

FINANCIAL STATEMENT CONTROL IN THE WEALTH MANAGEMENT FOR INDIVIDUAL COMPANY

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ABSTRACT

This study aims to determine the cause of the deterioration of the individual companies. This research is a qualitative approach. The object of this study is a located in Sumenep, East Java. Data collection method used is to study literature related to the theories of financial statements Accounting, control and wealth management. The results of this study indicate that the company is bankrupt because of being influenced by the lack of control over the company's finances.

Keywords: Controlling, Financial Statement, Wealth Management, Individual Company

INTRODUCTION

Business world make a decision based on the calculation of profit and loss(Purwati& Prawinegoro2013).One of such toolsto make a decision is accounting, whereby the information that presented in the form of qualitative and figures are real pictures of the business activities from time to time.

A manager needs information at any time to make decisions. Accounting information in the business world is an important subject for management decisions. Therefore Ari Purwati and Darsosono Prawinegoro (2013) suggested that all level managers must know and understand the accounting information and are able to use in decision-making, both in the business and non-business organizations. Here, manager will be the one to control, view and filter all of the elements that are likely to make a business organization will suffer a setback.

Various functions of the financial statements of one of them to see how big turnover of assets to cover debtsthat could be detrimental if the turnover pattern is not significant in certain quarters (James O. Gill in Kashmir, 2015: 140)

The financial report is very important because the financial statement allows to predict how the continuity of a company in the future. The financial statements also is a source for a manager to draw conclusions about what to be taken to map or developed and even to save an agency or company that he leads.

Without controlling the financial statements correctly, a company will have various problems and even adownturn. it has been experienced by the individual company in Sumenep, East Java, which was engaged in the trade field and grew very rapidly in the 2000s. Even this business that located in front of these traditional markets was considered big and got many customers and demands. However, after more ten years of running, in the year of 2014 the company declared a bankruptcy.

There is a stigma that states that individual businesses are often not professional, can not separate the interests of the family and business interests and has insufficient control system.

But the existence of the business always shows a pretty good development. This can be due to most of such companies always prioritize the importance to relations within the family in the company. While in the term to choose to run their business, they are more flexible than the professionals-implemented control system.

The main objective of this research is to discover the wealth management control of the financial statements that sometimes the manager is wrong to describe the financial statements for decision making. However, the specific purpose of this study is to determine the role of financial control for individual companies, how the practice of wealth management in individual companies and how the role of financial control within an individual company's efforts in managing wealth.

LITERATURE REVIEW

Control Financial Statements

Control is the final part of the management process (Kenneth A. & Wim A.: 2012). The use of the term management control has the same meaning as the terms of execution and implementation of the strategy. Similarly, in terms of achieving the goals we want, a company requires a control system. According to (V. Wiratna Sujarweni, 2016: 95), control is a process to ensure that activities lead to the desired goal. Hilmia Nora (2010) in S. Mia Lasmayana et.al (2013) stated that the main focus in the financial control is an initiative that selected to change the possibilities and achieve the expected results.

According to Mulyadi (2010) internal control system is an organizational structure, methods and coordinated measures to safeguard the wealth of the organization, check the accuracy and reliability of accounting data, promote the efficiency and encourage adherence to management policies.

Internal control system shall be composed of some basic elements as follows (Mulyadi, 2010)

1. The organizational structure that separates the functional responsibility firmly.
2. System of authorization and record keeping procedures that provide adequate protection against wealth, debt, income and expenses.
3. Healthy practice in carrying out the duties and functions of each organizational unit.

Financial Statements

According to Lasmi (2016: 56) Financial Report is a report of organization's financial information published by the company on the results of the accounting process as a means of communicating financial information to external parties. Therefore, the financial statements for an Investor (external parties) will be needed in terms of both accuracy and validity to see the company's performance during a particular quarter. This relates to the control and prediction of an investor to determine whether it is still worth mentioning that the company is 'healthy' or not, and whether the company can still compete.

Medium according to Kashmir (2015) the financial report is a report that shows the current condition of the company. Current company conditions means the company's financial condition at a particular date (for balance) and a certain period (for the income statement). Warren & Fees in Lasmi (2016) defined financial report as a transaction which is recorded and summarized for users of accounting reports that generate information called financial statements.

Meanwhile, according to Statement of Financial Accounting Standards (SFAS) No. 1, "Financial statements are a structured representation of the financial position and financial performance of an entity (IAI, 2009: 1-5). Farid & Siswanto (2011:21) said that the financial statements are expected to provide information that help users to make economic decisions that is financially purpose financial statements

As already known that the financial statements are made certainly have a specific purpose. In practice, there are several objectives to be achieved, especially for business owners and management companies. In addition, financial reporting purposes are prepared to meet the interests of the various parties interested in the company. Kashmir (2015) stated that the financial statements details, capable of providing financial information to parties in and outside the company who have an interest in the company.

According to Lasmi (2016) the Purpose Financial Report are:

- ❖ Useful information for investment decisions and credit
- ❖ Useful information in assessing the future cash flows
- ❖ Information about the company's resources, claims to resources, and change.
- ❖ To meet the needs of users of financial statements
- ❖ To compare performance between entities so that uniformity in the presentation may facilitate users to read and analyze.

The purpose of financial statements in accordance with IAS 1 is to provide information regarding the financial position, financial performance and cash flows of the entity that will benefit the majority of the users report in making decisions (Dwi Martini .et .al: 2016)

The financial report contains financial information is essentially information qualitative (Dwi Martini .et .al: 2016). In order for such information is useful to users of such information must satisfy the qualitative characteristics. With the qualitative characteristics, qualitative information in the financial statements can memenuhi needs of the user.

Users and financial reporting purposes of investors, potential investors, lenders, employees, suppliers, other creditors, customers, governments, institutions and the public. The user uses financial statements to meet the needs of different information.

Wealth Management

Wealth Management started being popular in recent years. Wealth management services to appear early in 2000, when foreign banks operating in Indonesia offer wealth management services. Widiastuti (2009) in Sina (2015) explained that the real financial wealth management is a science older than risk management. Triggers initiated by private wealth management banker at the beginning of the establishment of an international financial center in the 17th and 18th Wealth management is an ongoing investment of an expert which includes planning the financial statements and financial services. Financial planning as a plan to manage the revenue plus lifestyle.

Sole Proprietorship

By definition, the meaning of individual vendor is a company owned by one individual (Sukirno, et.al, 2014: 34). But the field, practice these enterprises are often the family company, a company that uses whole or in part members of the family to run it. Although some individual holdings are large and have a lot of employees, but many are small and businesses owned (usually operated) by one man (Pride et.al, 2014).

While Rudianto (2012) defined Sole Proprietorship is a company owned by an individual, where the owner invests in the enterprise and take full responsibility for the company's operations. All assets and liabilities of the company are often difficult to be distinguished to the assets and liabilities of the owner.

RESEARCH METHODS

The method used in this research is qualitative research methods that the research methods used for research on the condition of the object is natural (Sugiyono: 2015). For Finding an alternative model of controlling financial statements for the management of wealth, then the element must be found in accordance with the formulation of the problem, objectives and manfaat research, we used qualitative descriptive method with a model library research.

In this case, the author obtained data by studying literature related to the theoretical basis of accounting financial statements, control and wealth management, as well as matters other matters relating to the issues to be discussed as a basis for the preparation of this manuscript.

RESULTS AND DISCUSSION

UD.X is a company engaged in the trade, especially groceries and snacks. UD.X Based in Sumenep Madura, East Java. This effort has established and operated in the early 2000s. Every day it operates from 07.00 am until completion.

In terms of the location and layout, UD.X has a very strategic place. In addition to a place which is the main road south of the island of Madura lines, the company is also situated in front of a traditional market that opens every Wednesday. The company also serves the retail and wholesale purchase. When viewed in terms of the place and the density of people who buy both wholesale and retail enterprise hard common sense to decline or even closed (bankruptcy).

UD.X is one of the companies that existed in 2000's and developed rapidly. However, in 2014, companies that operate in the field of trade groceries declared bankrupt. In this case, the decline of the company were not because of being disrupted by the business competitors but because the company can not develop supervision in financial matters and unable to control and manage your finances well.

According to some sources the company is starting to find its decline when the owner can not separate personal, family and business interests. This implies a profound effect on his business finances marked by the least amount of supplies of goods per weekend because of dwindling finances.

Related to the above cases, this allows the weak control of the company in the financial sector where it is company-oriented family interests and personal interests without seeing the bad side. While UD.Y is a company engaged in the trade of birds equipment and supplies, both in terms of brackets, feeding and bird species as well. The company also is in the district Sumenep, Madura, East Java. In addition to a shop, the owner also has a bird nest, as an asset. The beginning of the journey of this company, swallow it has very smoothly and promising. There is no indication that it will relocate swallow. So the current owners often buy other assets by borrowing funds from the bank, and the owners thought as seeds at harvest as well swallow as the collateral.

The cause of this company decline was the migration of swallows out of the nest. While dependent on the bank to be paid progressively growing. It was never expected that he might be able to miss the predictions. The number of loans made by UD.Y increasingly choked to pay off her credit. And right at that moment proceeds from the sale of store equipment and supplies birds can not cover the amount of loan that should be paid to the bank due to a similar company that sells merchandise far below the price of the company.

Paradigm of the author in an enterprise organization, either a company *profit-oriented* or *non-profit-oriented* supervisory control especially in the financial statements has to be carried out or a feeling of responsibility and a high integrity to create leadership model that fits that could overshadow his staffs in his company development and able to form a coalition in the business.

Money management

In individual companies (sole proprietorship) is indeed the owner has the ultimate responsibility and not limited to all obligations of the company. Because a proprietorship company tends to do an activity in person, as an individual Vendor is a company owned by one individual only. Here the owners sometimes difficult to distinguish between personal and corporate money as experienced in UD.X case where the lack of rigor on the separation between private and corporate money. Moreover, in this case UD.X never make record of financial accounting, there is never a financial statement because they assume that the owner of the company did not need it. He did not know that financial records are necessary to see how good a company's future

prospects. Moreover, in terms of finance as a whole there is no separation between personal and corporate money that it is very important given the cash is the most liquid asset (Rudianto, 2012)

It can be concluded that UD.X here had lack of good company in terms of financial management even in management wealth, due to financial planning as a plan to manage the income and lifestyle was not quite right. Because the cause of its decline in this case is the lack of supervision and control of wealth (asset). One problem that is often overlooked by businesses is on financial management (Hutagaol, 2012). When judging in terms of lifestyle. The company owner is very glamorous in social life. They did not realize that sometimes lifestyle that exceeds the maximum limit will be dropped on to the bankruptcy.

Financial Supervisory

From several sources obtained by the authors that UD.X has a very generous leader, in terms of the family he never bothered to family happiness was the staffs. In this case (Sukirno, 2014) confirmed that the financial oversight relating to the protection of wealth must be no assurance of the accuracy of the financial statements and bookkeeping. This means that any money comes in and issued either for personal collection or related to the company should remain in control and recorded clearly in accounting. The goal is to anticipate recording errors or worse to a deterioration of the company as experienced UD.X the last few years. The impact of ignoring financial supervision may not be seen clearly, but without an effective accounting method, the business prospects of success may be bankruptcy. Accounting is the key indicator of the business as the information provided by the accounting records are useful for decision-making so as to improve the management and oversight of the company's finances.

Until now many businessmen ignore and do not realize the importance of recording financial accounting. The businessmen think the financial statements is less important. It is considered as fine situation when no accounting records executed, because of their knowledge of accounting and the importance of a financial statement for the company are not sufficient, as experienced in UD.X.

Debt

Debt is the obligation of the company incurred due to the purchase in the form of credit (Kashmir, 2015). This means that companies purchase the goods with which payment is made in the future. In this case the financial planning needed to buy goods on credit. Things like that happened is feared that the business UD.Y insolvent. Many assets purchased and must be sold to pay off debts. What remains now is to sell the shop occupied a bird equipment and even then will be sold to cover the remaining debt.

Market Competition

In the competitive business world has become commonplace, which sometimes competing is a necessity. In the business world and the law of the jungle applies where that is not capable of being the ruler and survive then he will fall down as it is stated in the theory of disruption where innovation becomes the most important factor in business, who does not change or innovate it will die (Kasali, 2017).

Like what happened UD.Y he dazzled at existing businesses and satisfied because the company's business runs normally and looks forward to the famous the expensive and rarely owned bird nests. So when companies are struggling and running the same business with different models, he cannot do anything. A competition in the market this modern era rules that whoever can not afford to innovate they will be buried, erased from the business. UD.Y can not compete with his competitors who issued the new product (what he himself sold was less updated).

Somehow, the control on financial report cannot be avoided because many entrepreneurs still do not understand what the importance of financial report is and sometimes, in reality, many businesses run without proper financial report still exist. Nevertheless, the control of business components in all elements should be done well for better goals.

CONCLUSION

In individual company (sole proprietorship), supervision or financial control is needed to see the company's performance and prospects for the future. The need for financial planning and lifestyle are subjective to anticipate waste. Lack of understanding to manage money is also an issue in the enterprise cause the company's bankruptcy. The absence of accounting records of the financial statements is also one significant problem. In terms of asset management, the company purchased to many assets on credit assets that are not controlled by reserving the right things will lead the company's obligation to pay a very high liability. Lastly, the competition is also a cause of the decline of the company because the company was unable to innovate and look at the model of the future market. However, the financial report control in proprietorship is very important to minimize the possibilities in failure and bankruptcy.

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