
In Transit Deposit Slips is all travel checks and checks that branch gets from vendors, employees, contactors etc has been pouched via DHL or other courier company to the HO for Bank's deposit but the HO has not received the checks.
<u>Line 12</u>
All Sub Vouchers and Certified Vouchers are scanned then they are sent to the head office by e-mail but the head office has not received/recorded in their report.
<u>Line 13</u>
This line shows the total decrease of fund due to the transactions that branch has performed.
<u>Line 14</u>
This line shows total accountability of the branch. It is counted from line 2 plus 9 and minus with line 13. The total of this line must be equal with line 28.
<u>Line 17</u>
To show the money on hand
<u>Line 18</u>
Replenishment check is a check that branch gets from head office for replenishment. It could be in local currency or in $. If the branch has not drawn the money from Bank, it will be shown in branch report as OH Replenishment Check.
<u>Line 19</u>
On hand cash advances to sub branches/interim receipt is advances that we disbursed for sub branches but still in pending status due to no available receipts so that the branch records this disbursement as an account receivable to sub branches and still being a responsibility for the branch to have the advance cleared by sub branches within three official days or more with a reasonable justification.
<u>Line 20</u>
On hand paid vouchers and sub vouchers is vouchers that branch has paid but hasn't transmitted to head office for some reasons. But head office always encourages the branch to transmit all vouchers to head office in daily manner.
Voucher refers to all pre-certified disbursement and usually in big amount or in small amount but non-recurring expenses. For this disbursement usually needs a fund cite first from accountant.
Sub voucher refers to non pre-certified disbursement and usually in small amount and recurring expenses. Since the expenses are small and recurring, the money executor

doesn't need fund cite from accountant because the money executor has had the fund cite list already.

Line 21

On hand Accommodation Exchange Payment is a money that branch disburses for AE privileges for employee or traveler and the transaction has not transmitted/deposited to head office yet .

Line 22

On hand checks/deposit slips is checks or any deposit that branch receive from vendor, employee or other person has not transmitted/deposited to head office.

Line 23

This line shows all checks that the branch received from AE process and they have not transmitted/deposited all checks to the head office.

Line 24

Debit voucher is a bounced check. Since branch has no bank account so all checks have to deposit to head office's bank account so that the head office will be the first office informed/updated about the bounced check then the bounced check will be sending to branch for clearance. At this step, the debit voucher will be shown on this line as on hand debit vouchers.

Line 25

If we have asked the replenishment checks from head office and the head office has recorded the checks on their report and sent the check to branch but in the fact, branch has not received the check since the check is still on the way to branch. This situation will effect on this line and the other case is the branch has lost the replenishment checks by mistakes.

Line 26

This line is for the branches that have a checking account since in Surabaya branch has no bank account so this line will be zero.

Line 27

This line is prepared for recording other transaction that can not be recorded in other provided line and the branch may specify the nature of transaction on reverse side of the report.

Line 28

The total shown in this line is counted from line 14 to 28.

Line 30

The total of fund that branch request from head office fro replenishment.

Line 31

That amount is figure out from total of line 14 and line 30.

Line 32

The total money is projected to USD currency by using the exchange rate when the report is generated.

Line 33
This line shows the total authorized advances that branch can maintain if the money that branch has is over than the authorized amount, so that the branch must deposit the excess back to head office

Below is a sample of Head Office Report that was cited from the report on September 30'2005

HEAD OFFICE REPORT
(Taken from the source on September 30'2005)

Branch code: 234
Financial Manager Name: xxxxx

SYSTEM MATCHES					
Date	Transaction Description	Amount	TL#	Voucher #	Balance
					In USD
					20,278.52
09/30	Accom.Exchange Payment	500	LNS	LX500922	
09/30	Accom.Exchange Receipt	250	LNR	LX500921	
09/30	Accom.Exchange Receipt	500	LNS	LX500922	
09/30	Accom.Exchange Receipt	100	LO0	LX500930	
09/30	Accom.Exchange Receipt	1500	LO2	LX500931	
09/30	Accom.Exchange Receipt	800	LOA	LX500936	22,928.52

Date	Transaction Description	Amount	TL#	Voucher #	Balance
					In Rupiah
					418,468,125
09/30	Vendor Invoice	740,000	LL5	LV500844	
09/30	Vendor Invoice	530,000	LMJ	LV500891	
09/30	Vendor Invoice	51,000	LNX	LV500926	
09/30	Vendor Invoice	351,200	LNX	LV500928	
09/30	Vendor Invoice	1,563,900	LNX	LV500929	
09/30	Vendor Invoice	360,000	LOD	LV500934	
09/30	Vendor Invoice	560,800	LOD	LV500935	
09/30	Petty Cash Voucher	779,600	LIX	LV500800	
09/30	Petty Cash Voucher	567,600	LNV	LV500924	
09/30	Petty Cash Voucher	1,043,700	LNW	LV500925	
09/30	Petty Cash Voucher	868,600	LO4	LV500932	
09/30	Petty Cash Voucher	468,200	LO9	LV500933	

09/30	Petty Cash Voucher	4,385,100		LOC	LV500937	
09/30	Collection	240,000		LNY	LL001046	
09/30	Collection	1,400,000		LNY	LL001046	
09/30	Collection	69,000,000		LNY	LL001045	
09/30	Collection		67,000,000	LO5	LL001047	
09/30	Collection		65,000,000	LOE	LL001048	
09/30	Collection		600,000	LOE	LL001049	
09/30	Deposit		38,000,000	LMY	LD001172	
09/30	Deposit		69,000,000	LNZ	LD001183	
09/30	Deposit		67,000,000	LO6	LD001186	
09/30	Deposit		65,000,000	LOF	LD001189	
09/30	Accom.Exchange Payment	2,537,500		LNR	LX500921	
09/30	Accom.Exchange Payment	1,015,000		LO0	LX500930	
09/30	Accom.Exchange Payment	15,225,000		LO2	LX500931	
09/30	Accom.Exchange Payment	8,160,000		LOA	LX500936	**339,978,325**

UNMATCHED TRANSACTIONS						
Date	Transaction Description	Amount	TL#	Voucher#	Balance
					In Rupiah
					418,468,125
09/30	Vendor Invoice	1,800,000	LNU	LV50923	
09/30	Petty Cash Voucher	1,722,600	LNU	LV500923	**339,978,325**

By seeing that report, the branch is being informed that those listed transactions were processed and agreed by head office and this turn for the branch to clear their transactions based on the above report. After the matching process, the branch report will no longer record those transactions. The unmatched transmittal number/transaction will be generated automatically by system when the system finds unmatched transaction between head office's report and branch's report. This will cause the balance will not be same with the balance of head office report. Usually, it is caused by correction/adjustment that has been performed by head office and the branch has no information before about that or it is caused due to system error. This needs us to find and correct it, then we can solve this by inputting the right transmittal number in the system.

The important thing is the line 1 of Reconciliation Statement must be same with the ending balance of head office report, which is Rp.339,978,325 and $ 22,928.52. If not, the branch must find the difference before making Reconciliation Statement since it will cause the difference amount in line 24 and line 28.

CONCLUSION

The size of the branch will be considered for multi national company for setting up the accounting information system. The on-line accounting information system from the branch to the head office is not a must. The off-line of accounting information system may be sufficient as long as the head offices has settled guidance and the branch has been obliged to follow the rules. By providing the updated report and supporting it with e-mail facility, the head office can monitor the branch regularly. This of course, will save the money since the head office does not have to set-up the-on line system from the head office to their branches located almost worldwide.While not all business can afford to purchase an accounting information system, there are nevertheless prove it is usually beneficial to set up as sufficient-scale of a system as possible. Thus it is usually advised that small businesses invest in full-featured accounting system that they can afford, which will result in saving later down the line.

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