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Managing Cash Flow and Financial Efficiency in Logistics Companies: Analyzing Practices and Their Impacts

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ABSTRACT

The phenomenon shows that the performance of the freight transport industry in Indonesia must be intensified to be more competitive, facing the current era of e-commerce technology-based business. This study examines the understanding and practices of cash flow management at PT. SMI Cargo and their impact on the company's financial efficiency. Through interviews with management and financial data analysis, PT was found. SMI Cargo places significant emphasis on cash flow management as a key indicator of financial health. Interactive analysis was employed as the primary methodology, which involves four stages: data collection, reduction, presentation, and conclusion drawing. This approach allowed for a systematic examination of cash flow practices, uncovering key insights into the company's financial strategies. Data triangulation was used to enhance the validity and credibility of the research findings. The company enforces strict controls over expenditures and receivables collection to maintain cash flow stability—routine assessments of financial reports and financing effectiveness aid strategic decision-making. The company may create successful business strategies, such as pricing and promotional efforts, as well as PT, using accurate financial records and careful data analysis. For asset and revenue management, SMI Cargo has a strong internal control system in place that guarantees asset values are always correct and current. Compared to the prior period, net cash flow grew by up to 40% as a result of cost control and improved client payments. Investor interest is piqued and sustained financial performance is supported by this simple yet efficient financial management. This study did not thoroughly examine external elements that could affect the company's financial performance, such as macroeconomic conditions and regulatory changes in the logistics industry. To give a more complete picture of the company's financial performance, more study must take into account the in-depth investigation of external issues, such as macroeconomic conditions, regulatory changes, or trends in the logistics market.

Keywords: Statement of Cash Flow, Financial Efficiency, Logistics Company, Internal Control System

Introduction

The freight industry is experiencing fast growth and presents promising business opportunities currently. Freight services are becoming a crucial part of e-commerce platforms' operations due to their growth. The need for freight services is rising as a result of the increased popularity of online shopping. This rapid growth has positioned the freight business as a leading sector in the service industry. According to data from the Central Bureau of Statistics, the transportation and warehousing sector grew by 15.79% in the first quarter of 2022 and increased by 21.27% in the second quarter [1]. The performance of the freight or logistics service industry is expected to continue improving, considering the national economy is recovering, and consumer behavior increasingly favors convenience and practicality in this modern era [1].

In Indonesia, the contribution of the logistics sector to GDP continues to increase, especially due to the increasing need for inter-regional and inter-country shipping. Logistics costs reached 23.5% of GDP in 2021 and decreased to 22% in early 2023 [2]. Despite the decline, this figure is still higher compared to other ASEAN countries, such as Malaysia, where logistics costs only reached 13% of GDP [2].

In addition, the transportation and warehousing sector in Indonesia experienced significant growth of 21.27% in the second quarter of 2022 compared to the same period in the previous year [3]. This information shows that despite the growth in the logistics sector, Indonesia still faces challenges in reducing logistics costs to increase efficiency and competitiveness in the regional market.

Cash flow dynamics in logistics companies in the industry report noted the growth of the global logistics market with a CAGR of 6.3% until 2028 [4], to provide up-to-date insights into cash flow dynamics in logistics companies. In addition, the report of the Indonesian Ministry of Transportation noted that logistics costs in Indonesia still reach 22% of GDP in 2023 [5], indicating the need for a more efficient financial strategy in this sector.

Performance is crucial for freight companies. However, the industry's rapid growth has led to intense competition among companies. Consumer demand for shipping services is very high, with numerous companies offering online and offline freight services, ranging from local to international delivery services. Research by [6] indicates that while the current performance of freight services is adequate, further actions are necessary to maintain or enhance this performance. Efforts to boost the performance of Indonesia's freight service industry must be intensified to remain competitive. Therefore, each company must develop strategies to achieve business success.

Cash flow management practices in logistics companies show significant variations based on region and scale of operations. Companies in developed countries tend to rely on modern technology-based systems such as Enterprise Resource Planning (ERP) to monitor cash flow in real-time, while many companies in developing countries still use manual or semi-digital methods. According to a 2022 McKinsey & Company analysis, the use of automation technology has increased the cash flow management efficiency of logistics firms in North America and Europe [7]. However, Southeast Asian businesses, especially those in Indonesia, continue to struggle to integrate their financial systems with logistics operations, which frequently results in cash flow volatility and payment delays [8].

Simple technology, like Excel-based finance, which provides flexibility and low costs, is still widely used in Indonesian SMEs' financial systems. Its drawbacks, however, are the possibility of human error, the incapacity to manage massive data sets, and the absence of automation capabilities like real-time reporting or payment connection.

In contrast, contemporary accounting software like Xero, SAP, or QuickBooks has capabilities that enable deeper data analysis, automated cash flow tracking, and reminders for past-due payments. According to a Deloitte 2023 study, businesses that moved from Excel systems to contemporary accounting software saw up to 40% more accurate financial data and 30% more efficient operations [9].

Businesses' success strategies must take into account several factors, including capital, price, marketing tactics, and others. Businesses must also increase data accuracy and job quality in the face of rising competition. Cash flow is often used to indicate a company's financial health. Stable and positive cash flow demonstrates sound management and promising prospects [10][11]. Cash flow information helps management make better decisions regarding operations and finances [12], including decisions on expenditures, investments, and long-term business strategies.

Research by [13] describes the cash flow statement as a financial report that provides information on cash inflows and outflows from operating, investing, and financing activities during an accounting period. Similarly, [14] defines the cash flow statement as a report detailing the amount of cash received and paid by a company over a specific period. Based on these perspectives, the cash flow statement is a key component of financial reporting. It provides insight into a company's ability to generate profit and maintain liquidity in the future while offering relevant information on cash receipts and disbursements during a specific period, classified according to operating, investing, and financing activities.

According to PSAK 207, the purpose of a cash flow statement is to provide information that is useful to users of financial statements as a basis for assessing a company's ability to generate cash and cash equivalents, as well as evaluating its need to utilize those cash flows [15]. For economic decision-making, users of financial statements must evaluate a company's ability to generate and acquire cash and cash equivalents. The cash flow statement offers valuable information for assessing a company's liquidity, solvency, and financial flexibility.

Small and Medium Enterprises (SMEs) play a fundamental role in the economic performance of a country [16][17][18]. SMEs are economic activities individuals or groups undertake to produce goods and services to increase business profits and income. In Indonesia, SMEs are a key focus for the government due to their vast number and widespread presence nationwide. They have proven to be instrumental in overcoming various challenges during economic crises in Indonesia.

Some financial lending institutions propose treating SMEs as retail clients to optimize capital requirements and profitability. However, SMEs are also known to have a high credit risk due to their inability to manage cash flow effectively [19].

SMEs are expected to be capable of managing financial statements by the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM)[20]. SAK EMKM provides simplified financial accounting standards that categorize transactions commonly occurring in SMEs. The standard aims to facilitate the preparation of financial statements for SME actors in Indonesia, thereby enabling easier access to financing from various financial institutions.

The financial reports that can help SMEs create financial statements compliant with SAK EMKM standards include:

1. Income Statement: Comprising revenue, financial expenses, and tax expenses.
2. Statement of Financial Position: Including cash and cash equivalents, receivables, inventory, fixed assets, accounts payable, bank loans, and equity.

PT. Sarana Multi Intermoda (SMI Cargo) is a private company engaged in freight services. The cash flow statement allows SMI Cargo to monitor cash inflows from customers and outflows for supplier payments and other operational expenses, enabling more efficient financial management. By tracking cash flow, the company can identify areas where expenses can be reduced or optimized to improve efficiency and profitability.

Research related to cash flow management in logistics companies is still limited, although good financial management is very important for business sustainability. Ineffective management of cash flow may result in an inability to fulfill financial commitments, a decline in trust from business associates, and ultimately diminish the competitiveness of the company.

This study focuses on cash flow management in the logistics sector, filling a gap in the literature that has largely focused on the manufacturing and trading sectors. The logistics sector faces unique challenges, such as operating cost volatility due to fuel price fluctuations and reliance on customer credit, which require a special approach to cash flow management [21].

Given the importance of cash flow statements for freight companies, this study aims to explore management's understanding of utilizing cash flow statements at SMI Cargo. It also examines the practices in preparing and presenting cash flow statements at SMI Cargo. This research not only provides benefits for SMI Cargo but also becomes the basis for developing the best model that can be adapted by similar companies in this industry. Given the dynamics and pressure on margins in the logistics sector, innovative financial solutions can be a competitive advantage.

The findings of this study not only enrich the academic literature but also offer practical guidelines for logistics companies to improve their financial efficiency and competitiveness in the competitive market.

Method

The research employed a qualitative method with a case study approach. Qualitative research provides a comprehensive and detailed understanding by analyzing words and capturing respondents' perspectives on their lived experiences [22]. The approach adopted is descriptive and uses inductive analysis, aligning with the research focus on uncovering management perspectives and practices in preparing cash flow statements at PT. SMI Cargo.

The researcher collected primary data through interviews with informants, guided by a framework outlining key discussion points. Informants are individuals who possess substantial information about the research subject. They provide insights into the background situation and conditions and offer recommendations on supporting sources of evidence [23].

To analyze the social situation relevant to this study, the researcher described data related to the context and profile of PT. SMI Cargo, particularly concerning the existence and process of cash flow reporting.

The basis for sampling in this study was carried out using a purposive sampling approach, where informants were strategically selected based on their unique roles and expertise relevant to the focus of the study. This approach was designed to ensure that the data obtained reflected in-depth insights from individuals who had a direct influence on cash flow management in the company, commissioners as policymakers, and the finance department responsible for managing the company's finances, including cash flow monitoring and financial reporting. The combination of strategic, technical, and operational insights allows for a more comprehensive and in-depth analysis of the company's cash flow management.

Table 1. Information Respondent

No.	Name	Position
1	Teddy Mufty	Komisaris PT SMI Cargo
2	Amelia Rosadi	Manager Finance PT SMI Cargo
3	Jesika	Finance
4	Laela Heriyah	Finance
5	Riza Shifa	Finance
6	Saskia Marizki	Finance

Interactive analysis is the data analysis method used in this investigation. Data collecting, data reduction, data presentation, and conclusion drawing are the four steps in this methodology [24]. The steps of the data analysis method are depicted in Figure 1.

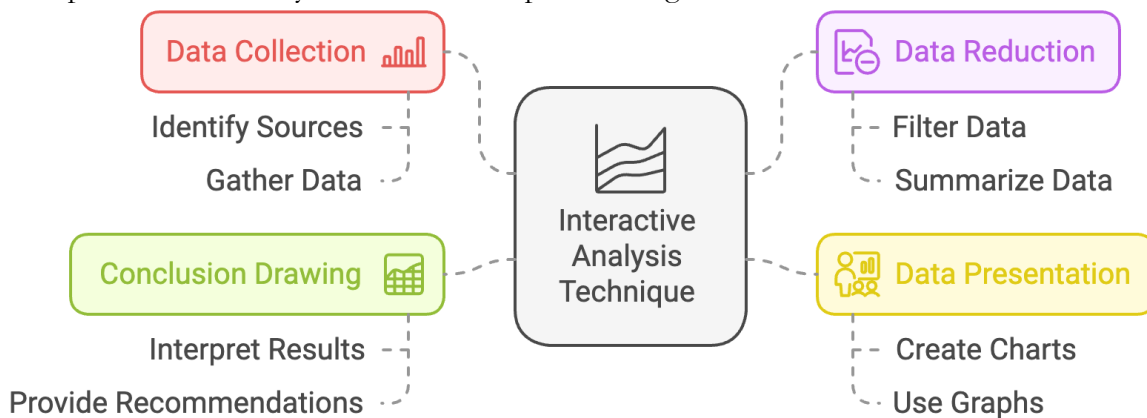


Figure 1. Interactive Data Analysis Technique

Four crucial steps make up the interactive analysis process, which is a methodical approach to data analysis:

1. **Data Collection:** This first step is compiling pertinent data from multiple sources. The goal is to guarantee a thorough dataset that appropriately answers the study question.
2. **Data Reduction:** To concentrate on the most important information, the gathered data is filtered and condensed in this step. This procedure highlights important discoveries and aids in controlling the amount of data.
3. **Data Presentation:** Presenting the results in an intelligible and straightforward manner comes next after the data has been reduced. To properly visualize the data, this may entail using tables, graphs, or charts.
4. **Conclusion Drawing:** The last phase entails analyzing the data and making inferences from the findings. To offer insights and suggestions, researchers synthesize the data here.

A systematic and iterative approach to data analysis is provided by the interactive analysis technique, guaranteeing careful review and interpretation of results. Scholars assess the results critically, taking into account their ramifications and applicability to the larger picture. To guarantee legitimacy and dependability, this step also includes confirming the conclusions using triangulation or other tests.

The interactive analytic technique permits feedback loops between stages, in contrast to linear methods. For example, during data reduction, new data may be collected or refined based on insights from data display. The depth and validity of the study are improved by this iterative process, which gives researchers a dynamic and adaptable instrument. The interactive analysis technique guarantees that the research process is thorough, transparent, and able to produce trustworthy insights that guide useful recommendations by adhering to these methodical steps.

By integrating many data sources, methodologies, theories, or researchers, data triangulation was employed in this study to increase the validity and reliability of the results. Triangulation's main goal is to enhance the results and lessen bias by confirming the accuracy of data from several sources.

Data triangulation was used in this study to increase the validity and reliability of the results. To cross-verify information, this strategy combines different data sources, methodologies, theories, or researchers. Triangulation's main goal is to minimize bias and improve the results by guaranteeing uniformity across various viewpoints.

Researchers can develop a more thorough grasp of the topic and draw more trustworthy findings by combining various points of view and data sources. This procedure is an essential part of the research process since it not only validates the results but also enhances the analysis as a whole. In conclusion, data triangulation combined with the interactive analysis technique offers a complete foundation for carrying out exhaustive and reliable research.

Considering the combination of observations, document analysis, and interviews as key data sources, data triangulation improves reliability in this study. When cross-referenced, the distinct insights from each approach confirm the correctness and consistency of the results. Disparities between the data from these sources can be found and fixed by comparing them, preventing conclusions from being skewed by a single source.

Key people interviews can yield qualitative information about corporate strategy and subjective experiences related to financial management methods. Document analysis can look at a company's financial records and provide unbiased, measurable information to back up or refute statements made in interviews. Observations can capture real-time operational practices, bridging the gap between stated policies and actual implementation.

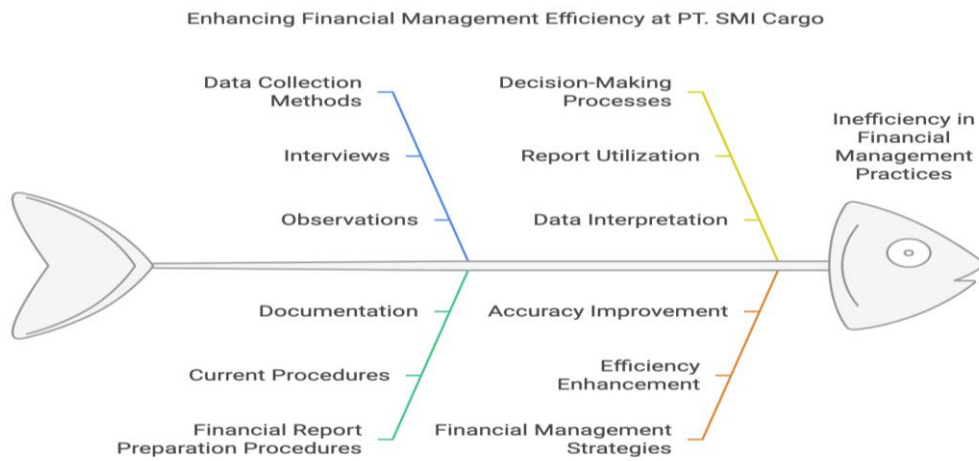


Figure 2. Conceptual Framework

Results and Discussion

PT. SMI Cargo is a company engaged in expedition, cargo, and logistics services by maintaining services to all corners of Indonesia, especially the eastern region. With a vision to provide high-quality services, PT. SMI Cargo is committed to meeting customer needs in the safe, time-saving, and comfortable delivery of goods.

Financial reports play an important role in decision-making. Financial report analysis is used to assess company performance and provide strategic steps for the future. This information is the basis for management in determining service prices, developing businesses, recruiting human resources, and preparing budgets and promotional strategies. With quality reports, management can manage economic risks that arise from various business problems.

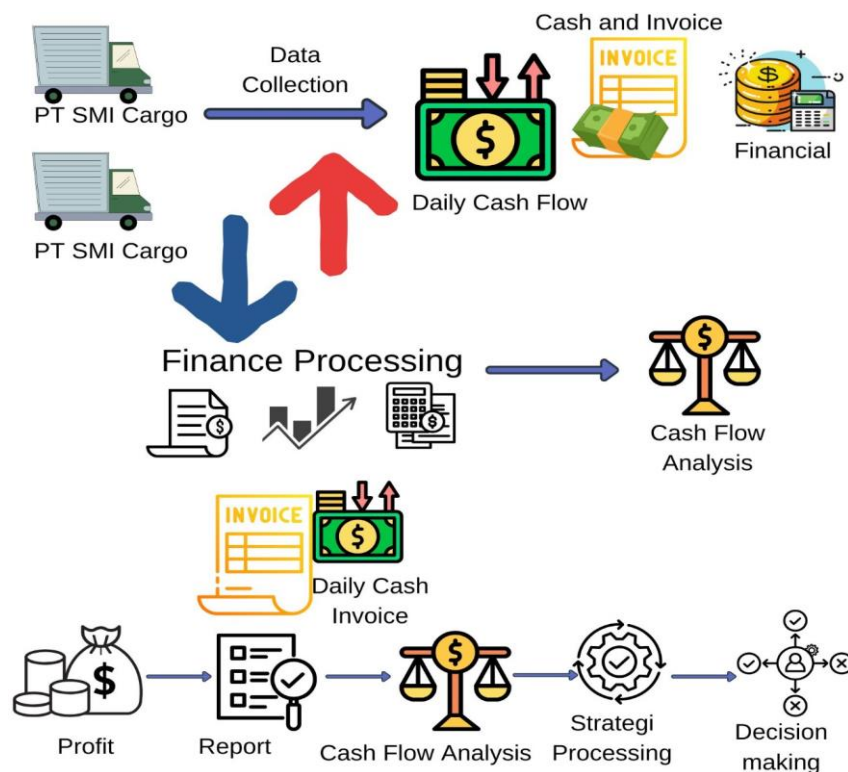


Figure 3. Financial Transaction Processing Flow at PT SMI Cargo

PT. SMI Cargo implements transaction-based financial recording, from journaling to comprehensive financial reports. This process includes recording transactions based on available evidence, using ledgers, to presenting financial reports that can be accessed by internal and external parties. This activity allows the company to calculate cash flow, calculate profit or loss, and turn around financial health.

In the last two years, the financial condition of PT. SMI Cargo experienced fluctuations, with a decline in performance in the previous year due to limited human resources and failure of calculation strategies. However, the company managed to recover by taking advantage of bold sales trends, which helped increase revenue. Analysis of financial conditions is carried out continuously to maintain business stability and sustainability.

One of the challenges faced by PT. SMI Cargo is the implementation of technology that is still simple. The company uses Microsoft Excel as the main tool for preparing financial reports. Although this method is more organized than manual recording, the company realizes the need to upgrade to a more sophisticated system to improve efficiency and accuracy in processing financial data. Although it is recognized that Excel currently helps reduce calculation errors, speed up work time, and save operational costs.

Management's Understanding of the Cash Flow Statement

1. Measuring Performance and Setting Pricing Policies

Profit and cash flow are measures of financial quality and performance used in SMI Cargo management, as explained by Mr. Teddy Mufty and Laela Heriyah as leaders.

“For measuring financial performance, profit is always first, and second, we follow the cash flow system. Cash flow is king. Cash flow is everything for us; if it is good, profit or not, it depends on our performance and the current situation. Staying afloat is already good, but the most important thing is cash flow. The indicator for us is cash flow. Everything depends on cash flow. For financial quality, we always strive to ensure that the finances and reports reflect the situation. Having well-organized data and the ability to analyze that data are two crucial components for developing a good business strategy.” (Teddy Mufty)

“We hold meetings to review what funding is available and what sales have been made; if costs rise, we issue warnings. We look at efficiency, trying to make the funding as efficient as possible. There is no avoiding it with large sales, but the funding must be flexible without disturbing daily operations.” (Laela Heriyah)

SMI Cargo conducts meetings to evaluate company performance and make decisions. Cost and revenue evaluations are central to the decision-making process, ensuring that the company focuses on cash flow management as the primary indicator of financial health. While profitability remains important, good cash flow is considered a higher priority. The company can formulate effective business strategies based on accurate data and strong analytical capabilities. Regular financial evaluation meetings and a focus on funding efficiency show the company has solid and responsive control mechanisms to maintain financial and operational stability.

SMI Cargo even determines the selling price based on cash flow by estimating the costs incurred in future sales. With financial reports, the company can make informed decisions about the selling price to charge customers and ensure profitability. Financial data must be processed correctly and meticulously to ensure accurate decisions. Therefore, the finance and accounting team must always double-check each task before reporting to management, as noted by informants Jesika and Laela Heriyah:

“Yes, from our sales data, we check and identify if any items were purchased together, then report this to management.” (Jesika)

“Sometimes, if there is a billing issue...we continue pushing for confirmation from the customer, making sure the billing data is clear. From there, we make decisions about the customer after reviewing the data.” (Laela Heriyah)

Using this financial data, PT. SMI Cargo analyzes whether it needs to increase the selling price or find a cheaper vendor to minimize losses. Typically, PT. SMI Cargo holds monthly meetings to analyze financial reports for any significant changes in profit, which informs decisions about selling prices. Based on these financial reports, PT. SMI Cargo can also decide on promotions to boost sales. Financial reports play a crucial role in decision-making regarding pricing at PT. SMI Cargo. Based on the data in the financial reports, management can make accurate decisions that align with the company's needs, ensuring that pricing does not lead to losses. PT. SMI Cargo pays close attention to pricing and service quality in its competitiveness within the logistics industry today. For PT. SMI Cargo, pricing determination is critical for competing and increasing sales.

2. Evaluating Reporting Efficiency

This study also highlights that cash flow is a key consideration for management when measuring efficiency. As is well known, efficiency can significantly enhance a company's profitability. The following is an explanation from Mr. Teddy Mufty and Mrs Amelia Rosadi regarding the evaluation of the efficiency that has been achieved:

“Efficiency has been quite good so far. Efficiency relates to funding. We already have benchmarks, know the Return on Assets (ROA), and know the expenses that should be incurred. If it exceeds this amount, we issue a warning to the finance department, and the finance department warns the monitoring and operational departments to calculate efficiency because it is important. We have a benchmark that if our sales reach this level, the funding should be at this level. Anything beyond that means something is wrong. As I mentioned, profitability must remain stable, and the principle is ‘minimize costs, maximize profit.’” (Teddy Mufty)

SMI Cargo has implemented efficiency by minimizing costs while maximizing profits in its business activities. Through financial reports, PT. SMI Cargo analyzes revenue and expenses to predict the costs that need to be incurred based on targeted sales. The company also uses cash flow as a key reference to ensure optimal operations and achieve efficiency. Management works to optimize expenditures and ensure that each cost provides maximum value to the company, allowing smooth and efficient operations.

Regarding the involvement of investors, Mrs Amelia Rosadi explained how both investors and management use information from financial reports as internal stakeholders:

“For financial reports, investors only look at the income statement and balance sheet, focusing on key points to make decisions based on data from those reports. Typically, investors are interested in assessing the company's accounts receivable and payable from those reports, as this is a crucial consideration for them.” (Amelia Rosadi)

Investors are particularly interested in the income statement and balance sheet to evaluate the company's performance and financial health. Generally, investors focus on the company's receivables and payables as important indicators. Therefore, the company must present accurate financial reports and maintain effective receivables and payables management to attract investor attention and build trust. Both cash flow and other financial statements (income statement and balance sheet) play a vital role in evaluating the company's financial performance from both internal and external perspectives. Good cash flow management supports daily operations and long-term

strategies, while solid income statements and balance sheets are crucial for attracting and retaining investors.

3. Cash Flow as a Key Indicator of the Company's Financial Health

Financial risks are crucial factors that must be managed within a company to ensure its continued financial stability. To minimize such risks, PT. SMI Cargo considers cash flow as a key reference in evaluating the company's financial performance, including as part of the company's funding strategy. PT. SMI Cargo manages cash flow by closely monitoring receivables to ensure they do not become overdue and by budgeting monthly payments to vendors to balance the company's expenditures and revenues.

“Cash flow, once again, if managed properly, minimizes risks. External funding strategies are needed if our cash flow is poor, starting with investors. Secondly, collateral from shareholders, such as pledging house certificates, is another option for funding to support our financial health. However, we generally anticipate seeking investors, as from there we can share profits, as long as we can still make a profit.” (Teddy Mufty)

“First, we look at both short-term and long-term invoices. We push for the payment of overdue invoices. Secondly, we emphasize cost control to ensure good profits and cash flow so payroll, vendor payments, and deposits run smoothly. We also request timely payment arrangements with vendors, such as setting payment terms for more than 100 million, to ensure good cash flow. It is important not to focus solely on vendor payments but also on ensuring that other obligations like ticket payments, fuel, employee salaries, and utilities are not delayed. Everything must be balanced.” (Laela Heriyah)

The statements above show that PT. SMI Cargo's management has an efficient billing system that collects timely receivables. This is essential for maintaining stable cash flow and avoiding liquidity issues. Effective negotiations with vendors for flexible payment terms are also important to meet other obligations, such as payroll, operational costs, and utilities. Cash flow management at the company is highly focused on receivables and payment processes. Close monitoring of invoices and cost control are priorities to ensure good cash flow. Additionally, setting payment terms with vendors helps maintain balance across the company's various financial obligations.

Cash Flow Statement Preparation Practices

1. A Simple Process that Prioritizes Accuracy.

Financial statements are vital for obtaining information regarding a company's financial position and results. Consequently, financial statements are expected to assist users in making economic decisions related to finances. During an interview with Mrs. AR regarding the key components of financial statements and the process of preparing financial statements at PT. SMI Cargo, she stated:

“The main part of the financial statements, in my opinion, begins with the general journal, where we must know the account names used according to the transaction and their respective placements, such as in the general journal for posting to the ledger. Once we process the general journal in Excel, the financial statements are automated with formulas. Generally, the financial statement process is based on sales data and the daily cash report, which shows the revenue, operational costs, and fees. The daily cash report contains the history of money flowing in and out of the company.” (Amelia Rosadi)

Staff member Jesika further explained the financial statement preparation process:

“First, we receive the receipt document from the monitoring department to be input into a Sales Data file. Inside this file, there are several columns such as the destination, pick-up date, receipt document number, sender, recipient, size information (boxes, kilos, and cubic meters),

price, total billing, cost columns (including storage costs, handling services, and trucking), fees, and profit. The profit comes from the total billing minus the total costs and fees. The main focus of this sales data is billing and costs, as these two factors heavily influence profit. Therefore, careful attention is needed during the data input process.” (Jesika)

As expressed by Mrs. Amelia Rosadi, preparing the financial statements at PT. SMI Cargo is derived from sales data, which contains information about customer billing or revenue, operational expenses, and marketing fees, as well as the daily cash report, which tracks the company's cash inflow and outflow. This sales data is crucial for PT. SMI Cargo's financial records serve as the foundation for preparing financial statements. After the sales data is recorded, the sales data department will request the billing recap department to update the data according to the most recent sales data. The billing recap summarises customer receivables, such as receipt document issues from invoices, invoice due dates, and updates on whether invoices have been settled. Similarly, the invoicing department creates invoices and collects customer payments. This department communicates directly with customers regarding billing matters.

Cash flow efficiency and profitability level as performance indicators are also applied in PT. Kereta Api Logistik (KALOG). In its annual report, KALOG emphasizes the efficiency of capital use based on operating cash flow and capital expenditure and considers future capital needs [25].

SMI Cargo continues using Microsoft Excel to prepare financial statements and support managing its financial records. Excel is preferred for financial management due to its flexibility and ease of use for management, which may not be a specialty in this field.

Based on the research, it was found that PT. SMI Cargo simply manages its financial statements, primarily focusing on sales data and daily cash reports. However, the company places significant emphasis on data quality, recognizing that proper management of financial statements is essential. Accurate transaction records and data allow the company to calculate revenues, expenditures, profits, or losses and assess business performance. The use of Microsoft Excel in preparing financial statements and recording transactions is considered efficient as it simplifies structuring, automatically calculates totals, reduces costs, saves time, and speeds up the recording process using available formulas.

2. Establishing Internal Control Through Accurate Transaction Evidence

Financial management begins with transaction records, transfer receipts, cash expenditure forms, and other documented proof of cash outflows. These are further supported by the necessary documentation related to the intended use of the funds. As outlined in the interview with staff member Riza Shifa:

“Financial records are processed based on the available transaction evidence. Usually, when we need to release funds, we have a form that must be approved by four parties: the cashier, the sales data department, accounting, and then management. From the transaction evidence, we will record it in the LHK (Cash Flow Report) and then process this data into the general ledger for the financial report. We also record income in the LHK based on the transfer evidence from customers and bank statements, which is subsequently processed into the general ledger for financial statement preparation.” (Riza Shifa)

Reasonable internal control is one of the targets at PT. SMI Cargo to support healthy financial management. This is reflected in the accounting practices prioritizing procedures for ensuring accurate transaction evidence. Additionally, the company maintains a separate file to record and update its asset list periodically each month. Depreciation of assets is also updated in the financial statements to reflect the current value of the assets. The following is an interview with Mrs. AR:

“For internal control, we usually check the asset list, which is kept in its file and updated and reviewed periodically every month. Therefore, depreciation in the financial statements can also be updated according to the asset's value. Whenever there is an addition to the company's assets, we immediately record it in the file to control everything in terms of value. As for revenue and expense control, we typically analyze the income statement and compare it with the previous month's. This allows us to manage things so that income does not decrease while expenses rise.” (Amelia Rosadi)

The company has a solid internal control system for asset management, ensuring that asset values are always accurate and up-to-date. This is crucial for providing a clear and accurate picture of the company's financial position. Regular analysis of income and expenses is also conducted to help the company maintain financial balance, avoid a decline in profitability, and ensure that operational costs do not rise uncontrollably.

Based on the research conducted, it was found that PT. SMI Cargo achieves data accuracy by managing transaction records through well-organized transaction evidence, with staff regularly reviewing company data. Well-organized transaction evidence plays a role in achieving data accuracy in line with widely recognized accounting and internal control standards [11][14]. PT. SMI Cargo's practices reflect compliance with these established standards, demonstrating how systematic recording and periodic review contribute to building strong internal control and improving performance. This allows the company to build internal controls that contribute to improved performance.

The above explanation shows that PT. SMI Cargo, as a logistics and cargo service company, relies on Microsoft Excel-based financial reports to manage its operational financial data. However, with the limitations of the financial report processing system, the company can explore the role of financial reports, reporting efficiency, and cash flow management as key elements in maintaining the stability and efficiency of the company's operations.

Financial reports play a central role in supporting three main areas in the company, namely decision-making, report preparation, and internal control. Financial reports are not only a documentation tool, but also a crucial element that supports business sustainability, increases transparency, and strengthens strategic decision-making at PT. SMI Cargo. Figure 4. illustrates the integration of financial reports in various aspects of the company's operations. The following is an explanation for each role:

Decision Making - Financial reports are the basis for strategic decision-making, such as determining selling prices, increasing reporting efficiency, and monitoring cash flow. With accurate and relevant information, management can make better decisions to maintain the profitability and continuity of the company's operations.

Report Preparation - Financial report preparation includes transaction recording, daily reporting, and the use of simple tools such as Microsoft Excel. Although Excel helps to prepare reports manually, this process has limitations in terms of scalability and automation. Therefore, financial reports play an important role in providing organized data for regular reporting.

Internal Control - In internal control, financial reports are used to manage processes such as cash disbursement forms and billing recaps. With a good control system, companies can ensure that funds are used efficiently and the risk of errors or fraud can be minimized.

Determining competitive selling prices while maintaining service quality is crucial for businesses like PT. SMI Cargo. This involves analyzing sales and operational costs, as well as evaluating income and expenses research papers shed light on methods for establishing competitive prices in a marketplace. Pricing decision-making processes in competitive markets can be developed using a reinforcement learning algorithm, claims [26]. This strategy lowers logistical expenses, helps coordinate inventory procedures, and eventually boosts revenues. The system takes

into account variables that affect client decisions, including price, service level, quality, and distance. By taking consumer behavior into account while setting prices and managing inventories, it has been demonstrated to generate more profit than alternative approaches. Small businesses can impact prices in a competitive market by implementing quality disclosure tactics. Profits and selling prices may be impacted by the choice to reveal the quality of the goods. High-quality small business enterprises may choose not to disclose quality to maintain higher prices, while low-quality small business enterprises might disclose quality to attract customers. The optimal pricing strategy depends on customer perceptions and the competitive landscape [27][28].

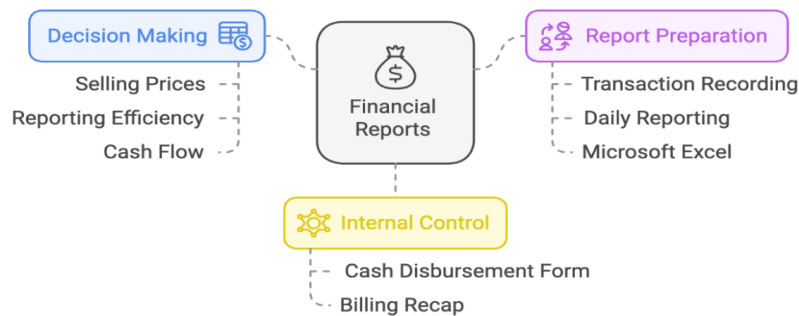


Figure 4. The Role of Financial Report in PT SMI Cargo

Maintaining smooth cash flow is crucial for the financial health of any company, including PT. SMI Cargo. Effective cash flow management involves monitoring receivables and managing vendor payments to ensure a balance between expenses and income. Cash flow is essential for sustaining business operations, supporting growth, and ensuring financial stability. Effective cash management practices help companies meet financial obligations, seize opportunities, and navigate economic uncertainties by balancing liquidity and profitability [29].

The effectiveness of cash flow management is achieved by reducing the average age of receivables from 45 days to 30 days for 45% of the company's receivables, which increases the company's financial liquidity. Another thing that was achieved was that operational costs could be reduced by up to 4% of total monthly income. Controlling expenses and optimizing customer payments drove net cash flow to increase by up to 40% from the previous period.

Implementing robust cash flow monitoring systems is crucial for maintaining solvency and protecting against financial risks [30]. These systems help in evaluating the effectiveness of cash asset management and ensuring the permanent solvency of the organization. Accurate cash flow forecasting allows for proactive planning and mitigates the risk of cash shortfalls. This entails examining cash flow metrics and how they affect financial performance, which can inform strategic choices.

Internal control procedures used by PT. SMI Cargo, such as the usage of a Cash Disbursement Form and Bill Recap, are crucial for preserving financial correctness and averting mistakes. These procedures are in line with the fundamentals of efficient internal control systems, which are essential for improving the efficacy and efficiency of operations [31]. A crucial component of internal control, this procedure guarantees that all expenses are recorded with comprehensive supporting documentation. In line with the COSO framework's emphasis on having sufficient documentation for each transaction, proper documentation aids in preserving accountability and transparency in financial transactions [32].

A systematic approach to tracking vendor payment information and customer receivables helps avoid mistakes and guarantees the accuracy of financial records. This practice aligns with the study on internal control systems, which emphasizes the need for data protection and efficient

internal communication. To prevent mistakes and guarantee that all financial transactions are appropriately recorded in the company's records, proper recapitulation and prompt recording of receivables are crucial.

The study's conclusions apply to SMEs in general and the logistics industry in particular, particularly when it comes to cash-flow-based financial management. The emphasis placed by PT. SMI Cargo on cost-effectiveness and receivables management represents typical difficulties encountered by SMEs in the logistics sector. Other SMEs might use cash flow management practices as a model to increase the sustainability of their businesses. This industry may see a trend toward implementing ERPs to increase technical efficiency, which would make the ecosystem more transparent and competitive.

The reliance on PT. SMI Cargo on Microsoft Excel demonstrates the pressing need for automation and technical development. Adopting an ERP (Enterprise Resource Planning) system, like SAP Business One or Odoo, is a strategic step to improve operational efficiency and get past the technological obstacles that PT. SMI Cargo is facing. Microsoft Excel, which is manual and has limits when processing huge and complex data, can be replaced by an ERP system. Making the switch from Excel to an ERP system will increase transaction recording efficiency, lower the possibility of errors, and expedite the reporting process.

To further improve the efficacy of these controls, however, consideration of data security, internal communication, and the division of labor is required [33]. According to the research, one of the most important aspects of internal control—the separation of duties—can present difficulties. To avoid mistakes and improve the efficacy of control, it is essential to make sure that duties are neither repeated nor confined to specific tasks, like sales and billing.

Conclusion

The study highlights the value of cash flow reports and how PT. SMI Cargo prepares them. Cash flow reports are one of the company's most important metrics for preserving operational stability and liquidity. To keep revenue and expenses in balance, the business keeps an eye on receivables and vendor payments. However, there are scalability and automation issues with the way cash flow reports are currently prepared using Microsoft Excel. To increase the effectiveness of transaction recording, an ERP system is advised. The report also emphasizes the necessity of developing human resources to become proficient in new technologies. The business takes a holistic approach to financial management, giving cash flow first importance. The balance sheet and income statement are instruments for cost management that guarantee operational effectiveness and profitability. To increase operational efficiency, the report recommends investing in human resources and putting advanced accounting software into place. The study does, however, have many drawbacks, such as limited data, a time boundary, and inadequate examination of outside influences.

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