



Internal Control Of Raw Material Inventory At "Bapak Mawar Coffee Business" In Talang Tinggi Village

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ABSTRACT

This study aims to evaluate the effectiveness of internal controls over raw material inventory at "Kopi Bapak Mawar," a coffee shop in Talang Tinggi Village. This study aims to identify weaknesses and constraints in the current inventory control system and analyze the feasibility of implementing the First In First Out (FIFO) method to improve inventory management practices within the business. The findings indicate that the existing internal control system at "Kopi Bapak Mawar" remains rudimentary, relying on manual recording without adequate procedures or segregation of duties. The implementation of the FIFO method is considered appropriate and can be effectively integrated to improve inventory management. This study recommends implementing the FIFO method along with structured recording to minimize discrepancies and improve raw material quality.

INTRODUCTION

The coffee industry in Indonesia continues to experience rapid growth. According to a report by the International Coffee Organisation (2023), global coffee production in 2023/2024 increased by 5.8% to 178 million bags, with Indonesia remaining the fourth largest coffee producer in the world. This growth has led to the proliferation of coffee businesses, both in the form of modern cafes and traditional stalls, including small businesses in rural areas. In business management practices, coffee raw material supplies are often a major challenge. Resmaini et al. (2024) found that effective internal control can reduce the risk of running out of raw materials by up to 30%, as well as reduce potential losses due to waste and stock recording discrepancies. These findings indicate that weak supervision and stock recording remain a serious problem for many coffee MSMEs.

In addition, inventory management methods play an important role in reducing costs and maintaining smooth production. Franklin Djawa & Debbie Palandeng (2024) stated that controlling coffee bean raw material inventory using certain methods can minimise storage and

ordering costs, thereby increasing business efficiency. This statement emphasises the need to select the appropriate control method so that small businesses can avoid wasting resources. The aspect of information system-based recording is also an important consideration. Anjarsari et al. (2022) emphasise that weaknesses in accounting information systems in recording raw material inventory can lead to stock discrepancies, inefficiencies, and even potential fraud. Thus, without a structured system, coffee businesses will remain vulnerable to losses due to recording errors and weak internal controls. In inventory management literature, the First In, First Out (FIFO) method is considered an effective approach to maintaining raw material quality. According to Panigoro et al. (2024) in *Inventory Management Through the FIFO Method Approach for MSMEs*, the FIFO method helps businesses reduce the risk of raw material expiry and supports accurate stock recording. This concept is particularly relevant for small businesses, especially coffee MSMEs that face limitations in technology-based recording facilities.

Bapak Mawar's coffee business in Talang Tinggi Village faces similar problems to those found in previous studies, namely inconsistent manual recording, delays in supply, and the absence of a structured internal control system. Therefore, this study focuses on assessing the effectiveness of internal inventory control, identifying existing weaknesses, and formulating improvement strategies through the application of the FIFO method. Academically, this study is expected to contribute to the development of literature on internal control of raw material inventory, while practically, this study is expected to serve as a reference in providing real solutions for coffee businesses in rural areas.

LITERATURE REVIEW

Cost Accounting

According to Pratama (2016), costs are sacrifices of economic resources, measured in monetary units, that have occurred or are likely to occur for a specific purpose. Costs are the use of goods that are valued for the achievement of certain results (output). Costs are expenditures or sacrifices to obtain goods or services that are useful for the future, or have benefits that are examined over an annual accounting period.

Internal Control

According to Hery & Purnomo (2018), internal control methods and techniques are used by companies to protect and safeguard assets, produce accurate and reliable information, improve efficiency, and encourage compliance with management policies. Companies can anticipate negative events or risks by implementing internal controls. Dangers to the business can arise from intentional or unexpected errors, such as intentional extortion, unintentional loss of resources, resource theft, security breaches, barbarism, and catastrophic events. External and internal collusion, involving two or more people working together for fraudulent purposes and difficult to eradicate even with effective control measures, can also pose risks. Management's failure to enforce regulations can also pose risks, making it difficult to prosecute perpetrators because the consequences can embarrass management. Fraudulent activities are difficult to detect, and computer crime is very risky.

Inventory

According to Kurniati et al. (2015), companies have hundreds or even thousands of items in inventory, depending on the type of business. According to Kieso et al. (2018), inventory is an asset owned by a company to be sold in business operations or goods to be sold. Inventory is an important part of company operations because production is carried out continuously.

Methods of Inventory Loading

Methods of inventory loading: Loading is the process of putting inventory into a warehouse and taking goods out of a warehouse. According to Hery & Purnomo (2018), there are three loading methods, depending on production demand

1. First in – first out (FIFO)
2. Last in – first out (LIFO)
3. Average Method

Internal Control

According to COSO (2013), internal control is a process influenced by the board of directors or management leaders and other personnel of an organisation or company that is established to provide assurance related to reporting, operations, and compliance.

Internal Control of Supplies

According to (Indrajit, 2015) in (Resmaini et al., 2024), supply control is an activity related to the planning, implementation and supervision of determining material requirements so that, on the one hand, operational needs can be met on time and, on the other hand, material supplies can be optimised.

METHODS

This study utilises a qualitative case study method as the primary approach to explore in depth the internal control of raw material supplies at Bapak Mawar's Coffee Business in Talang Tinggi Village. The qualitative method was chosen because the characteristics of the issues under study are complex, contextual, and require a comprehensive understanding of the processes, experiences, and dynamics that occur in the natural environment of the business. As stated by Anto et al., (2024).

Analysis Method

This study uses a qualitative approach with an explanatory research type. The purpose of this approach is to gain a deeper understanding of previously known phenomena, particularly those related to the implementation of internal control systems in the management of raw material supplies in a business entity. The analysis was conducted to identify the causes, reasons, and impacts of the implementation of internal controls on the effectiveness of supply management, as part of efforts to support the sustainability of business operations.

The analysis process was conducted using descriptive-qualitative methods, describing the actual conditions in the field and then linking them to relevant theoretical concepts. Data collection techniques included direct observation, in-depth interviews, and documentation of inventory management activities at Bapak Mawar's Coffee Business in Talang Tinggi Village. The data obtained was analysed systematically to find patterns or findings that could answer the research questions. The scope of analysis in this study was limited as follows:

1. The analysis focused on the internal control aspects of coffee raw material inventory implemented by Bapak Mawar's Coffee Business.
2. The inventory control methods analysed are limited to the application of the FIFO (First In First Out) method, which aims to maintain the quality of raw materials and the accuracy of stock records.
3. The analysis does not cover financial aspects comprehensively, but is limited to the inventory recording, monitoring, and control systems.
4. The data sources used were derived from observations, interviews, and documentation collected during the research period.

RESULTS

Based on interviews and observations, the internal control system for raw material inventory at Bapak Mawar's Coffee Business is still simple and relies on manual recording. The following are the findings:

Table 1 Comparison of Inventory Management at Bapak Mawar's Coffee Business with the FIFO Theory According to Hery & Purnomo (2018)

Aspect	Mr Mawar's Coffee Business Conditions FIFO	Theory According to Hery & Purnomo (2018)	Comparative Analysis
Inventory Recording System	Recording of raw material inflows and outflows is still done manually in logbooks without a standard format, and is not done consistently every day.	FIFO requires regular and chronological recording so that the order of goods entering and leaving can be clearly monitored according to the date of receipt.	Manual recording at Bapak Mawar does not yet support the implementation of FIFO because there is no clear format or time sequence. Forms or stock cards are needed to record the dates of entry and exit.
Procedures for Receiving and Issuing Goods	There are no standard procedures. Checks are only done briefly, without official documents for raw material receipts and releases.	FIFO emphasises the importance of documentation and recording every time goods enter or leave so that stock rotation is in accordance with the 'first in, first out' principle.	The receiving and issuing procedures at Bapak Mawar are not yet in accordance with FIFO theory because there is no document tracking system that shows the sequence of stock usage.
Organisation and Storage of Raw Materials	The warehouse layout is not yet structured, and old materials are often buried by new materials, making them difficult to monitor and potentially reducing quality.	FIFO requires the physical arrangement of the warehouse based on the order of arrival. Goods that come in first must be placed in a more accessible position so that they are used first.	Storage at Bapak Mawar is contrary to the FIFO principle. The warehouse needs to be rearranged so that old items are at the front and used first.
Quality and Shelf Life of Raw Materials	Old coffee beans are often not used first, causing a decline in	FIFO maintains quality by ensuring that older raw materials are	The implementation of FIFO will help Bapak Mawar maintain the

	aroma and quality.	used first before they deteriorate.	quality of fresh coffee and prevent losses due to damaged or expired materials.
Time and Cost Efficiency	The process of checking stock and repurchasing is often not timely because stock data is inaccurate, causing excess or shortage of materials.	FIFO improves efficiency because stock data is always up to date; companies can manage material purchases in a timely manner without excess stock.	FIFO can improve Mr Mawar's operational efficiency by reducing manual checking time and avoiding storage waste.
Control Activities (COSO)	Supervision is still carried out directly by the owner, without separation of functions.	FIFO can be a procedural control activity that supports the implementation of internal control systems with stock rotation and regular recording mechanisms.	If FIFO is implemented, the internal control system will be stronger because work procedures will become more structured and transparent.

1. Inventory Recording: The recording of raw material inflows and outflows is carried out in a regular notebook. This recording is not always done consistently every day and the format is not standardised.
2. Functions and Responsibilities: The business owner, Mr Mawar, performs several functions at once, including purchasing, receiving goods, storing, and recording stock. There is no clear separation of duties between these functions.
3. Receiving and Issuing Procedures: There are no standard procedures for receiving raw materials. Quantity and quality checks are often carried out superficially. The issuance of raw materials for production is also not supported by formal evidence of issuance.
4. Physical Supervision: Raw materials are stored in a room at the back of the warehouse. The arrangement of goods in the warehouse does not follow a specific system, making it difficult to check stock and potentially causing old materials to be buried.

DISCUSSION

Identification of Weaknesses and Obstacles in Internal Control

From the above findings, several major weaknesses and obstacles can be identified:

1. Risk of Stock Discrepancies and Data Inaccuracy: An inconsistent manual recording system carries a high risk of discrepancies between physical stock and records. This makes it difficult for Mr Mawar to estimate when to make repurchases.
2. Risk of Raw Material Quality Decline: The non-implementation of the First In First Out (FIFO) system has the potential to cause older raw materials to remain unused, resulting in a decline in quality (such as a reduction in aroma) or even expiry.

3. Vulnerability to Loss and Misappropriation: The lack of separation of duties and strict monitoring procedures makes this business vulnerable to the risk of raw material loss, whether intentional or unintentional.
4. Time and Cost Inefficiency: The stock checking process is time-consuming due to the absence of a structured system. In addition, purchasing raw materials based on inaccurate stock data can lead to excess stock (which incurs storage costs) or stock shortages (which disrupt the production process).

Analysis of the Application of the FIFO Method at Bapak Mawar's Coffee Business

Based on the theoretical framework, the application of the FIFO method is considered highly relevant and can be implemented at Bapak Mawar's Coffee Business with several considerations:

1. Suitability to Raw Material Characteristics: Coffee beans are raw materials that have a shelf life and quality that can deteriorate over time. FIFO ensures that coffee beans that have been stored longer will be used first, thereby maintaining the freshness and flavour of the final product.
2. Ease of Implementation: Although simple, the FIFO method does not require complex technology. Its implementation can begin with a physical rearrangement of the warehouse. Newly arrived raw materials are placed at the back or at the bottom, while older stock is placed at the front or at the top so that it is easily accessible for processing.
3. Integration with Manual Recording Systems: The FIFO method can strengthen existing manual recording systems. By implementing FIFO, records of goods entering and leaving will better reflect the actual physical flow, thereby improving the accuracy of inventory data.
4. Support for COSO Internal Control Elements:
 - a. Control Activities: FIFO serves as a concrete procedural control activity to manage the risk of deterioration and expiry of raw materials.
 - b. Information and Communication: The implementation of FIFO will produce more reliable inventory information, which Mr Mawar can use to make more accurate purchasing decisions. The obstacles to implementation that may be encountered are old habits and the need for Mr Mawar's commitment to disciplined warehouse layout and following the FIFO flow in every production process.

Internal control of raw material inventory at Mr Mawar's Coffee Business still needs improvement in various aspects, especially in the recording system, separation of functions, receipt and issuance procedures, and physical supervision. The implementation of the FIFO method is a strategic step that can improve the effectiveness of inventory management and strengthen the internal control system as a whole. With the implementation of the FIFO system and improvements to internal control elements, it is hoped that this business will be able to reduce the risk of stock discrepancies, maintain raw material quality, improve operational efficiency, and support more accurate and data-driven decision-making.

CONCLUSION

Based on the results of research and discussions conducted on internal control of raw material inventory at Bapak Mawar's Coffee Business, several conclusions can be drawn as follows:

1. The internal control system implemented is still simple and unstructured.
Inventory management is still carried out manually by the owner without a clear division of tasks. Several important functions, such as purchasing, storage, and sales, are still carried out by the same person, which opens up opportunities for recording errors and weak stock supervision.

2. Documentation and recording aspects are not yet effective.

This business does not yet have official documents to support the procurement and expenditure of raw materials. Record keeping relies solely on purchase notes without detailed stock reports. This makes it difficult for the owner to check discrepancies between physical stock and administrative records.

3. Physical monitoring procedures are in place but are not yet optimal.

CCTV is used as a monitoring tool, but monitoring is not carried out regularly, especially when the shop is busy. In addition, there are no regular stock checks (stock opname) to ensure that the data in the field is accurate.

5. Performance evaluations and monitoring are not carried out regularly.

There is no employee performance assessment or evaluation of the effectiveness of controls. As a result, it is difficult to make improvements to errors or weaknesses in the system because there is no systematic follow-up.

6. The FIFO method has been implemented naturally but has not been documented.

In practice, older raw materials are used first to maintain the quality of the coffee. However, this method is not accompanied by an adequate stock recording and labelling system. If the FIFO method is applied consistently with good record keeping, the efficiency and accuracy of raw material management can be significantly improved. Overall, the internal control system at Bapak Mawar's Coffee Business is still considered ineffective, especially in terms of division of responsibilities, documentation, and periodic evaluation. Nevertheless, this business already has a good foundation to be developed into a more structured and efficient control system.

LIMITATION

Based on the findings and results of the analysis, the author provides several recommendations that are expected to assist business owners in improving and strengthening their internal control systems, as follows:

1. Establish a clearer division of tasks and responsibilities.

It is advisable to separate the functions of purchasing, storage, and sales to avoid overlapping tasks. With a clear division of tasks, the risk of errors or fraud can be reduced.

2. Use supporting documents for each transaction.

Every activity involving the purchase, receipt, and expenditure of raw materials should be accompanied by written evidence such as purchase request forms, stock cards, or goods receipt and issue reports. Simple records using stock books or spreadsheets are sufficient for the initial stage.

3. Conduct regular stock takes.

Physical inventory checks should be carried out at least once a month to ensure that stock data is always accurate. This activity is also useful for identifying stock discrepancies quickly before they cause losses.

4. Optimise monitoring functions.

Installed CCTV cameras should be used to their full potential with a regular monitoring schedule, especially during busy hours. If possible, recordings can be checked randomly to ensure the security of business assets.

5. Apply the FIFO method consistently and document it.

Each raw material that arrives should be labelled with the date of receipt so that the order of use is clear. This method not only maintains the quality of raw materials, but also helps to record stock rotation more accurately.

6. Conduct performance evaluations and continuous improvement.

Business owners are advised to conduct simple assessments of employee performance and the effectiveness of control systems every few months. That way, any weaknesses can be corrected immediately without waiting for problems to become significant.

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ETU: Conceptualization, Methodology, Data Collection, Data Analysis, Writing – Original Draft, Visualization, Review and Editing.

W:Supervision.

YIA: Supervision.

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3. **Conflict of Interest:**

No conflict of interest: The authors declare that they have no conflict of interest related to the research and publication of this article.

4. **Research Ethics:**

The study did not involve any intervention, biological specimens, vulnerable groups, or sensitive personal data. Participation was voluntary, and the confidentiality of the respondents was maintained.

5. **Use of Artificial Intelligence (AI):**

No Use of AI. The authors declare that generative AI was not used in the preparation of this article.

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