

Research Article

Procedure for Purchasing Raw Materials on Credit at PT Bernofarm Pharmaceutical Company Sidoarjo

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Abstract: This study uses a qualitative descriptive approach that aims to systematically describe the procedure for purchasing raw materials on credit at PT Bernofarm Pharmaceutical Company. The study focuses on various stages of purchasing, coordination between related departments (such as PPIC, purchasing, QC, warehouse, and accounting), and the use of documents and recording tools such as Microsoft Excel and ERP systems. This study is motivated by the importance of implementing standard purchasing procedures to ensure smooth production processes, accuracy of debt recording, and quality of raw materials. Primary data were obtained through direct observation during internship activities and unstructured interviews with management, especially the accounting department. Meanwhile, secondary data were obtained through a review of relevant literature to strengthen the analysis and discussion. The analysis technique was carried out qualitatively through the process of data reduction, data presentation, and drawing conclusions. The results of the study indicate that the procedure for purchasing raw materials on credit at PT Bernofarm is in line with the principles of internal control based on the COSO framework and meets applicable quality management standards, such as GMP/CPOB and ISO. Each stage from supplier evaluation, quality inspection, to debt repayment shows orderly and documented control. Thus, the procedures implemented support the operational effectiveness and integrity of the company's financial data.

Keywords: Internal Control; COSO Framework; Credit Purchasing; Quality Management; Raw Materials; Pharmaceutical Industry; ERP System; Supplier Evaluation.

1. Introduction

The development of the business world is marked by the growth of various types of companies, such as service, trading, and manufacturing companies. Service companies provide services for the convenience of the community, trading companies focus on buying and selling without changing the shape of the goods, while manufacturing companies produce raw materials into finished products [1]. Various things are needed to carry out the production process, including raw materials, labor, machines, production planning and scheduling, and other important components [2]. In manufacturing companies, the existence of raw materials is a crucial aspect for the continuity of the production process. Therefore, the management of raw material inventory needs to be carried out carefully to ensure the quality and continuity of operations [3].

Raw materials are the main components that make up semi-finished or finished products, the presence of which can be directly identified in the product [4]. In the context of company operations, both raw materials and auxiliary materials have an important role because both are part of the production input that determines the smoothness and efficiency of the manufacturing process. The grouping of raw materials and auxiliary materials aims to facilitate inventory control and cost calculations in determining the cost of production. The main focus of control is usually given to raw materials because of their relatively high economic value.

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One of the manufacturing companies that focuses on managing raw material inventory due to its activities which include research, development and distribution of medicines, and is closely related to efforts to improve public health, is the pharmaceutical industry [5]. In the pharmaceutical industry, an important supporting activity in managing raw material inventory is through procurement that is directly related to suppliers. According to the Therapeutic Goods Administration, a supplier is a party that provides materials, both raw materials and packaging materials for medicinal products that have been approved. Various factors that influence supplier selection include, level of trust and commitment, stable financial condition, product quality, timely delivery, and technological capabilities. The existence of ISO certification, reliability, reputation, references, and ability to develop products are also included in additional criteria that are important considerations [6].

Procurement of raw materials is done through purchasing transactions. In general, purchasing can be interpreted as an activity carried out by individuals or organizations in obtaining goods or services, by considering various factors that affect the value and quality of the goods or services [7]. Purchase of raw materials can be done locally or imported, and in cash or credit, depending on the agreement between the company and the supplier.[8]. Purchasing on credit allows companies to maintain cash flow and establish long-term, value-added relationships with suppliers.

The procedures for purchasing need to be arranged systematically through a good purchasing accounting system so that procurement activities can be recorded, monitored and controlled effectively [9]. A procedure is a series of clerical activities, usually in one or more departments involving several people, which are designed to ensure consistent handling of recurring company transactions [8].

The purchasing accounting system functions as a tool used by companies in carrying out the procurement process for the necessary goods, starting from the emergence of the need until the goods or services are received by the company [10]. In practice, this system must be run by paying attention to various elements of internal control, such as a clear organizational structure, proper authorization procedures, an accurate recording system, and the implementation of best practices to prevent errors and fraud [11].

Internal control is a process carried out by the board of directors, management, and all company personnel to provide reasonable assurance in achieving organizational goals. The Committee of Sponsoring Organizations (COSO) explains that the design of an internal control system is focused on three main objectives, namely ensuring the reliability of financial reporting, supporting the achievement of efficiency and effectiveness in operational processes, and ensuring compliance with applicable laws and regulations. Therefore, this system consists of five important components, namely the control environment, risk assessment, control activities, information and communication, and monitoring in order to achieve these objectives [12].

In a company, the implementation of raw material procurement, purchasing accounting system, and internal control system will help in the process of controlling raw material purchasing activities. In addition, if it can be run properly, it can provide smoothness during the production process. Therefore, the raw material purchasing process must be carried out properly, and in accordance with the provisions of the schedule that has been set [13].

PT Bernofarm Pharmaceutical Company is a manufacturing company in the pharmaceutical industry that focuses on the production of Over The Counter (OTC), generic, and branded drugs. In running its production process, the company relies on the availability of various types of raw materials obtained through purchasing activities from suppliers. The purchasing system that is applied is generally carried out on credit, considering the many types and volumes of raw materials needed. This credit purchase is not only intended to maintain the liquidity and stability of the company's cash flow, but also to build long-term, mutually beneficial business relationships with suppliers.

The activity of purchasing raw materials at PT Bernofarm involves various integrated functions, starting from PPIC (Production Planning and Inventory Control) to the accounting department, especially the debt and cashier departments that handle debt settlement. This purchasing procedure is supported by the use of formal documents such as purchase request letters, purchase orders, delivery notes, goods receipt reports, and purchase invoices.

As a pharmaceutical company subject to strict quality standards and regulations, PT Bernofarm refers to the principles of quality management based on ISO 9001 and complies with the Good Manufacturing Practices (GMP) guidelines. The procurement of raw materials carried out by the company must meet the standards of quality, safety, and process efficiency

in accordance with applicable regulations. Therefore, this study was conducted with the aim of evaluating the procedure for purchasing raw materials on credit at PT Bernofarm Pharmaceutical Company and analyzing its compliance with the internal control system based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework and ISO quality management.

2. Preliminaries or Related Work or Literature Review

The research entitled "Procedure for Purchasing Materials on Credit at PT Burangkeng Maju Teknik" aims to evaluate the procedures implemented and assess the effectiveness of internal control in the process of purchasing raw materials on credit. The research approach used is descriptive qualitative, to provide a comprehensive understanding of the relationship between the company as the subject and the procedure for purchasing raw materials on credit as the object. The main informants in this study include financial managers, warehouse managers, PPIC staff, and purchasing personnel. The research data includes primary and secondary data through interviews, direct observation, documentation, and literature studies. The results of the analysis indicate that supporting documents for purchasing have been adequately available, but weaknesses were found in the structure of the organizational function. The function of receiving raw materials is not carried out independently, but is still part of the warehouse task which also handles storage. This inseparability has the potential to cause obstacles in tracking errors, especially when receiving damaged or non-specification raw materials. Therefore, it is recommended that the receiving function be separated from the storage function in order to strengthen the company's internal control system [14].

The study entitled "Evaluation of Raw Material Purchase Accounting System at PT. LKD Multi Industri" aims to examine the accounting system used in the raw material purchasing process in the company with a descriptive approach and qualitative analysis methods. Raw material inventory is seen as a crucial component in ensuring the smooth running of the production process, because delays or shortages of raw materials can hamper production and reduce customer confidence. Therefore, the use of raw materials must be adjusted to the sales orders received, and supported by a reliable accounting system, including clear separation of functions, use of supporting documents and adequate accounting records, and implementation of procedures carried out by various related units. The research findings indicate that the raw material purchasing system, both for cash and credit transactions, has been running quite effectively and refers to the operational standards applicable in the company. This is reflected in the separation of functions that have been implemented, although there are several functions that are still run concurrently, as well as the use of documents and records that are relatively appropriate, the company still needs to improve some space in certain aspects [1].

The study entitled "Improving Internal Control in Purchasing Raw Materials During the Pandemic (PT. Gajah Mas Tulungagung)" highlights the importance of internal control in reducing risk and supporting the smooth operation of the company. This is in line with the fundamental objectives of business entities, namely optimizing profitability while maintaining assets owned by investors and creditors. The main objective of this study is to identify efforts to improve internal control in raw material purchasing activities implemented by PT Gajah Mas Tulungagung during the pandemic. This study uses a qualitative approach with data collection techniques in the form of field observations, in-depth interviews, and documentation, and is analyzed inductively through the triangulation method (combined). The results of the study revealed that before the pandemic, internal control was carried out through a reconciliation process between inventory records and physical conditions in the warehouse. However, during the pandemic, the company began to implement a more stringent separation of functions and implement a procedural recording system as part of strengthening control. One of the obstacles that emerged in this process was the delay in the arrival of ordered goods due to the long distance from the supplier. To overcome this, the company purchased raw materials at a lower price in order to reduce production costs and obtain optimal profits [9].

Based on a literature review of a number of previous studies, it appears that there are still gaps in the study of the procedure for purchasing raw materials on credit, especially in the pharmaceutical industry sector. For example, a study conducted at PT Gajah Mas Tulungagung, for example, focused more on the aspect of internal control during the pandemic, without specifically highlighting the credit purchase mechanism or its relationship to the implementation of a quality management system. Likewise, a study at PT LKD Multi

Industri discussed the process of purchasing raw materials, both cash and credit, and showed that there was a separation of functions and the use of adequate documents. However, the study has not examined the internal control aspect in depth and has not integrated the procedure with quality standards such as ISO. Another study at PT Burangkeng Maju Teknik showed that although the procedure for purchasing raw materials on credit has been implemented, there are still weaknesses in the organizational structure, especially in the function of receiving goods which is not separated, so that it has the potential to cause inaccuracy in recording. Similar to the two previous studies, this study has not explicitly linked the purchasing system to the implementation of quality management standards. The three studies were also conducted at non-pharmaceutical companies, so they do not reflect the complexity and regulatory needs that exist in the pharmaceutical industry. Thus, this study has an urgency to be conducted in order to thoroughly examine how the implementation of the raw material purchasing procedure on credit in pharmaceutical companies, as well as to analyze its compliance with the principles of internal control and quality management standards such as ISO. This is important considering that the pharmaceutical sector is highly dependent on the quality of raw materials and efficient cash flow management, so that a structured, controlled purchasing procedure is needed, and in accordance with strict quality standards.

3. Proposed Method

The research method in this report uses a qualitative descriptive approach that aims to systematically describe the procedure for purchasing raw materials on credit at PT Bernofarm Pharmaceutical Company. The main focus of this report is to understand the stages in the process of purchasing raw materials on credit, including coordination between the parties involved, the documents used in the process, and recording tools such as Microsoft Excel which are used for checking and recapitulation purposes, in addition to the implementation of the ERP system that has been set by the company.

Primary data in this report were obtained through direct observation during the internship and unstructured interviews with the company's management, especially the accounting department that handles debt and cashiers. Meanwhile, secondary data were obtained through a review of relevant literature to strengthen the analysis and discussion. Data analysis techniques were carried out qualitatively through the process of data reduction, data presentation, and drawing conclusions to gain a deep understanding of the effectiveness and suitability of the raw material purchase procedure on credit implemented by the company. Therefore, this study is important to be carried out to more comprehensively assess how the raw material purchase procedure on credit in pharmaceutical companies is carried out, as well as to analyze its suitability with the principles of internal control and quality management standards (ISO).

4. Results and Discussion

4.1. Procedure for Purchasing Raw Materials on Credit at PT Bernofarm

a) Purchase request procedure

Purchase requests start from the PPIC function to the purchasing function based on the results of production planning through sales forecasts, raw material and finished product inventory status, and production capacity. Coordination between the PPIC and the sales team is carried out periodically through formal meetings, usually every quarter or half year.

In the meeting, the sales team delivers a sales forecast based on historical data, market trends, and demand from distributors. This forecast includes an estimate of sales volume for a certain period, as well as which products are predicted to experience an increase or decrease in demand. PPIC then uses the data to prepare a Master Production Schedule (MPS) and Material Requirement Planning (MRP). The results of this discussion are the main reference in production planning, because the sales forecast determines how much raw material needs and production schedules must be met so that product availability remains stable and in accordance with market demand.

b) Purchase order procedure

PPIC submits a purchase request via email to the purchasing department. Furthermore, the purchasing department will qualify the supplier based on various

factors, such as trust, commitment, financial condition, quality, delivery timeliness, and technological capabilities. In addition, important considerations can be seen from ISO certification, credibility, and its ability to develop products.

In the pharmaceutical industry, suppliers must meet the requirements of GMP (Good Manufacturing Practices) or CPOB (Good Manufacturing Practices) so that the use of raw materials in the production process can produce quality and safe products to prevent serious problems such as side effects, disease, and even death. Therefore, regular qualification and evaluation of suppliers needs to be carried out. If serious quality problems are found, a re-assessment is carried out or the supplier is disqualified from the company's official procurement list.

After the selection process is complete, the purchasing party will issue a Purchase Order (PO) document and distribute it to various selected suppliers, receiving warehouses, PPIC, and accounts payable accounting. If both parties have agreed, both from the company and the supplier, then the ordering process and purchase transaction will occur.

c) Raw material acceptance procedures

After the raw materials are sent by the supplier, the warehouse department will physically receive and verify the Delivery Order document. Before the new raw materials from the supplier are put into the storage warehouse, Quality Control and the warehouse will quarantine the raw materials in a room with the type of product temperature concerned (ambient, AC, cold room/chiller/refrigerator) to conduct a physical inspection related to the type, quality, batch, expiry date, quantity and quality of each raw material and its packaging, whether the original has not been opened or is damaged. If the quarantine process has been completed and all types of raw materials have been verified, the warehouse department will create a Goods Receipt Report (LPB) document, then Quality Control will label the raw materials before they are put into the storage warehouse based on the categories set by BPOM. Conversely, if raw materials are found that do not comply with the specifications or are damaged, the raw materials will be returned and returned to the relevant supplier.

d) Raw material storage procedures

The raw material storage and placement system applies the FEFO (First Expiry First Out) principle, namely newly received raw materials with a longer expiration date are placed behind raw materials with a shorter expiration date. Then grouped by type, arranged neatly and orderly to prevent the risk of mixing and contamination and facilitate inspection, maintenance and retrieval.

In order for stock management in the raw material warehouse to run well, the stock opname process is carried out once a month by the accounting and warehouse departments, through physical checking of the inventory to ensure the conformity of the records regarding the quantity and quality. With this activity, it can help the company avoid losses due to damaged goods, potential loss, expiration due to storage for too long, and ensure smooth distribution.

Table 1. Category of Raw Material Storage in Warehouse.

Category	Product	Storage
Temperature +2°C to +8°C (cold temperature).	Products stated on the packaging must be stored at that temperature.	Stored in Cold Storage or Chiller.
Temperature +15°C to +25°C (controlled room temperature).	Injection products, antibiotic type products, sugar-coated products, products in the form of ointments or creams in tube packaging.	Stored in a room that uses Air Conditioning (AC) and must not come into direct contact with the floor.
Temperature +26°C to +30°C (room temperature).	Products that can be stored at normal temperatures.	Stored indoors, should not come into direct contact with the floor.

¹Source: <https://sertifikasicdob.pom.go.id>

e) Debt recording procedures

Debt recording is carried out by the debt accounting department by checking related purchasing documents, namely PO, LPB, Delivery Note, Invoice, and Tax

Invoice from suppliers, as well as return notes if there are purchase returns. Furthermore, recapitulating the recording into Microsoft Excel format as a basis when the settlement process occurs, and organizing debt recording through the company's ERP system.

f) Debt settlement procedures

Usually, the payment term is made for 30, 60, and 90 days since the Goods Receipt Report was made by the warehouse department. The settlement process is adjusted by looking at purchases that are approaching the due date through the previous Microsoft Excel summary. Then the payment is made by the cashier accounting department via bank transfer after the authorization is approved, then the accounts payable accounting department will record the settlement of the payment to delete the account and the nominal debt of the company to the supplier through the company's ERP system.

g) Purchase distribution procedures

This procedure is carried out to ensure that purchasing transaction data is distributed effectively and accurately to various interested parties, such as accounting, warehouse, and other related parties, for the benefit of management reporting and internal control.

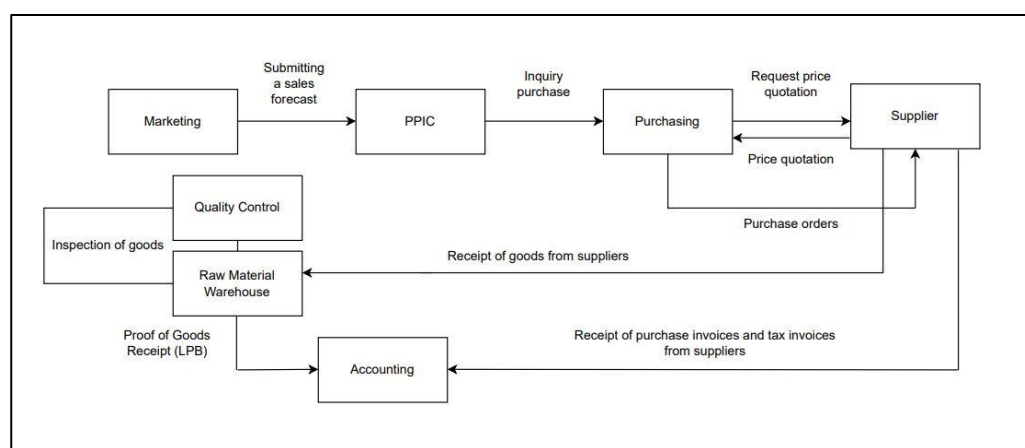


Figure 1. Procedure Network in Raw Material Purchasing.

(Source: Interview results of PT Bernofarm Pharmaceutical Company)

Based on the results and discussion related to the procedure for purchasing raw materials on credit at PT Bernofarm Pharmaceutical Company, the author analyzes that there are several conformities in the application of the procedure with the research conducted by [10] which consists of purchase requests, purchase orders, inventory receipts, and debt recording. However, in the research conducted by [1] there are additional procedures in purchasing raw materials, namely the request for price quotation and supplier selection procedures (while at PT Bernofarm, these procedures are combined with the purchase order procedure) and the inventory recording and journal recording procedures (while at PT Bernofarm, these procedures are combined with the purchase distribution procedure). The similarity of procedures shows that PT Bernofarm has followed common practices in managing raw material purchases on credit. While the differences in structure show the importance of adjusting procedures based on the characteristics of the industry and the management system applied.

4.2. Authorization and Functions between Sections

- PPIC Section: prepares raw material requirements planning based on sales forecasts and inventory status, and creates Purchase Requisition documents.
- Purchasing Department: processes purchase requests, searches for and selects suppliers in terms of price, quality, and quantity, and issues Purchase Orders (PO).
- Raw Material Warehouse Section: receives raw materials from suppliers, then matches PO and Delivery Order. After it is appropriate and the raw materials received have been verified from the quarantine process, the warehouse section will create an LPB. In addition, the raw material warehouse carries out stock opname

activities with the accounting department to ensure the conformity of records regarding the quantity and quality of raw materials that have been stored.

- d) Quality Control (QC) Department: checks the quality and suitability of raw materials through a quarantine process before being officially received by the company.
- e) *Accounting* – Payable Section: records accounts payable through Microsoft Excel and the company's ERP system based on supporting documents (PO, Delivery Order, LPB, and Invoice) and monitors accounts payable due. Then records the payment settlement from the cashier accounting department to write off the account and the amount of the company's debt to suppliers through the company's ERP system. In addition, the accounts payable accounting department ensures that all debts approaching their due date have been paid off.
- f) *Accounting* – Cashier Section: settles debts to suppliers via bank transfer based on summary data and payment authorization from the finance and accounting manager.
- g) *Accounting*: responsible for carrying out the advanced input process on the general ledger to produce the company's financial report. In addition, to ensure the conformity between the recording of raw material inventory in the system and its physical form, the accounting department carries out stock opname activities once a month with the raw material warehouse.

4.3. Returns on Purchase of Raw Materials on Credit

If the raw materials sent by the supplier do not match the specifications, such as damage, defects, wrong delivery, expiry date, and recall (withdrawal of raw materials because they do not meet the standards or requirements for safety, efficacy, quality, or labels) or do not pass verification during the quarantine process, the warehouse department will issue a rejection letter as a sign that the raw materials must be immediately returned to the supplier concerned.

The implementation of returns on purchases of raw materials on credit at PT Bernofarm has two criteria, the first, if the raw materials have not been entered into the Goods Receipt Report, then the raw materials that do not match are immediately returned to the supplier. Then, the second, if the raw materials have been entered into the Goods Receipt Report, and when the production process is about to take place, damage or defects are found, the Quality Control section will make a Rejection Report and the warehouse section will make a supplier return, while the accounts payable accounting section will issue a supplier return note as a reduction to the accounts payable account.

The purchase return procedure begins with the identification of damaged or inappropriate raw materials by the Warehouse or QC department based on the inspection results. After that, the Warehouse and QC make a return report stating the reasons and amount of raw materials to be returned. The report is submitted to the purchasing department for verification and approval, then forwarded to management. After approval, purchasing coordinates with the supplier to arrange the raw material return process. The returned raw materials are then sent back to the supplier along with supporting documents such as a delivery note, Rejection Report, and return note. After the raw materials are received, the supplier sends a credit note or replaces the returned raw materials. Further inspections are carried out by the warehouse and QC departments on the raw materials sent back by the supplier. Then, the accounts payable accounting department will record the transaction for the return into the accounting system, adjusting the inventory and accounts payable values. As a final step, PPIC updates the stock data and adjusts the production schedule based on the amount of raw materials that have been returned.

4.4. Recording System and Method

The raw material purchase recording system at PT Bernofarm Pharmaceutical Company has been computerized using ERP (Enterprise Resource Planning) software called Java Desktop. Transactions are inputted into the company's ERP system after receiving the raw materials along with the related supporting documents. The input process is usually carried out by the accounts payable accounting department to record the payment obligation to the relevant supplier.

Although the raw material purchase recording system has been computerized, PT Bernofarm still utilizes the Microsoft Excel application as a supporting tool for the ERP system. Microsoft Excel is used to verify by ensuring that all purchasing documents such as Purchase Orders (PO), Delivery Orders, Goods Receipt Reports, invoices, and tax invoices

are complete and in accordance with the physical data and the data in the system. This process helps to avoid errors during the payment or settlement process, the emergence of duplicate debt recording, or data errors. In addition, Microsoft Excel is also used as a monitoring medium for payment status and purchase returns, making it easier for the accounting department to prioritize payments based on their due dates. Microsoft Excel is utilized because it provides a concise and easy-to-track summary display. This is in line with research conducted by [15], that Microsoft Excel is user friendly and can be customized.

The recording method for raw material purchase transactions at PT Bernofarm is perpetual, the following is the recording journal:

- A purchase has occurred		
Raw Material Inventory	XXX	
VAT	XXX	
Accounts Payable		XXX
- A return occurred		
Accounts Payable	XXX	
Raw Material Inventory		XXX
VAT		XXX
- Settlement		
Accounts Payable	XXX	
Cash/Bank		XXX

4.5. Transaction Documents

- Sales Forecast is made by the marketing team for each period. The evaluation process is carried out quarterly or semi-annually to see the rise and fall of sales. If the products sold are many, then raw material purchases are made, however, if the opposite is true, then the purchase of raw materials is postponed first to reduce accumulation and expiration.
- Inventory Status created by PPIC to provide information on each type of raw material at the final inventory quantity point.
- Purchase Request Letter is made by PPIC which is addressed to the purchasing department to submit a purchase request for goods or raw materials. This document is issued based on the results of production needs planning, sales forecasts, and inventory status in the warehouse.
- The Request for Price Quote Letter is made by the purchasing department to the supplier. If it is deemed suitable, both in terms of price and quality of raw materials, then the purchasing party issues a Purchase Order.
- The Delivery Order from the supplier serves as proof that the ordered raw materials have been sent and are in accordance with the order specifications.
- Proof of Goods Receipt is made by the warehouse or receiving department when an item arrives from the supplier. This document serves as a sign that the goods have been physically received by the company, and is the basis for checking the conformity of the goods sent with previous ordering documents, such as purchase orders and delivery orders.
- Goods Receipt Report is made after the verification and inspection process of goods by the Quality Control and warehouse departments. This LPB contains more complete and detailed information regarding the condition of the goods received, such as the results of physical inspection, quality, quantity, and suitability of the goods.
- Invoices and Tax Invoices from suppliers are officially issued by suppliers as bills for goods that have been sent to the company, usually containing transaction details, including the name and quantity of goods, unit price, total price, payment terms (terms), and due date. Invoices are the main basis for companies to record debts and determine the time of repayment.

Meanwhile, a tax invoice is a document issued by a supplier as proof that the transaction has been subject to Value Added Tax (VAT), in accordance with the tax regulations in force in Indonesia.

- The return note is made by the accounting department as a form of statement that there is a reduction in the value of the company's debt to the supplier due to the goods

received not being in accordance and the Rejection Report is made by the Quality Control if there is damage or non-conformity to the raw materials sent by the supplier such as damage, lack of quantity, or not meeting quality standards.

- j) Bank Expenditure Proof is a document that shows that the company has made a payment to the supplier for a transaction to purchase raw materials on credit. Usually in the form of proof of bank transfer, payment slip, or transaction confirmation from the bank stating the nominal amount of funds that have been sent to the supplier's account. This document is real evidence that the company's debt obligations have been paid off.

4.6. Internal Control Analysis

- a) Component 1: Control Environment

PT Bernofarm demonstrates a fairly strong control environment through a clear division of tasks and responsibilities between divisions, such as PPIC, purchasing, warehouse, Quality Control, and accounting. Each division has different authorizations and roles but is interconnected in a structured procedural system. The existence of industry standards such as CPOB/GMP and the obligation of suppliers to meet quality criteria add to the strength of a control culture based on compliance with pharmaceutical regulations. This reflects the company's commitment to integrity, HR competence, and work ethics that support the creation of effective internal control.

- b) Component 2: Risk Assessment

The company explicitly identifies and manages risks that may arise in the raw material purchasing process, such as the risk of late supply, non-conformity in quality, damage to materials, and errors in debt recording. This is proven through the supplier evaluation process, raw material quarantine procedures before being stored in the warehouse, and return policies if there is a discrepancy with the established standards. The risk of loss due to poor storage is also minimized through temperature-based storage grouping and the application of the FEFO method. This risk assessment helps the company maintain the availability of safe and quality raw materials.

- c) Component 3: Control Activities

Control activities are implemented in various procedures, such as the existence of purchase request documents from PPIC, Purchase Orders from purchasing, and Goods Receipt Reports from the warehouse. All raw material purchase transactions are accompanied by supporting documents such as invoices, tax invoices, and return notes. The task of recording and paying off debts is carried out by two different parts in accounting (accounts payable and cashier) to maintain separation of functions. Routine stock opname procedures and cross-verification between documents are also forms of physical and administrative control that aim to maintain data accuracy and prevent misappropriation or recording errors.

- d) Component 4: Information and Communication

The information system at PT Bernofarm already uses Java Desktop-based ERP, which supports computerized recording. Information from each stage of the purchasing process is clearly distributed to various stakeholders, including warehouse, QC, accounting, and management. Internal communication between departments also runs via email, Microsoft Excel recaps, and formal coordination such as quarterly meetings between PPIC and the sales team. This shows that information is delivered in a timely, accurate, and accountable manner to support the decision-making process.

- e) Component 5: Monitoring Activities

Monitoring is carried out periodically, especially in the form of routine supplier evaluations and monthly stock opname activities between the warehouse and accounting. In addition, verification of materials by Quality Control during quarantine and reports on raw material returns that must go through management approval are also part of monitoring compliance with procedures. The debt repayment process that refers to the recapitulation data due through Microsoft Excel also indicates ongoing control to prevent late payments or transaction errors.

4.7. Quality Management Analysis

The series of procedures for purchasing raw materials on credit that are implemented show the implementation of good quality management, marked by coordination between functions (such as PPIC, purchasing, QC, warehouse, and accounting), strict selection of suppliers based on quality standards (GMP/CPOB), and the implementation of a monitoring and documentation system that supports transparency and accountability. The material quarantine process, quality inspection before storage, application of the FEFO principle, and implementation of routine stock opname reflect a commitment to controlling the quality of raw materials to ensure the safety and suitability of the final product.

In addition, the procedure for recording and paying off debts documented with the ERP system and supported by complete supporting documents, then the recap process through Microsoft Excel, also supports the integrity and accuracy of financial data. Distribution of purchasing information to all related parties also shows the existence of a transparent and controlled reporting system, which is essential in maintaining operational quality and supporting decision making based on valid data.

4.8. Constraints on Purchasing Raw Materials and How to Overcome Them

In the process of purchasing raw materials on credit at PT Bernofarm, a number of operational constraints are often faced, especially related to price fluctuations and foreign exchange rates that affect the purchase of imported raw materials. The company overcomes this with a fixed price contract strategy, procurement in large quantities for the long term, and estimation of exchange rates in financial planning. In addition, delivery delays are also a challenge, especially from overseas suppliers or when market demand increases. To minimize the impact, PT Bernofarm applies buffer stock, makes purchases well in advance of the production schedule, and works with more than one supplier as an alternative supply.

Another obstacle encountered is the non-conformity of the goods received with the specifications ordered, both in terms of quality and quantity. This is handled through an inspection process by Quality Control and, if necessary, a return with a return note. However, the return process itself can be time-consuming as it requires clarification with the supplier, so active communication and complete documentation are required. In addition, administrative constraints such as recording errors and late documents can also affect the debt repayment process. Therefore, the accounting and purchasing departments use a digital system and recap data through Microsoft Excel as a form of cross-control before payment is made, in order to maintain the accuracy and efficiency of the purchasing process.

5. Conclusions

The procedure for purchasing raw materials on credit at PT Bernofarm has shown the implementation of an effective and structured internal control and quality management system. The five components of the COSO framework have been implemented through a clear division of tasks between departments, identification and mitigation of risks such as supply delays or recording errors, and implementation of control activities such as separation of functions and document verification. The Java Desktop-based ERP system also supports accurate and real-time information flow between departments, while monitoring activities are carried out through supplier evaluations, stock-taking, and debt payment control based on due recap. All this shows that PT Bernofarm has created a work environment that supports transparency, accountability, and data-based decision making.

In terms of quality management, the company is committed to CPOB/GMP standards by ensuring a strict supplier selection process, quality testing of raw materials by Quality Control, and storage that follows FEFO principles. Routine stock-taking activities strengthen the reliability of inventory data, which has a direct impact on the accuracy of financial reports and the readiness of production materials. Although the system is running optimally, the company still faces obstacles such as fluctuations in the price of imported materials, delivery delays, and administrative errors. To overcome this, PT Bernofarm implements strategies such as fixed price contracts, long-term procurement, buffer stock, supplier diversification, and the use of Excel and ERP as a cross-control tool. This entire system supports operational continuity and maintains sustainable production quality in the pharmaceutical industry.

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