

**THE EFFECTIVENESS OF THE PAYROLL ACCOUNTING  
INFORMATION SYSTEM AS AN INTERNAL CONTROL  
(BOSSOTEL INN CHIANG MAI, 10/4 ROT FAI ROAD)**



**ANNISA SYLVIANA FIRDAUS**

**1612311104**

**A Thesis Submitted in Partial Fulfilment of Requirement for The Bachelor  
Degree of Accounting Program  
Faculty of Economic and Business  
University of Bhayangkara Surabaya  
2020**

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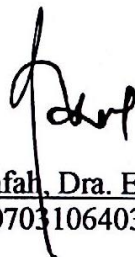


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Stating exactly that my thesis with the title :

**The Effectiveness of The Payroll Accounting Information System as an Internal Control at Bossotel Inn Chiang Mai, 10/4 Rot Fai Road.** As a partial fulfilment of requirement for the bachelor degree of management program at Economics and Business faculty Bhayangkara University of Surabaya is truly my own research not the results of plagiarism. Thus I make this statement with truth without any coercion from any party and with full sense of responsibility for everything.

Pathum Thani, 23 July 2020

Student Concerned



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## ACKNOLADGEMENT

First of all thank you to Allah because of His grace and blessing, I can finished my research in title “The Effectiveness of The Payroll Accounting Information System as an Internal Control at Bossotel Inn Chiang Mai, 10/4 Rot Fai Road” this research submitted in partial fulfilment of requirement for the bachelor degree of accounting program, faculty of economic and business, University of Bhayangkara Surabaya.

The author realizes that this research is still far from perfect and all of that cannot be separated from the human nature of the writer who always has errors and deficiencies due to limited knowledge and experience. There are many parties providing moral and material assistance either directly or indirectly in completing the thesis. Therefore, through this opportunity the author would like to express his sincere gratitude to :

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This project far from perfect, both in term of material and presentation. For that advice and constructive criticism is expected in the completion of this project. The authors hope that this project can give benefits and add insight to the reader and especially for the writer too.

Pathum Thani, July 2020

Student Concerned

Annisa Sylviana Firdaus

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**ABSTRACT**

By :

Annisa Sylviana Firdaus

At the company the salary is the important things for employee. if the salary of the employee not balance, the employee will be not satisfy with that. It can make the employee performance decline and interfere with the process of using the system. the employee will lose interest in using the system, then the system can not run effectively and will instead produce an erorr. It can distrub the development of the hotel. The purpose of this research was to find out how the eeffectiveness of the payroll accounting information system can be used as an internal control at the hotel.

This research was taken in Bossotel Inn Chiang Mai. The method used is descriptive analysis method by observation, documentation, and survey directly by interviewing several employees. Data analysis technique used is the identification and collecting of the data and then evaluate and analyze improvements for deficiencies found and provide conclusions and suggestions. Research result obtained that the payroll system that already exist at the hotel is effective but the overtime hour calculation system is still using a manual system. Therefore, the effectiveness of the payroll accounting information system at Bossotel Inn Chiang Mai is still possible to be used as internal control for the hotel.

**Keywords : Payroll Accounting Information System and Internal Control**

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Background of Research**

The economy is growing over time. Every existing company should have more or less the same goals and objectives, namely to obtain a large profit. The tourism industry is a part of the economic sector which is one of the largest and fastest growing industries in the world. Meanwhile, on the other sides of the tourism sector has also been transformed as a very prospective industry in the current era. One of the ASEAN countries currently increasing the tourism industry sector is Thailand. The success of the tourism industry in Thailand is strongly influenced by various factors including the existence of hotels that are a place to rest for visitors from foreign countries and domestic visitors.

A hotel is a company or business entity that provides overnight services for people who travel. Managed by the owner with bed services along with food and beverage facilities and other complete facilities. To be able to use the services provided by the hotel owner. A person must pay at a fixed rate or price (Sulastiyono, 2006: p. 74).

That business recommend to prioritizing service to customers. Because in addition to good hotel quality, service will also affect customer ratings of the hotel.

Customer reviews will be useful to attract other customers to try to use hotel services. Personal opinion and experience of the product and services in the form of reviews on the internet are wrong one source of information that is most valuable to help the user when creating a process purchasing decisions (Chua and Banerjee, 2015)

More and more customers are giving a good review, indicating that the service and quality that has been given is as desired. In this case, a hotel which is a service company, then staff performance is responsible for increasing hotel sales.

Sedarmayanti (2011: 260) stating that performance is a translation of the word performance which has a meaning as a work of an employee or worker, a management process where the work must have a concrete evidence that can also be measured. The proof can be measured through the income that has been obtained by the employee. the difference in the amount of income to employees can cause social inequalities between employees. Therefore the salary provided must be in accordance with the performance that the employee has given. For this reason, an evaluation is needed to anticipate this. On this occasion, the author will conduct research on hotel. Where tyhe effectiveness of the company's operations can be measured based on the services provided.

The name of hotel that as a place for research object is Bossotel Inn. The hotel is three star hotel centered in the heart of city, located in Wat Ket neighborhood, 1,5 miles from Tha Phae Gate, 10/4 Railway road, Chiang



Mai, Thailand. Bossotel Chiang Mai established in 2008. The hotel has 60 units of rooms divided into several types of superior rooms, deluxe rooms, panoramic rooms and living rooms for individual travelers and families. All rooms are well equipped and include wireless internet, air conditioning, television, telephone, refrigerator and hair dryer. Moreover, the hotel also provides swimming pools, e-rooms with internet workstations, mini libraries, free bicycles, and having many rooms and attractive facilities and strategic places. Consequently, Bossotel Inn Chiang Mai is one of the favourite hotels of local and tourist.

According to that conditions, reciprocity from the hotel for employees must also be given as well as salary or wages as a form of fulfillment of the performance provided for the hotel.

According to Sujarweni (2015: 127), salary is a payment for services performed by employees that the company does every month. Salary is one important element for the company. In this case, the payroll process for employees should be given more attention. The existence of an information system can help the payroll process for employees.

The role of the payroll accounting information system is very important because the payroll problem is not only about the amount that needs to be considered, but also the problem of the salary system and procedure starting from the recording of work time until the salary is received by the employee. That needs to be considered to reduce the existence of frauds – cheats or unhealthy practices caused by unscrupulous elements, with

a payroll system that can improve the internal control system (Putri Damayanti, 2016).

Astuti and Dharmadiaksa (2014) explains that information systems can be said to be effective if the system is able to produce information that is acceptable and able to meet the expectations of information in a timely, accurate, and trustworthy manner.

From that explanation, the author are interested in evaluating the payroll accounting information system that already exist at Bossotel Inn Chiang Mai, Thailand and the results of the author will be set forth in a study entitled “The Effectiveness of The Accounting Information System as An Internal Control”.

## **1.2 Research Questions**

Based on the background of the above, issue in this research are :

1. How is the payroll accounting information system implemented at Bossotel Inn Chiang Mai, Thailand?
2. What are the factors that can affect the size of the payroll at Bossotel Inn Chiang Mai, Thailand?
3. How the effectiveness of the payroll accounting information system as an internal control tool at Bossotel Inn Chiang Mai, Thailand?

### **1.3 Research Objectives**

Based on the formulation of the problem stated above, the objectives of this study are :

1. To know how payroll accounting system at Bossotel Inn Chiang Mai, Thailand have worked.
2. To find out what are the factors that influence the size of the salary at Bossotel Inn Chiang Mai, Thailand
3. To know how the effectiveness of the payroll accounting system at Bossotel Inn Chiang Mai, Thailand can be a tool for internal control.

### **1.4 Research Contributions**

The usefulness of this research is :

- a. For researchers

The result of this study are expected to provide an opportunity to increase knowledge and insights in the field of accounting, especially about payroll system and internal control of accounting information system.

- b. For academics

The benefits that can be taken from this research are that readers can find out about the influence of payroll accounting information system on internal control , which contribution the accounting knowledge and relevant fields of study.

- c. For company

- The results of this study can be used as a source of information about the effectiveness of the payroll accounting information system in the company.
- This is a useful input, especially in the implementation and development of payroll accounting information system in the company.

### **1.5 The Structure of The Thesis**

#### **CHAPTER I : INTRODUCTION**

This chapter consists of rationale of the research, research objectives, research contributions, and additional information.

#### **CHAPTER II : LITERATURE REVIEW**

This chapter contains the theoretical base on which the formulation of hypotheses and analysis in this research. The conceptual framework of research is presented.

#### **CHAPTER III : RESEARCH METHODOLOGY**

Research design and process are presented in this chapter. Analytical methods and data collection are also provided as well as the data analysis.

#### **CHAPTER IV : RESEARCH RESULT**

This chapter contains the research results and how to interpret the data to be able answer the research questions.

#### **CHAPTER V : CONCLUSION AND RECOMMENDATION**

This chapter provides the research conclusions and suggestion for future research.

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.1 Related Literature**

The results of previous studies in this study are used as a basis for getting a picture in preparing a research framework. In addition, the results of this previous research will be able to know what are the similarities and differences from several existing studies, as well as several studies that can later be used to develop research to be carried out.

##### **1. Ahmad A. Palladan and Nuhu Y. Palladan (2018)**

In this study, the researcher who is the reference is the result of precious research entitled “Employees Views on Payroll Computerization and Its Impact on Their Productivity: A Grounded Theory Approach”. The study reveals among other things that accuracy in reward computation, job enrichment as well as timely payment of employee’s benefits increases employee’s productivity. The independent variables in this study are employees views (X1), payroll computerization (X2), and impact on their productivity (Y). The data in this research is obtained through observation and interviewing 3 and 2 of the non-payroll and payroll employees respectively. The result of this study have equally enhanced our knowledge on productivity and thus help manager to direct personnel better.

## **2. Maya Ariesti Vinastri, Jenny Morasa, and Sonny Pangerapan (2019)**

In this study, the researchers who was the reference was the result of previous research entitled “Analysis of The Effectiveness of The Employee Payroll Accounting Information System at PT. Kerismas Witikco Makmur Factory Bitung”. The purpose of this study is to determine the effectiveness of the payroll accounting system applied at PT. Kerismas Witikco Makmur. This type of research is descriptive qualitative by taking primary data directly through interviews with 10 respondents on the object of research. The result of this study show the payroll system applied by PT. Kerismas Witikco Makmur still uses a manual system and there has been a clear division of tasks within the company.

## **3. Richard Antonio R, Sifrid Pangemanan, and Meily Kalalo (2018)**

In this study, the researchers who was the reference was the result of previous research entitled “Evaluation of The Effectiveness of Internal Control Payroll Accounting Information System RSUP. Prof. Dr. R. D. Kandou Manado”. The purpose of this study is to determine whether the effectiveness of internal control payroll accounting information system RSUP. Prof. Dr. R. D. Kandou Manado has gone well. This study was use descriptive analysis where research start by collecting and sifting through incoming information throughly and detail later elaborated in order to obtain a clean picture. The result of the study concluded that the payroll accounting system implemented by RSUP. Prof. Dr. R. D. Kandou

Manado already have good system and effective and meet the element of internal control to improve company's performance.

#### **4. Jaluanto and Rizka Parasmitha Dewi (2018)**

In this study, the researcher who is the reference is the result of previous research entitled "Study of The Application of Internal Control Payroll Outsourcing Accounting Information System". The purpose of this study is to attempt to explore implementation of internal control on accounting information system of payroll of outsourcing and to understand its obstacles of this implementation. This research belongs to a single variable. The data collection methods used are indepth interviewing, documentation, and library research. The analysis technique used is trigulation with three key informants and 5 steps of system analysis. The results of this study show that the implementation of internal control on AIS of outsourcing payroll faced document otoritation and accounting procedures not yet done effectively because using simple application, best practices was done well that indicated by payment decision did not related to employees achievement.

#### **5. Mia Suryaningsih (2016)**

In this study, the researcher who is the reference is the result of previous research entitled "System Evaluation and Payroll Procedures at PT. Raja Besi Semarang". The purpose of this study is to understand the payroll system, payroll procedures and evaluating systems used in PT. Raja Besi Semarang and compared the with existing theories. This study



belongs to a single variable. The data collection method used is conducting research at PT. Raja Besi Semarang. The analysis method used is descriptive qualitative by comparing current practices in companies with existing theories. The result of this study is PT. Raja Besi Semarang has implemented payroll accounting information systems using DOS-based system with two different systems, namely daily wage systems which is paid weekly, and monthly wage which is paid in the end of each month. Due to the company employed employees in very large quantities to the provided the with feedback or compensation of their service in wage and salary that the company has to have an effective accounting system.

**Table 2.1**  
**Comparison of Research**

No.	Researchers	Title	Similarity	Difference
1.	Ahmad A. Palladan and Nuhu Y. Palladan (2018)	Employees Views o Payroll Computerization and Its Impact on Their Productivity: A Grounded Theory Approach.	Independent variable used payroll computerization	– Object of research – Do not use a variable internal control and employees views in the independent

				variable
2.	Maya A. Vinastri, Jenny Morasa, and Sonny Pangerapan (2019)	Analysis of The Effectiveness of The Employee Payroll Accounting Information System at PT. Kerismas Witikco Makmur Factory Bitung	Independent variable used effectiveness of payroll accounting systems	– Object of the research
3.	Richard A. R., Sifrid P., and Meily K. (2018)	Evaluation of The Effectiveness of Internal Control Payroll Accounting Information System RSUP. Prof. Dr. R. D. Kandou Manado	Independent variable used effectiveness of payroll accounting information system and internal control	– Object of research
4.	Jaluanto and Rizka Parasmita Dewi (2018)	Study of The Application of Internal Control Payroll Outsourcing Accounting Information System	Discuss about internal control of payroll accounting information system	– Object of research – Also discuss about variable payroll

				outsourcing accounting system
5.	Mia Suryaningsih (2016)	System Evaluation and Payroll Prosedures at PT. Raja Besi Semarang	Discuss about payroll system	– Object of research – Also discuss about payroll prosedures

*Source : Ahmad A. Palladan and Nuhu Y. Palladan (2018), Maya A. Vinastri,*

*Jenny Morasa, and Sonny Pangerapan (2019), Richard A. R., Sifrid Pangemanan,*

*and Meily Kalalo (2018), Jaluanto and Rizka Parasmitha Dewi (2018), Mia*

*Suryaningsih (2016)*

## **2.2 Theoretical Basis**

### **2.2.1 Definition of Effectiveness**

According to Ravianto (2014: 11), effectiveness is how well the work is done, the extent to which people produce outputs as expected. That is, if a job can be completed in accordance with planning, both in time, cost, and quality, than it can be said to be effective.

### **2.2.2 Accounting Information System**

#### **2.2.2.1 Definition of Accounting Information System**

According to Romney and Steinbart (2016: 10), Accounting information system is a system that is collect, record, store, and process data to produce information for decision makers. This system includes people, procedures and instructions, data, software, information technology infrastucture, as well internal control and size security.

#### **2.2.2.2 Accounting Information System Functions**

According to Krismiadji (2010: 33), the functions of the accounting information system are as follows :

1. Collecting data, processing data about organizational activities efficiently and effectively.
2. Generate information that is useful for decision making.
3. Perform adequate supervision to ensure that business transactions have been recorded and processed accurately and to protect the data and other assets.

#### **2.2.2.3 Elements of Accounting Information Systems**

The elements of accounting information systems according to Romney and Steinbart (2014: 11) are as follows :

1. People who use the system.
2. Procedures and instructions for collecting, processing and prepare data.
3. Data related to the organization and its business activities.

4. Software for data processing.
5. Information technology infrastructure.
6. Internal control and security measurements that prepare data accounting information system.

#### **2.2.2.4 The Role of Accounting Information System**

According to Azhar Susanto (2013: 10), the role of accounting information systems is 5, namely :

1. Collect and enter data into the accounting information system.
2. Processing the transaction data.
3. Saving data for future purposes.
4. Give users or decision makers (management) the information they need.
5. Control all processes that occur.

#### **2.2.3 Effectiveness of Accounting Information System**

According to Astuti and Dharmadiaksa (2014), information systems can be said to be effective if the system is able to produce information that is acceptable and able to meet the expectations of information in a timely, accurate, and trustworthy manner.

### **2.2.3.1 Measurement of The Effectiveness of Accounting Information System**

Another measure of success in measuring information system success by William H. DeLone and Emphraim R. McLean, known as the D&M is success model (DeLone and McLean,1992) in Jogiyanto (2007: 14), provides six dimensions of accounting information system success as follows :

1. System quality
2. Information quality
3. Service quality
4. Use
5. User satisfaction
6. Net benefit

### **2.2.4 Payroll Accounting Information System**

#### **2.2.4.1 Definition of Salary**

According to Sujarweni (2015: 127), salary is a payment for services performed by employees that the company does every month.

Hariandja (2002: 34) stated that the definition of salary is one important element that can affect employee performance, because salary is a tool to meet various need of employees, so that the salary given by employees will be motivated to work harder.

Payroll is all salaries paid by company to its employees. Managers, administrative staff, and sales employees usually receive a salary from a

company with a fixed amount. Salary rates are usually stated in monthly salaries (Moch. Tofik, 2010: 2).

#### **2.2.4.2 The Functions of Payroll Accounting Information System**

According to Mulyadi (2001: 383), in the payroll system involves several functions within the company so that the payroll transactions are not centered on one part. The functions involved are interconnected with one another. Functions involved in the payroll system include :

1. Employment function

This function is responsible for finding new employees, selecting prospective employees, deciding on the placement of new employees, making decisions on salary and salary rates of employees, promotions and salary groups, employee mutations and termination of employees.

2. Presentation time function

It is responsible for administering company employee time attendance records. A good internal control system requires that the employee's time attendance function should not be carried out by the operational function or the payroll register function. This function is under the personnel and general department.

3. Salary and wage list makers

It is responsible for making a salary list that contains the gross income that is due and the various deductions that are incurred by

each employee each period of salary payment. The salary list is submitted to the payroll function as the accounting function to produce proof of cash out which is used as the basis for paying salaries to employees.

#### 4. Accounting function

In the payroll accounting system, the accounting function is responsible for recording the obligations that arise in relation to the payment of employee salaries. The accounting function is in hands of the debt department, the expense card section and the journal section.

##### a. Debt section

This section holds a debt recording function which is in the payroll accounting system and responsible for processing payroll payments as stated in the payroll. This section publishes proof of cash out which authorizes the payroll function to pay salaries to employees as listed in the payroll.

##### b. Free card section

This section holds the cost accounting function which in the payroll accounting system is responsible for recording the distribution of costs in to the product cost card and cost based on the payroll recap and work hours card.

##### c. Journal section

This section holds the function of journal keeper who is responsible for recording salary expenses in general journals.



#### 5. Financial function

It is responsible for filling out checks in order to pay salaries which cash the checks to the bank. The cash is then put into the salaries and wages envelopes of each employee, for further distribution to eligible employees.

#### **2.2.4.3 Procedures in Payroll Accounting System**

According to Romney and Steinbart (2005), the payroll system includes :

##### 1. Time attendance procedure

This procedure aims to record the time of attendance of employees to determine employee salaries.

##### 2. Procedure for making payroll

The data used as the basis for making salary lists are letters of decision regarding termination and appointment of employees, reduction and promotion, salary list, and attendance list.

##### 3. Salary fee distribution procedure

This procedure aims to control costs and calculate the principal of the product, through the distribution of labor costs to departments that enjoy the benefits of labor itself.

##### 4. Procedure for making proof of cash out

Proof of cash out is an order to cash the financial function to issue an amount of money, on the date, and for the purposes as stated in the document.

#### 5. Salary payment procedures

This procedure involves an accounting function that makes a cash disbursement order to the financial function so that a check is written in which the financial function draws a check to the bank for payment of salaries and wages.

#### **2.2.4.4 The Purpose of Preparing Payroll Procedures**

The purpose of preparing payroll procedures according to Mulyadi (2014: 387) is :

1. To determine precisely and quickly how much salary and wages must be paid to each employee.
2. To maintain efficient and thorough records of all salaries and wages, tax deductions and other deductions.
3. To pay salaries and wages to employees in a satisfactory way.
4. To compile accurately and thoroughly all wage tax reports required tax inspection.
5. To establish and use an internal checking system and prevent errors and fraud.

#### **2.2.4.5 The Documents Used in The Payroll System**

The documents used according to Mulyadi (2016: 310) in the payroll and wage accounting system are :

1. Supporting salary and wage change documents

These documents are generally issued by the employment function in the form of decrees relating to employees, such as decisions on the appointment of new employees, promotions, changes in salary rates, demotions, temporary layoffs from work (suspension), transfers, etc. Copies of these documents are sent to the payroll and wage list function for the purpose of making payroll and wages.

2. Attendance hour card

This document is used by the time recording function to record the attendance of every employee in the company. This employee attendance record can be in the form of a regular attendance list, it can also be in the form of attendance card that is filled with a time recording machine.

3. Work hour card

This document is used to record the time used by direct factory workers to work on certain orders. This document is filled out by the factory provider and presented to the payroll and wage list function and then compared to the attendance hour card, before being used for the distribution of direct wage costs to each type of product or order.

4. Salary and wage list

This document contains the total salary and gross wages of each employee, deducted in the form of pph article 21, employee debt, fees for employee organizations and so forth.

5. Recap the list of salaries and wages

This document is summary of salaries and wages per department based on the salary and wage list. In companies whose production is based on orders, a recapitulation of wages list is made to impose direct wages in relation to the product to the order in question. The distribution of labor costs is carried out by the cost accounting function on the basis of a recapitulation of payroll and wages.

6. Statement of salary and wage

This document is made by the function of the wage and wage list maker together with the wage and wage list or in a separate activity from the wage and wage list. This document is made as a record for each employee regarding the breakdown of salary and wages received by each employee along with various deductions that are borne by each employee.

7. Salary and wage envelopes

Employee salaries and wages are submitted to each employee in a salary and wage envelope. On the front page of each employee's salary and wages envelope contains information about the employee's name, employee identification number and the net salary received by the employee in a particular month.

#### 8. Proof of cash out

This document is a money order made by the accounting function to the financial function, based on information in the payroll and wage list received and the function of the payroll and wage register.

### **2.2.4.6 Accounting Records Used in The Payroll System**

Accounting records used according to Mulyadi (2016: 317) in recording salaries and wages are:

#### 1. General journal

In the recording of salaries and wages, general journals are used to record the distribution of labor costs of each department within the company.

#### 2. Product price card

This note is used to record the direct labor wage incurred for the order.

#### 3. Cost card

This record is used to record to indirect labor costs and non production labor costs of each department in the company. The source of information for recording on this cost card is memorial evidence.

#### 4. Employee income card

This record is used to record income and various deductions received by each employee. The information on this income card is

used as the basis for calculating article 21 income tax that is borne by each employee. In addition, this employee income card is used as a receipt of employee salaries and wages by signing the card by the employee concerned. With the signature on this employee's income card, each employee only knows his own salary and wages, so certain income secrets are unknown to other employees.

#### **2.2.4.7 Network of Procedures That Make Up The Payroll System**

The procedures network according to Romney and Steinbart (2005 : 512) in forming the following payroll system :

1. Procedure for recording time

This procedure aims to record the time of attendance of employees to determine employee salaries.

2. Procedure for making a salary list

The function of this procedure is to make a salary list. The data used as the basis for making a salary list are letters of decision regarding the appointment of new employees, promotions and others.

3. Procedure for Salary cost distribution

In the salary distribution procedure, labor costs are distributed to departments that enjoy labor benefits.

4. Procedure for making proof of cash out

Proof of cash out is an order to the financial function to issue a sum of money, solid budget, and for the purposes stated in the document.

#### 5. Salary payment procedure

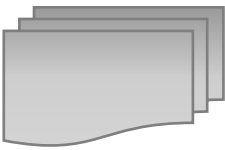
This procedures involve accounting functions and financial functions. The accounting function makes a cash disbursement order to the financial function to write checks to pay salaries. The financial function then cashed the check in the bank and put the money in the pay envelope.






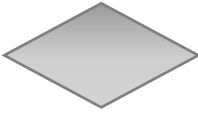


### 2.2.5 System Tool

#### 2.2.5.1 Flowchart Symbols

Document flowchart or also called form flowchart paperwork flowchart is a flowchart showing documents describing data flow using symbols as decribed in table 2.2.

**Table 2.2**  
**Flowchart Symbols**

No.	Symbols	Flowchart Symbols Name	Functions
1.		Document	To show document input data output for both manual, mechanical or computer processes.

2.		Computerized Process	Shows the activities of computer program operations.
3.		<i>Database</i>	To saving the data
4.		Connector	Showing the relationship on the same page.
5.		Linking other pages	Shows the relationship on another page.
6.		<i>Terminator</i>	Indicates the start / end of the system.
7.		<i>Decision</i>	Describes the decision logic with true or false.
8.		Manual Activity	To show work done manually.
9.		Sfeed Offline	To show non computer files that are archived in numbers.

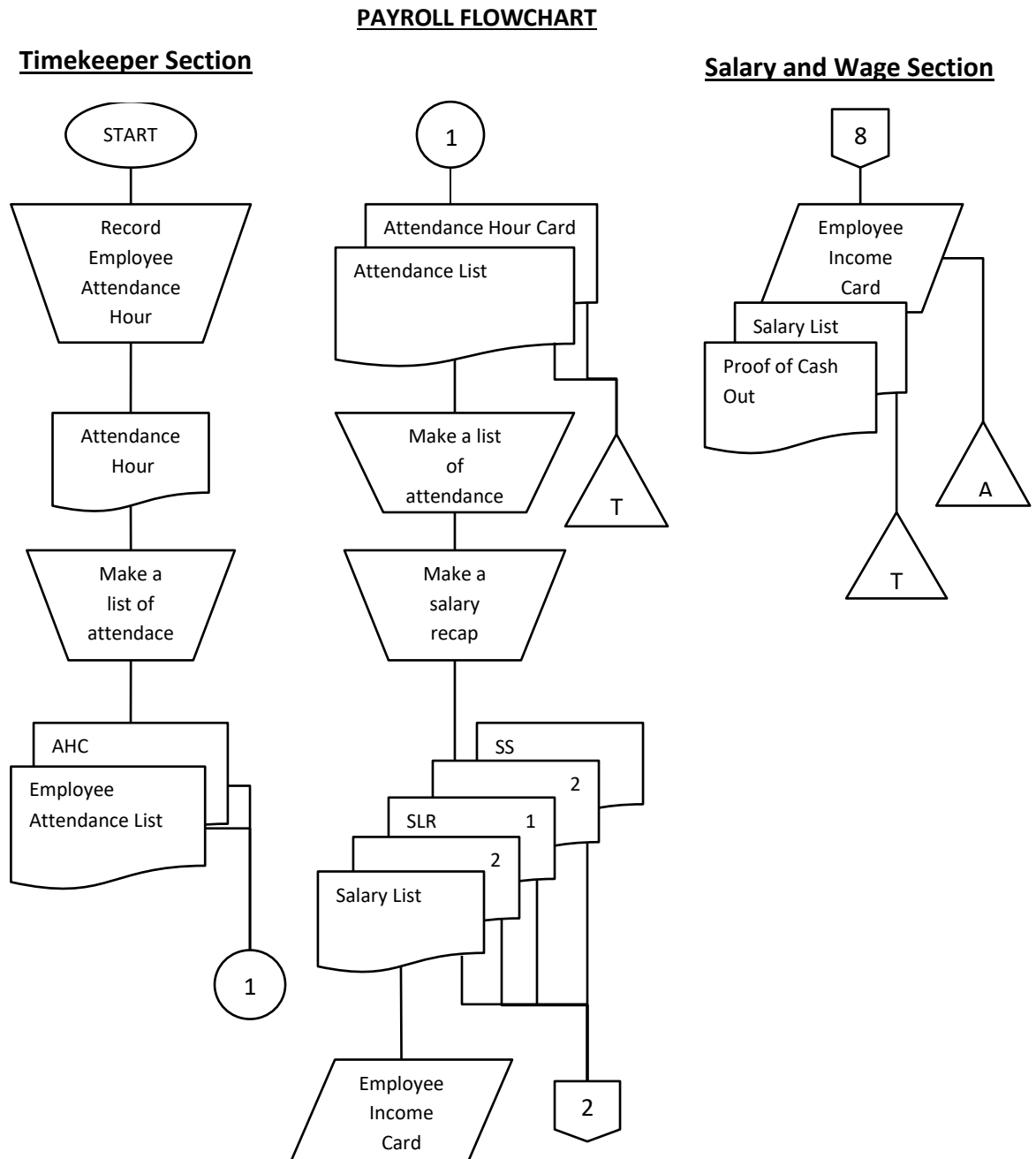
Source : Mulyadi (2016)

### 2.2.5.2 Flowchart of Payroll System

Mulyadi (2016: 397) argues that a flowchart is a chart showing a flow or flow in a program or system procedure logically.



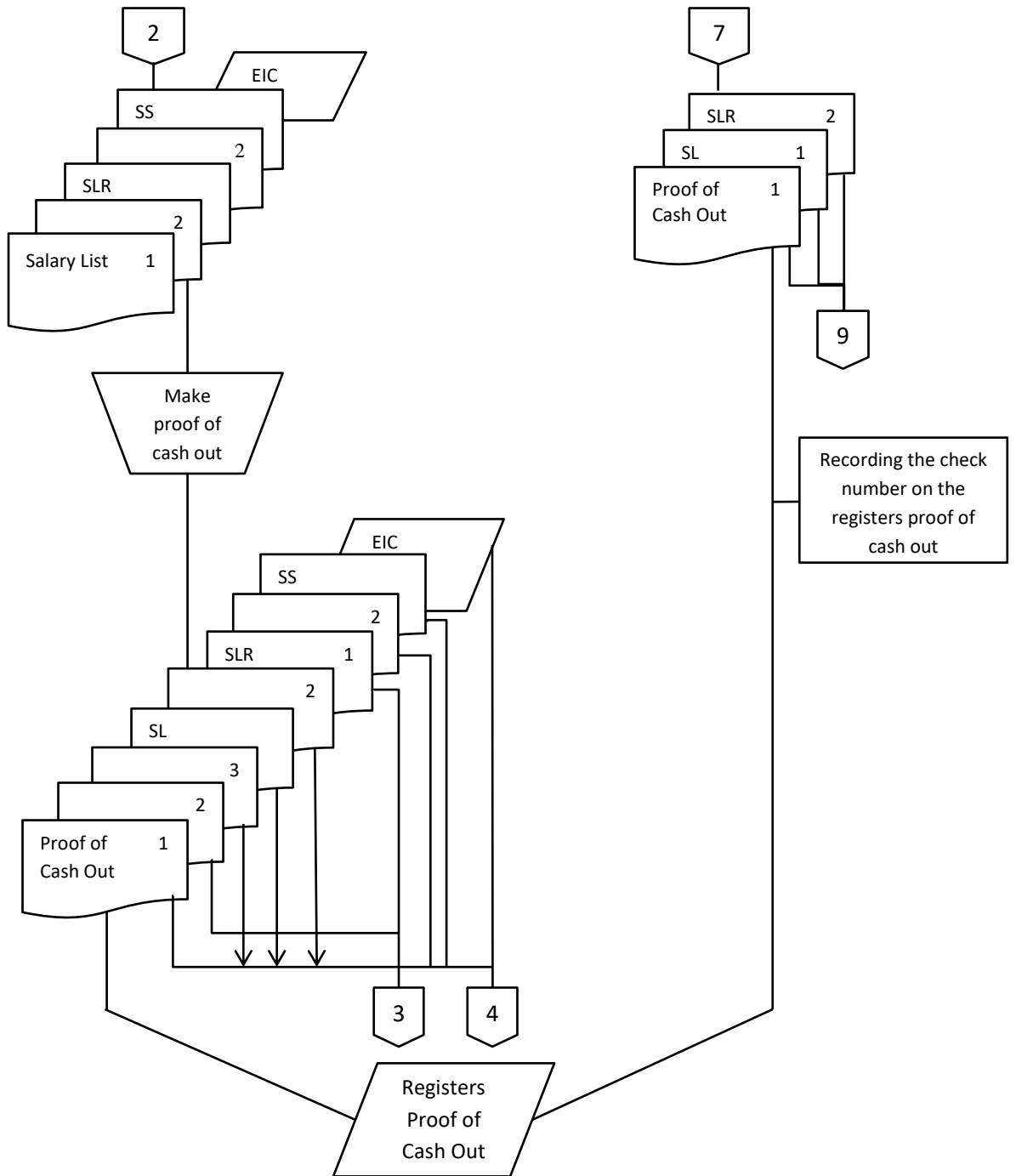
According to Mulyadi (2016), the flowchart of the payroll accounting system based on the procedures is as follows:



Source : Mulyadi (2016)

**Figure 2.1**  
**Payroll Flowchart**

**Debt Section**

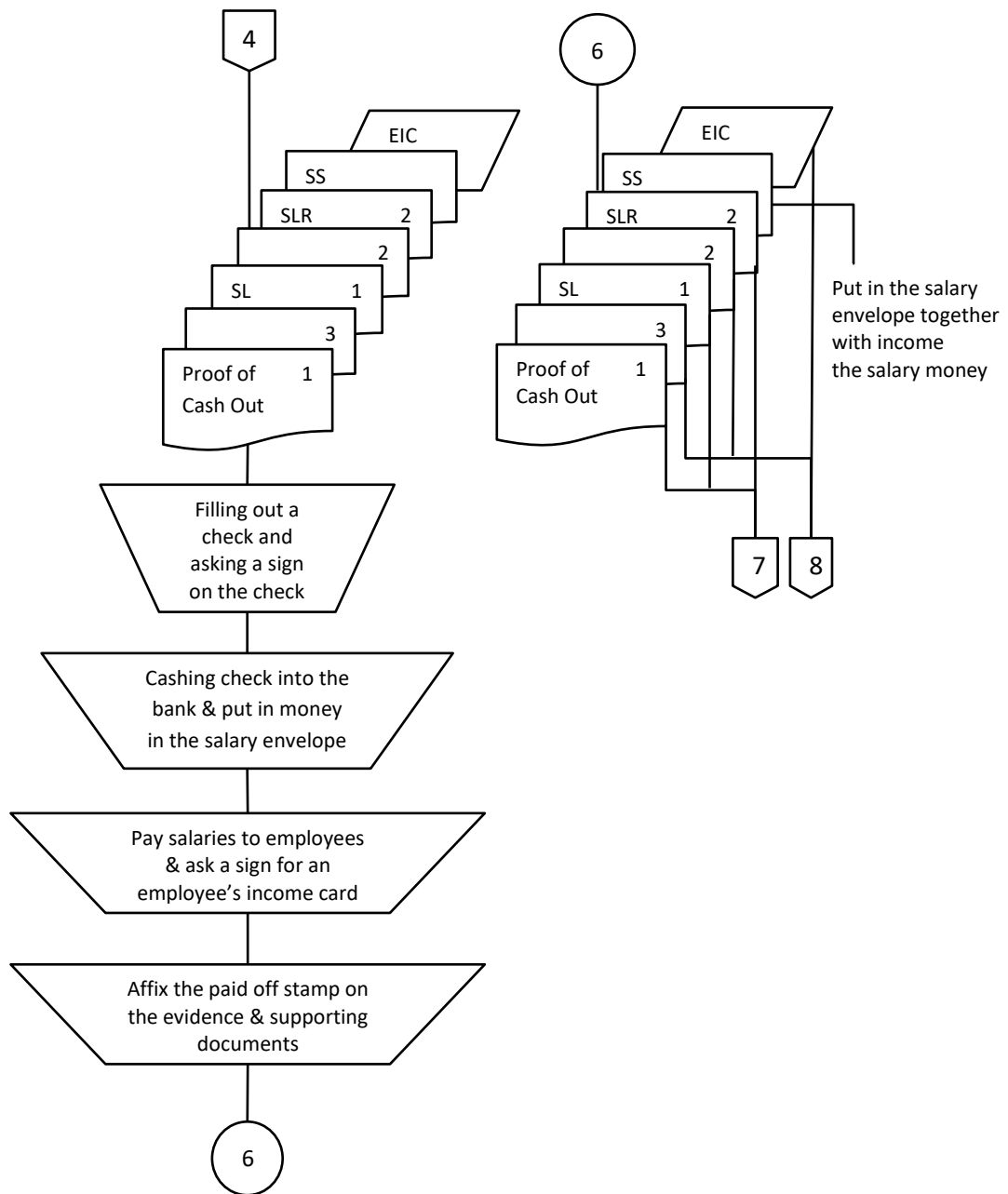


Source : Mulyadi (2016)

**Figure 2.2**  
**Continue of Payroll Flowchart**

## Salary Payment Procedures

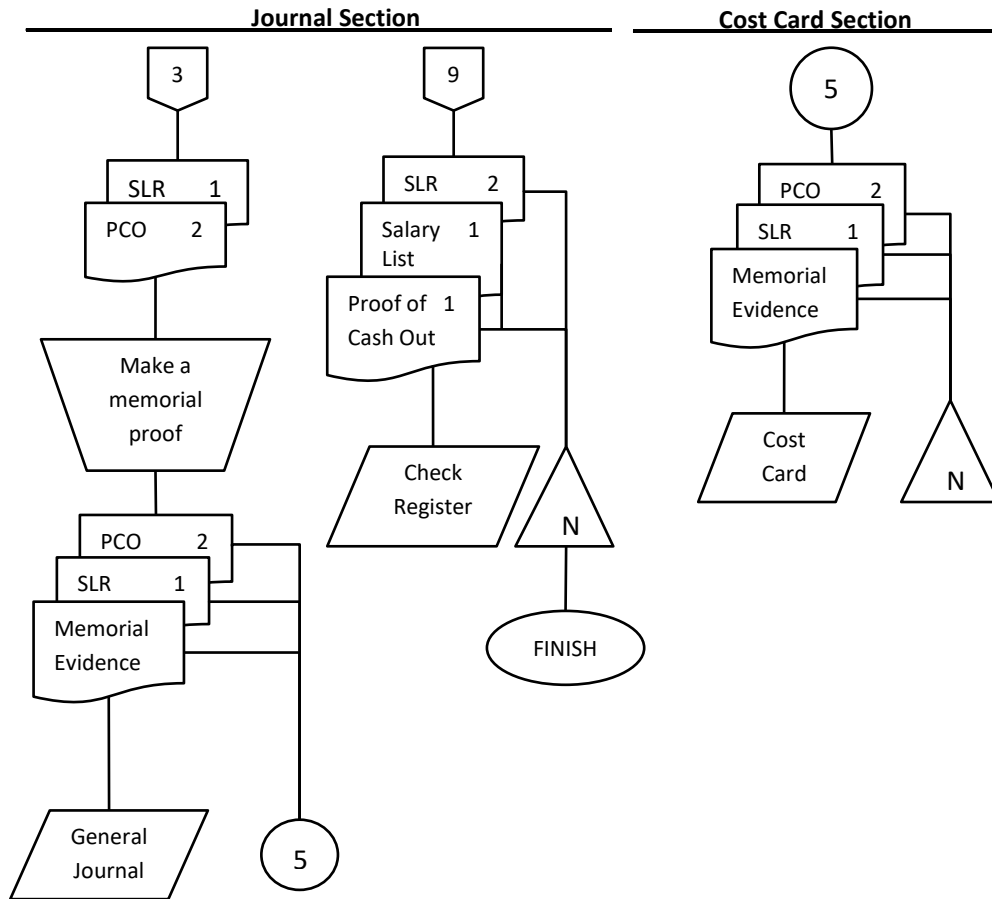
### Cashier Section



Source : Mulyadi (2016)

**Figure 2.3**  
**Countinue of Payroll Flowchart**

**Payroll Cost Distribution Procedures**



Note :

- AHC : Attendance Hour Card
- SLR : Salary List Recap
- SS : Salary Statement
- SL : Salary List
- PCO : Proof of Cash Out
- N : Archived according to serial number

Source : Mulyadi (2016)

**Figure 2.4**

**Countinue of Payroll Flowchart**

## **2.2.6 Internal Control**

### **2.2.6.1 Definition of Internal Control**

According to Romney and Steinbart (2009 : 229), internal control is an organizational plan and various business methods used to safeguard assets, provide accurate and reliable information to encourage and improve the efficiency of the organization's operations, and encourage compliance with predetermined policies.

### **2.2.6.2 Elements of Internal Control**

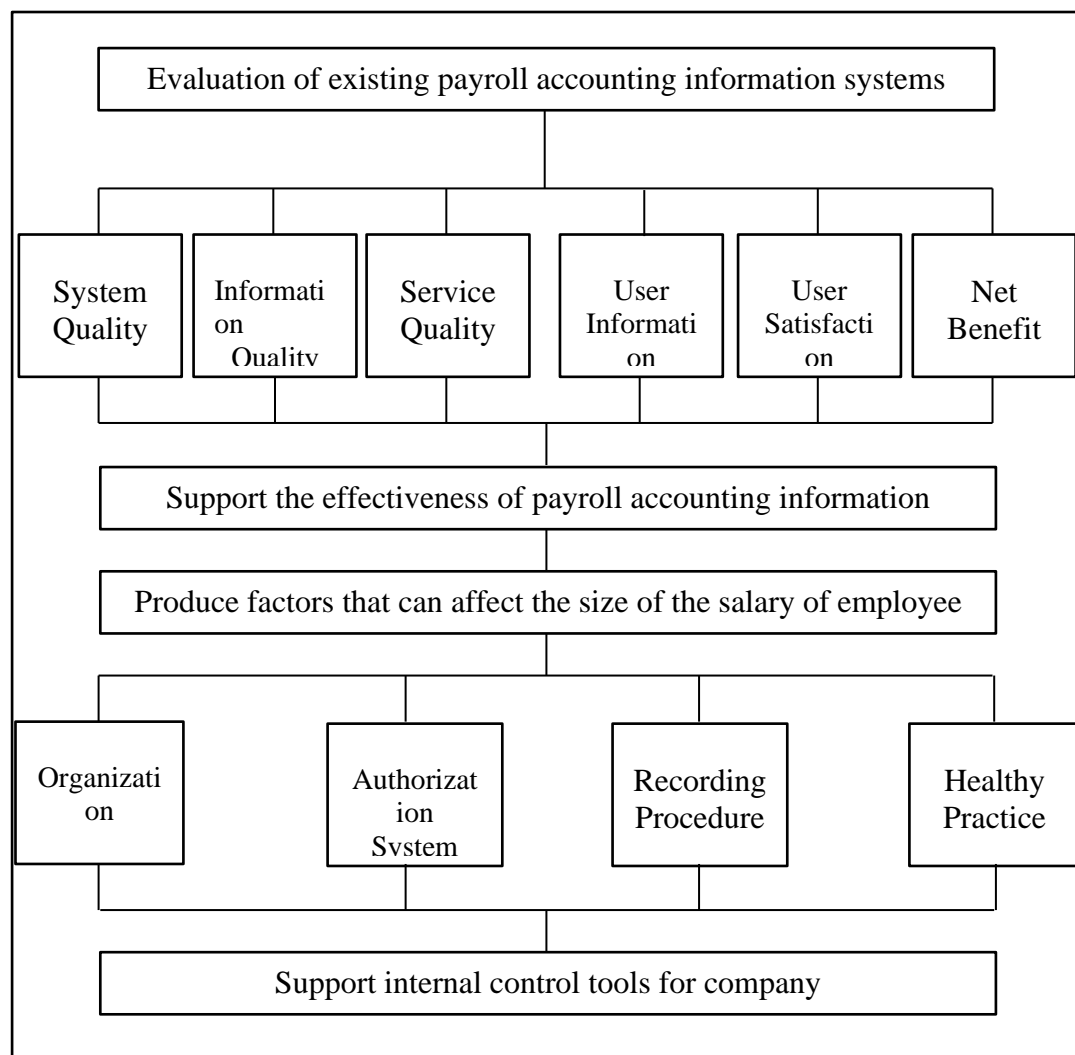
Elements of internal control in the payroll and wage accounting system according to Mulyadi (2016: 516) :

1. Organization
  - The function of making payroll and wages must be separate from the financial function.
  - The time recording function must be separate from the operation function.
2. Authorization system
  - Every person whose name is on the salary and wage list must have an appointment letter as an employee of the company signed by the president director.
  - Any changes in salaries and wages of employees due to changes in rank, changes in salary rates and additional family wages must be based on the decree of the director of finance.

- Any deductions from employee salaries and wages other than employee income taxes must be based on a letter of salary deductions and salaries that are authorized by the employment function.
  - The attendance hour card must be authorized by the timer function.
  - Overtime orders must be authorized by the relevant department head of the employee.
  - The list of salaries and wages must be authorized by the personnel function.
  - Proof of cash out for payment of salaries and wages must be authorized by the accounting function.
3. Recording procedure
- Changes in employee income records are reconciled with employee payroll and wages.
  - The rates stated on the working hour card are verified for accuracy by the accounting function.
4. Healthy practices
- The present hour card must be compared with the working hour card before the last card is used as the basis for the distribution of direct labor costs.
  - Entry of the attendance hour card into the time recording machine must be monitored by the time recording function.

- Making a list of salaries and wages must be verified by the accuracy and accuracy of the calculations by the accounting function before payment is made.
- Employee income tax calculations are reconciled with employee income records.
- Employee income records are kept by the salary and wage register function.

### 2.3 Conceptual Framework



*Source: the researcher (2020)*

**Figure 2.5**  
**Conceptual Framework**

## **2.4 Research Questions and Analysis Model**

### **2.4.1 Research Question**

In this study, research questions that will be used in data collection include :

#### **2.4.1.1 Main Research Question**

The main research questions that will be used in this study are as follows :

1. How is the payroll accounting information system implemented at Bossotel Inn Chiang Mai?
2. What are the factors that can affect the size of the payroll at Bossotel Inn Chiang Mai?
3. How the effectiveness of the payroll accounting information system as an internal control tool at Bossotel Inn Chiang Mai?

#### **2.4.1.2 Mini Research Questions**

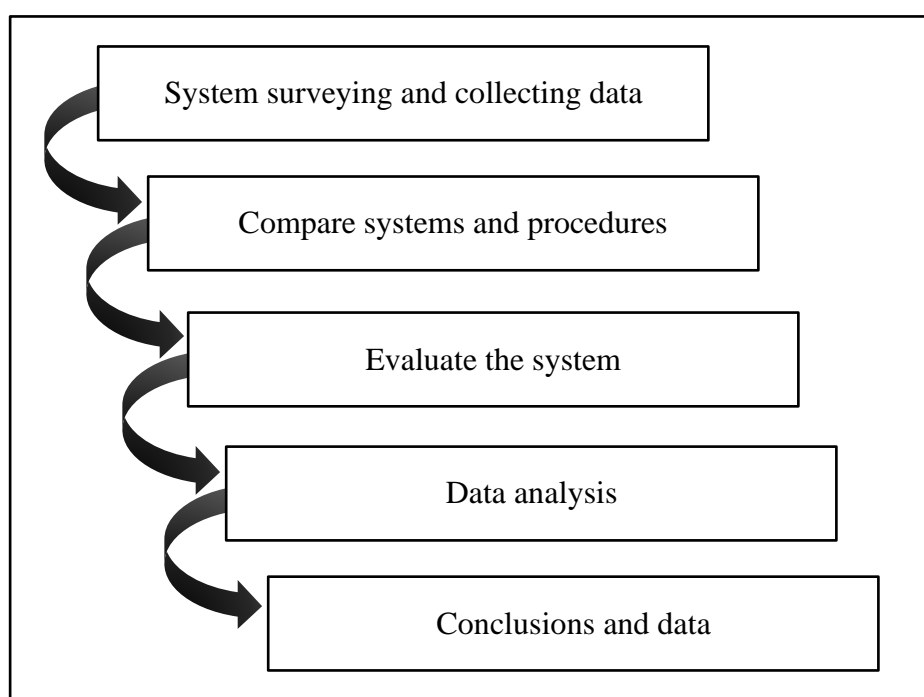
1. How the payroll accounting information system has been applied?
2. Have each function and task been carried out accordingly?
3. Are there any inhibiting factors in the process of carrying out functions and tasks?



4. Can the effectiveness of the payroll accounting information system be used as an internal control tool?

### 2.4.2 Analysis Model

**Figure 2.6**  
**Data Analysis Model**



*Source : The researcher (2020)*

### 2.4.3 The Proposition Used

According to Singarimbun and Effendi (1995: 36) social studies are usually two type of proposition, i.e. axioms or postulates and theorems. Axioms or postulates are propositions the truth of which is not questioned by researchers, so it doesn't need to be tested in research. For example, "human behavior is always bound by social norms" is an example a

proposition whose truth is not questioned. Whereas theorem is a proposition deduced from the axiom. For example “someone’s behavior is influenced by his intention to perform the behavior”.

In this study, the author will use proposition theorem and the proposition in this research is “The Effectiveness of The Payroll Accounting Information System as An Internal Control”.

#### 2.4.4 Logical Affirmation Between Data and proposition

The basis for the logical affirmation between proposition and data is as shown in table 2.3

**Table 2.3**  
**Logical Affirmation Between Data and Proposition**

<b>Proposition</b>	<b>Data</b>
The Effectiveness of The Payroll Accounting Information System as An Internal Control at Bossotel Inn Chiang Mai	Data needed in this study are : a. A brief history of Bossotel Inn Chiang Mai. b. Bossotel Inn Chiang Mai’s organizational structure. c. Payroll documents. d. Payroll flow chart.

*Source : The researcher (2020)*

#### 2.4.5 Qualitative Instrument Design

The basic design of qualitative research instruments in this study is as shown in the table 2.4.

**Tabel 2.4**  
**Design of Qualitative Research Instrument**

<b>Research Question</b>	<b>Data Source, Data Collection and Analysis Methods</b>	<b>Practical aspects (Field Research)</b>	<b>Justification</b>
<p>Main research questions :</p> <p>a. How is the payroll accounting information system implemented at Bossotel Inn Chiang Mai?</p> <p>b. What are the factors that can affect the size of the payroll at Bossotel Inn Chiang Mai?</p> <p>c. How the effectiveness of the payroll accounting information system as an internal control tool at Bossotel</p>	<p>The data source uses is primary and secondary data :</p> <p>Interview :</p> <p>a. Accounting manager</p> <p>b. Payroll staff</p> <p>Observation :</p> <p>Daily activities of staffs in the hotel, especially accounting office.</p> <p>Document analysis :</p> <p>Written sources regarding the role of payroll accounting information</p>	<p>Get access from accounting staff and financial department manager.</p> <p>Interviews are conducted face to face, use modern telecommunication, and registered.</p> <p>Each interview begins with an unstructured and structured method in stages.</p> <p>Company observation :</p> <p>Researcher do direct observation of the object under study by conducting</p>	<p>Manager and accounting are the main players in the company.</p> <p>The unstructured interview method begin with an interview session to make researcher more sensitive to important issues from a study. Its also used to help identify initial concepts that need to be further</p>

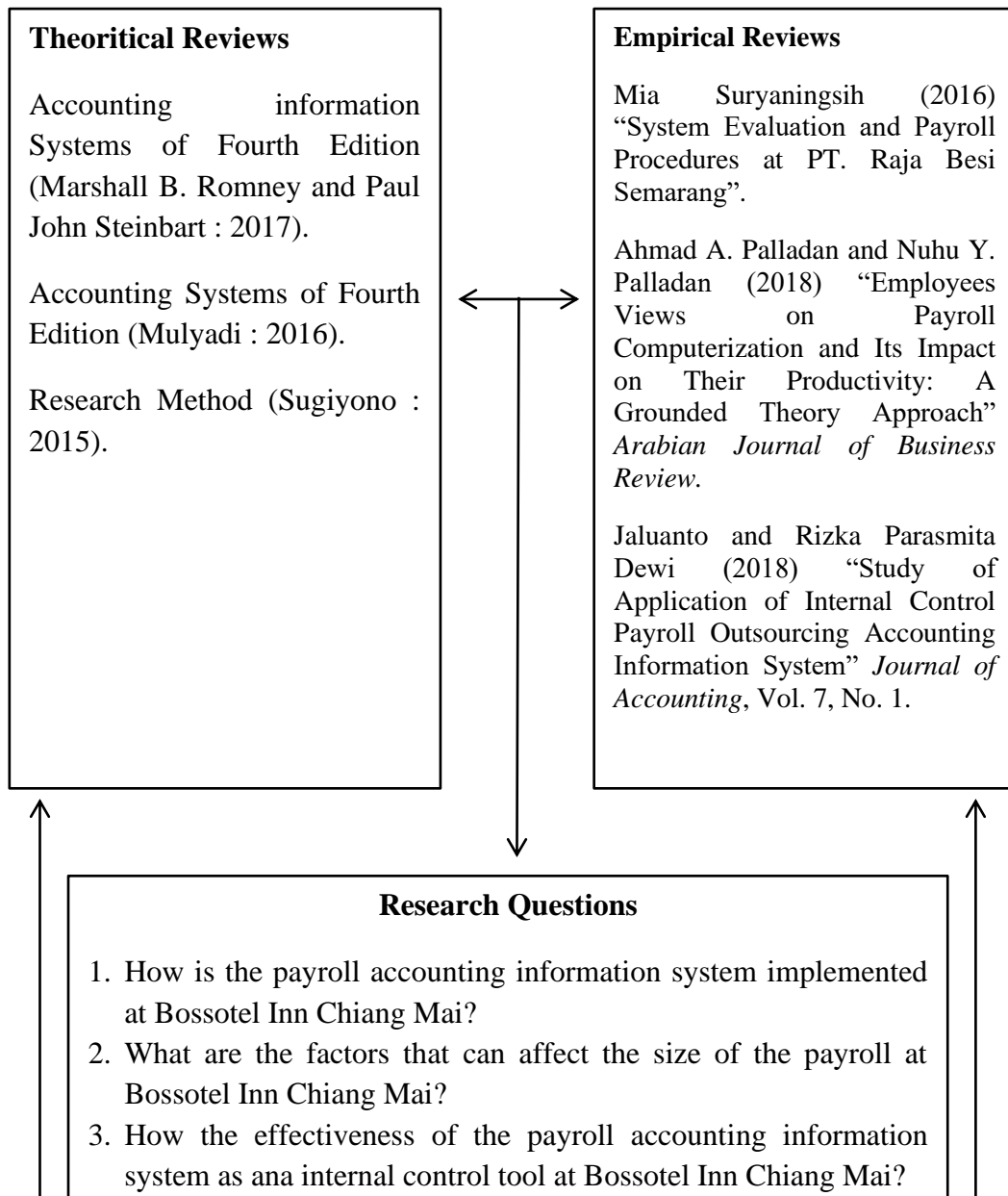
<p>Inn Chiang Mai?</p> <p>Mini research questions :</p> <p>a. How the payroll accounting information system has been applied?</p> <p>b. Have each function and task been carried out accordingly?</p> <p>c. Are there any inhibiting factors in the process of carrying out functions and tasks?</p> <p>d. Can the effectiveness of the payroll accounting information system be used as an internal control tool?</p>	<p>system.</p> <p>Data analysis : Provide a description of the interpretation in the form of relevant theories so as to provide a clear description of the circumstances to be examined.</p>	<p>interviews with staffs and manager.</p> <p>Analysis of document : Total time is around 24 hours.</p>	<p>developed in interviews.</p> <p>Analysis of the document provides additional information and verifies the data obtained from the interview.</p>
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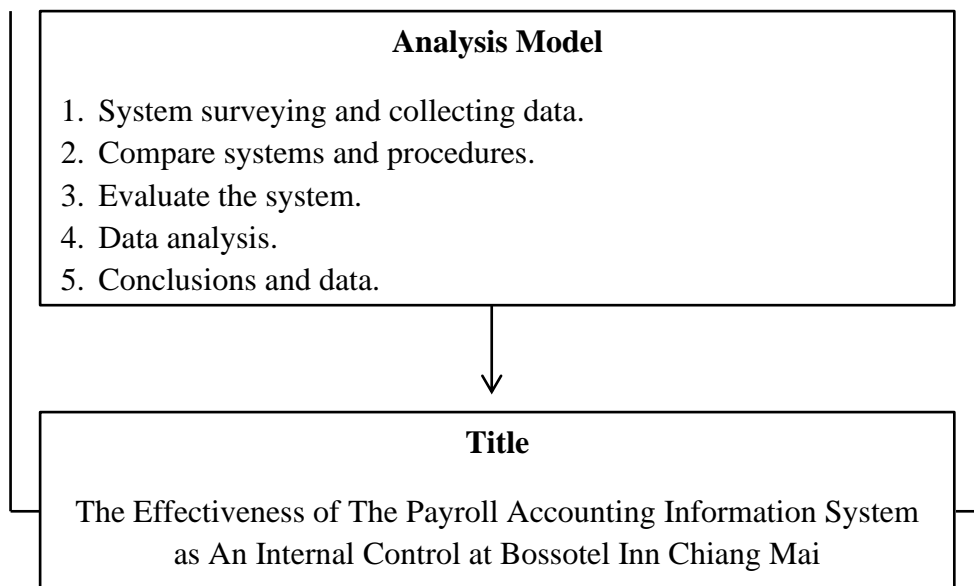
Source : The researcher (2020)

## CHAPTER III

### RESEARCH METHODOLOGY

#### 3.1 Research Process





*Source : The researcher (2020)*

**Figure 3.1**  
**Research Process**

### **3.2 Research Approach**

In completing this research, the author will use qualitative research. Namely research that provides an overview of the state of the object. It means that the data collected is not in the form of numerical data, but in the form of data from interview scripts, field notes, personal documents, and researcher notes or memos that support the research.

The purpose of using this approach is because according to phenomena that occur in the field related to the application of accounting information systems on payroll and how the application of accounting information systems can be effective in controlling financial performance.

### **3.3 Type and Data Sources**

The type of research used in this research is descriptive qualitative research where researcher look for facts about how the application of payroll

accounting information system in the company, how the role of the effectiveness of payroll accounting information system as an internal control tool for company performance and can learn problems that occur in the field including about activities, attitudes, views and understanding of the research flow as it progresses.

The type of data used in this research is the type of qualitative data in the form of policies and procedures for recording working hours, policies and procedures for manual calculating, submission and reporting of salaries, policies and procedures for sick permit, leave allowance, policies and procedures for overtime work manuals, policies and procedures for taking manual job by employees.

Data sources in this research will take directly from the field by researcher by understanding and searching for the contents of interview scripts or notes on employees of Bossotel Inn Chiang Mai. So the writer can analyze the data and then developed into how the effectiveness of the payroll accounting information system can be considered as an internal control in the company.

### **3.4 Research Boundaries and Assumptions**

#### **3.4.1 Research Boundaries**

Limitation of research is used so that the problems in this study are not too widespread. Therefore, the limitation of the problem in this study is focused on discussing the effectiveness of the payroll accounting information system can be used as an internal control on the performance of Bossotel Inn Chiang Mai. With the limitation of this study the author

can find out the effectiveness of the payroll accounting information system as an internal control more efficiently.

### **3.4.2 Research Assumptions**

Research assumption is used to make statement that can be empirically tested for truth. In this study, the author determine the assumption in the study is the role of technology influences the effectiveness of the payroll accounting information system as an internal control in the company.

### **3.5 Unit of Analysis**

The unit of analysis is the unit under study that can be individual, groups, objects or a setting of social events such as individual activities or groups as research subjects (Hamidi, 2010: 95).

While other statement explains that data analysis is finding and systematically compiling data obtained from the result interviews, field notes, and other materials, so they can be easy understood, and the findings can be shared with others. Done by organizing data, breaking it down into units, doing synthesis, sorting into patterns, choosing which are important and which will study and make conclusions that can be shared with others (Sugiyono, 2011: 335).

Based on the explanation above, the analysis unit in this research is a payroll accounting information system that focuses on improving the company's internal control, so that it is more efficient, it needs tools. One of them is a complete, fast and appropriate system for interdepartments or part



of the company because the delivery of information to those in need must be as effective and efficient as possible.

### **3.6 Data Collection Technique**

The purpose of collecting data is to obtain valid data so that the results and conclusions of the research will not be doubted. To obtain accurate data, the data collection techniques in this study were carried out in several ways including:

1. Preliminary survey

At this stage the researcher conducts research in general to Bossotel Inn Chiang Mai so that the researcher is able to formulate the problem at hand.

2. Field survey

- a. Observation

Make direct observation of all company staffs especially accounting to get an overview of the payroll process at the company.

- b. Interview

This data collection technique uses questions and answers to the parties directly related and authorized in obtaining the explanation or information needed to support research. The author conducted interviews with several employees in the hotel when the employees have spare time.

3. Literature reviews

The author was collecting and studying theoretical books relating to the discussion of problems to get the theoretical foundation used in thesis writing.

### **3.7 Data Analysis Technique**

The data analysis technique used in this study is descriptive qualitative analysis. The data obtained were analyzed qualitatively by comparing theories and providing a description related to the explanation of what was discussed.

In a descriptive qualitative method the writer will compare the payroll accounting information system that has been applied at Bossotel Inn Chiang Mai with existing theories to find rational problem solving. Research data analysis techniques follow the steps as follows :

1. Identify and collecting the data at Bossotel Inn Chiang Mai to support the research. The data collected is data related to existing payroll system data in the company so that these data can be used as a basis for evaluating the payroll accounting information system as internal control by seeing whether the procedures applied by the company are in accordance with theories of payroll accounting information system and internal control.
2. Reevaluate the payroll accounting information system based on the perspective of internal control principles in the company and the suitability of the effectiveness of the payroll accounting information system as internal control. Evaluate the theory of payroll accounting

information system and find the best solutions that can be suggested to company in the implementation and payroll process for employees.

3. Analyze improvements for deficiencies found in payroll accounting information system as internal control at Bossotel Inn Chiang Mai.
4. Provide conclusions and suggestions for the company after making recommendations about proposed improvements at Bossotel Inn Chiang Mai.

## CHAPTER IV

### RESEARCH RESULT

#### 4.1 Description of The Research Object

##### 4.1.1 Overview of The Hotel

Bossotel Chiang Mai is one of the three star hotels in Chiang Mai. Bossotel Chiang Mai has been established since 2008. Bossotel has several units one is Bossotel Bangkok and the Elements Krabi that is the family business.

Bossotel Chiang Mai becomes one of the choices agent tour and family if they go on vacation to Chiang Mai. Bossotel Chiang Mai has many facilities such as hotel in general, that is a swimming pool, free bike, restaurant, and building used for various purposes. Chiang Mai also having the appearance of is a very subtle. Moreover, Bossotel Chiang Mai has a theme of carriage workers who work here. Not only Thai people who works here, there are also employees from France, Philippines, Myanmar and Indonesia.



**Figure 4.1**

**Bossotel Inn Chiang Mai Logo**

#### **4.1.2 Location of The Hotel**

Bossotel Inn Chiang Mai located at 10/4 Rot Fai Road, Muang Chiang Mai 50000 Thailand. The location of Bossotel Chiang Mai is right in front of the Chiang Mai Railway Station. Its a great location and comfortable place can attract newcomers especially foreign tourist to come and try the product and service provided.

Besides that the theme taken for hotel and restaurant design is tropical nature, where the atmosphere can bring us back to nature while enjoying the products and services provided. The design of that place can be one of the uniqueness of the hotel and the tourists can be more interested to come.

#### **4.1.3 Vision and Mission of The Hotel**

Bossotel Inn, Chiang Mai has a vision that is focused on guest and hotel employees, namely a commitment to develop the company culture high quality hotel humanely and professionally through preservation of optimal quality of life. Bossotel Inn, Chiang Mai carry out its vision is to provide services for guests by focusing on quality consistently high quality service products. As an operational method, Bossotel Inn Chiang Mai has a mission focused on customer satisfaction, at where this mission is an implementation of his vision.

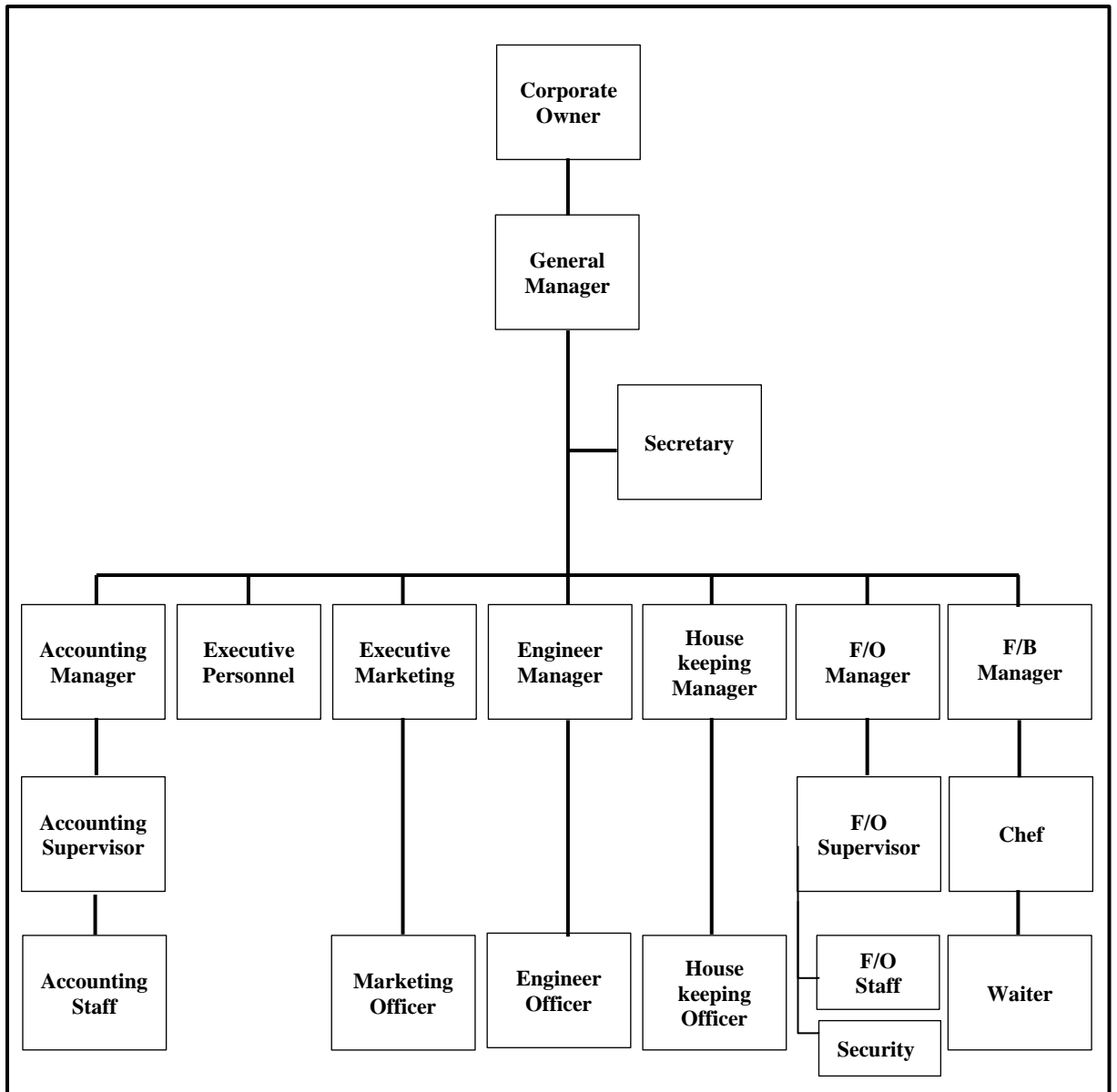
#### **4.1.4 The Goal of The Hotel**

Bossotel Inn Chiang Mai aims to develop management and professional hotel operating system in order to produce a profit maximum. The existence of Bossotel Inn Chiang Mai also participated good impact for the economy of the people of Bangkok because of the majority the employees come from the neighborhood around the hotel. Besides this company too actively participating in overseas activities such as NATAS (National Assosiation of Travel Agents Singapore) to expand the reach of its promotions as well as routinely accepting internship students who come from aboard has a positive impact on hotel development.

#### **4.1.5 Organizational Structure**

In carrying out company activities, of course there are components or people who have the authority and responsibility for the company's activities. In this case an organizational structure is made in accordance with the needs of the company to reinforce the functions and authority and responsibilities of implementing company activities. As for the organizational structure implemented by Bossotel Chiang Mai can be seen in the following picture :

**Figure 4.2**  
**Organization Structure of Bossotel Chiang Mai**



Source : Researcher (2020)

Bossotel Inn Chiang Mai is led by a General Manager, Mrs. Duangnate Natesmanont. Here are some parts of the division of employees that work at Bossotel Chiang Mai :

**Table 4.1**  
**List of Employee Divisions**

<b>No.</b>	<b>Work Section</b>	<b>Number of Employees</b>	<b>Description</b>
1.	Front Office	10	1 Manager, 1 Supervisor and 9 Receptionist
2.	Reservation	2	2 Marketing Officer
3.	HRD	1	-
4.	Accounting	12	1 Manager, 1 Supervisor, and 10 Employees
5.	Foods and Beverages	11	1 Manager and 10 Employees / waitress
6.	Kitchen	7	1 Chef and 6 Employees
7.	Security	3	-
8.	Technician	5	1 Manager and 4 Employees
9.	House Keeping	13	2 Manager and 11 Employees

*Source : The researcher (2020)*

The following is an explanation of the position descriptions that exist in Bossotel Inn Chiang Mai :

1. General Manager

Lead several units of work functions that lead some or all functional managers and have responsibilities to all parts/functions in the hotel.

2. Personnel

Compile the necessary labor budget, managing and developing employees, doing recruitment and selection of workers, and take care of dismissal matters.



### 3. Manager

Responsible for planning and maintaining work systems, procedures, and policies that enable and encourage the optimum performance of its people and other resources within a business unit.

### 4. Supervisor

Organize workflows and ensure employees understand their duties, monitor employee productivity, provide constructive feedback and coaching, receive complaints and resolve problems, maintain timekeeping and personnel records, prepare and submit performance reports, hiring and training new employee.

#### **4.1.6 Aspect of The Hotel Activities**

Apart from service and sales, Bossotel Chiang Mai's rapid growth rate is also supported by the existence of a supportive technology system. one of the information technology systems used by Bossotel Chiang Mai is called EASYFO. It is software that designs from a small concept and developing until today, which EASYFO has a cover for all hotel operation areas, front office, point of sale, housekeeping, engineering, customer relationship management, central reservation system, web booking engine, interface system with our software and third party, accounts receivable, accounts payable, inventory, purchasing, cost control and general ledger accounts. The activities carried out by Bossotel Chiang Mai are retails which include promotional and marketing activities.

The target market of Bossotel Chiang Mai is consumers of all circles of society especially foreign tourists. Bossotel Chiang Mai strives to improve service and comfort for customers. This three-star hotel has 80 rooms which are grouped into 2 types of rooms. The types of classic rooms are divided into superior room and deluxe room while modern rooms consist of panoramic room and family room. According to Hutomo (2019), pricing of rooms is based on the season of visitors, promotions of hotels, and the price of cooperation agreements with other companies. Bossotel Chiang Mai also works with service companies hotel room deals such as Agoda, Booking.com, Traveloka, Hotelbeds, Air BNB, and others. In addition to online reservations, visitors can also come directly to book a room.

That's all one of the hotel marketing strategies and on the other side the hotel has a restaurant as additional company revenue. The marketing strategy used for the restaurant is also almost the same as the hotel, Kiangrang also works closely with food service providers such as FoodPanda and Grab Food. That strategy is very useful in the midst of the current covid-19 pandemic. In addition to continuing to implement the strategy, the management also took the initiative to open a new product in the midst of the covid-19 pandemic namely crispy chicken skin and the sauce is called Salidok. The marketing management of hotel uses live broadcasts on the Facebook web to promote that new products. From this initiative, demand for new products continues to increase and can reduce

the number of employees laid off. Besides that, Bossotel Chiang Mai also uses Payroll Scan Finger software as a payroll information system.

#### **4.1.7 The Competent Employee**

Competent employees are one of the most important elements of an internal control system. If the company has competent and honest employees, the company is able to produce reliable financial information. In order to obtain competent and trustworthy employees, the company recruits employees through employee selection. In the interview test the company explains things that will be done by prospective employees, if you have become an employee at the company. After being accepted as an employee, the company will conduct training to assess employee performance.

#### **4.2 Analysis Result**

From the evaluation that have been made regarding the payroll accounting information system at Bossotel Inn Chiang Mai produces the following statements :

##### **1. System quality**

The payroll information system used by Bossotel Inn Chiang Mai is quite effective. Where employees participate in the use of system such as fingerprint attendance that can simplify the calculation of salaries and bonuses for employees. The employee salary calculation procedure is also

attached to the list of employee jobs, the HRD section no longer needs to ask the head of each department. However, for the calculation of overtime pay for employees still using the manual system. Which is still often an error in the calculation of overtime hours that result in large wages earned by employees is not appropriate.

In the manual procedure for submitting salaries to employees, employees are required to sign a document that contains the amount of salary and there is an attachment regarding the list of attendance of working hours that are usually used for interns. And for jobholders, salary transfers are usually sent to the ATM of each employee and the employee will automatically get a salary slip via email after each salary is sent.

## 2. Information quality

According to user satisfaction, so far the system has been able to produce accurate information but human error often occurs.

- a. Coordination delays between employees and superiors and unexpected situations can cause the task and employee hours to suddenly change.
- b. Many employees sometimes forget to do fingerprint attendance.
- c. The managers often forget to record overtime hours on employee overtime card

Mismatch between the result of fingerprint attendance and reports provided by superiors from each department will cause recording errors on employee salaries and the process of calculating employee salaries and bonuses will take more time.

### 3. Service quality

Employees are quite satisfied with the system. The services provided by Bossotel Inn Chiang Mai such as fingerprint attendance is quite efficient for employees, where employees do not need to do manual procedures such as writing hours of entry and finish work on a working hour card and payroll department can be faster and more easier to calculating salaries for employees. However, the fingerprint attendance system is still inaccurate when used to control and calculate employee overtime.

In the process of taking leave or extra work, employees must confirm to superiors to get permission in advance at least three days before of the day.

### 4. Usage intentions

Based on observations by the author, sometimes there are employees who often arrive late even though there is sanction for violations such as salary or bonus will be deducted and will affect the performance of services at the hotel. It shows that the intention to use the system is lacking. It can be caused by lack of enthusiasm for work and the amount of salary earned.

### 5. User satisfaction

The payroll department is quite satisfied with system used. But there are still shortcomings in terms of overtime hours calculation and lack of specific descriptions of overtime jobs because of this, the payroll

department sometimes forget or mis-figure in calculating employee bonuses and salaries that ultimately the salary received by the employee is not appropriate.

#### 6. Net system benefit

The payroll system used by Bossotel Inn Chiang Mai is very beneficial for the hotel. In addition to simplifying the process of calculating salaries and bonuses, the computerized payroll system is also more efficient for employee use. And its use will be more effective if employees are more disciplined and responsible for the existence of the system. The timeliness of employees in attending work, the timeliness of employees in confirming the day of leave desired, and the active communication between employees and superiors greatly affect the process of calculating salaries and bonuses for employees, the more effective some of these things are, the more effective of the system is used too. Some of these things can also expedite services to hotel customers and strengthen the bond of kinship between employees and superiors.

#### **4.2.1 The Documents Used in The Payroll System of Bossotel Inn Chiang Mai**

##### 1. Attendance hour card

Bossotel Inn Chiang Mai uses the fingerprint attendance as an employee's time attendance system. Employee hours of entry and exit will be listed directly by the system. For holidays and other records

such as overtime will be listed manually using a computer by the HRD. When giving salary, employees will get detailed records regarding the time of attendance of employees, as shown below :

**Figure 4.3**

**Time Record of Work Attendance**

Miss.Arofatul Jannah แผน Food&Beverage Code Fingerscan :106302		June'2020 วันที่ 26-25/6/2020 Day Off: Thursday
1	26/5/2020 8:54	
	26/5/2020 17:32	
2	27/5/2020 7:35	
	27/5/2020 16:59	
3	28/5/2020 7:46	
	28/5/2020 16:33	
4	29/5/2020 7:51	
	29/5/2020 16:32	
	30/5/2020	ลางาน LWP
5	31/5/2020 7:55	
	31/5/2020 16:32	
6	1/6/2020 8:54	คุณเจิมอนุญาตให้กลับก่อน
	1/6/2020 16:09	
7	2/6/2020 8:54	คุณเจิมอนุญาตให้กลับก่อน
	2/6/2020 16:35	
8	3/6/2020 8:53	คุณเจิมอนุญาตให้กลับก่อน
	3/6/2020 16:06	
	4/6/2020	Day off
	5/6/2020	ลางาน LWP
9	6/6/2020 8:49	
	6/6/2020 16:47	คุณเจิมอนุญาตให้กลับก่อน
10	7/6/2020 8:51	
	7/6/2020 16:56	คุณเจิมอนุญาตให้กลับก่อน
11	8/6/2020 8:50	
	8/6/2020 16:37	คุณเจิมอนุญาตให้กลับก่อน
12	9/6/2020 8:55	
	9/6/2020 16:55	คุณเจิมอนุญาตให้กลับก่อน
	10/6/2020	Day off
	11/6/2020	ลางาน LWP
13	12/6/2020 8:55	
	12/6/2020 17:32	
	13/6/2020	ลางาน LWP
14	14/6/2020 8:54	
	14/6/2020 16:06	คุณเจิมอนุญาตให้กลับก่อน
	15/6/2020	ลางาน LWP
	16/6/2020	ลางาน LWP
	17/6/2020	Day off
15	18/6/2020 8:57	
	18/6/2020 16:24	คุณเจิมอนุญาตให้กลับก่อน
16	19/6/2020 8:56	
	19/6/2020 16:32	คุณเจิมอนุญาตให้กลับก่อน
	20/6/2020	ลางาน LWP
	21/6/2020	ลางาน LWP
	22/6/2020	Day off
	23/6/2020	ลางาน LWP
17	24/6/2020 9:00	
	24/6/2020 17:30	
18	25/6/2020 9:00	
	25/6/2020 17:30	

2. Work hour card

Each department is advised to make employee work schedule. For each department head it is responsible for managing each employee's work schedule and writing it down into a work schedule that can be shared with each employee later. In addition to serving as a reminder for employees, the schedule can also be given





The specified salary amount includes cost for health insurance, the creation of work permit visa for foreign employees and other costs.

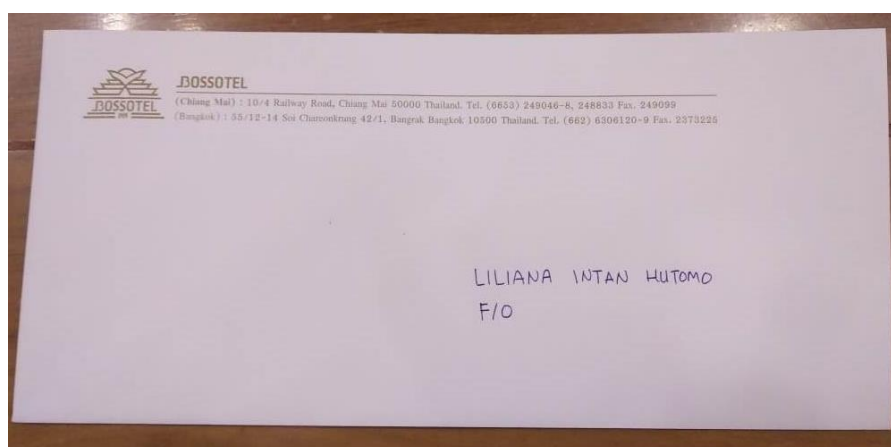
Every year the manager will negotiate with employees one by one to discuss the salary increase to be given and promotion if possible. The manager will make a note of the latest employee payroll and the HRD will make an update copy of the salary change for employees which will later be used as a document for processing employee salaries.

#### 4. Salary and wage envelopes

Salary submitting to interns are usually handed in manually in the form of a salary envelope that says the employee's name and the department of work on the front page. Whereas for ordinary employees, salary submitting are sent to each employee's ATM and salary slip will automatically be sent via email.

**Figure 4.5**

#### **Salary Envelope**



#### 5. Proof of cash out

Proof of payment in the form of receipt and paper signed by the employee will be used as proof of cash out.

### **4.2.2 Accounting Record Used in The Payroll System**

#### 1. General journal

General journals are used by the payroll department to record the distribution of labor costs of each department in the company.

#### 2. Employee income card

This record is used by the payroll department to record income and various deductions received by each employee. In addition, this employee income card is used as a receipt of employee salaries. This employee income card is usually a softfile sent via email. By the system running, each employee can only know the amount of his own salary, so that certain income secrets are not known by other employees.

### **4.2.3 The Factor that Influence Employee Salaries**

Each salary that is paid directly to the employee has an unequal amount. The company has its own policy for compensation which is influenced by a number of internal and external organizational factors. Based on the analysis of payroll accounting information system at Bossotel

Inn Chiang Mai, the factors that can affect the size of the salary are as follows :

1. Type of work and responsibilities

Based on the organizational structure, Bossotel Inn Chiang Mai is divided into several departments which are the duties and responsibilities of each department are different. Difference in position levels will affect the size of the salary. The higher of position held, the greater of responsibility assumed too. Then the salary earned must also be in accordance with the responsibility assumed.

Usually the presence of an intern can help alleviate some of the work of permanent employees, but sometimes there is gap between the two such as the issue of misuse of responsibility. It is not possible for permanent employees to delegate their work to an intern. To minimize this, Bossotel Inn Chiang Mai deliberately installed CCTV in several parts that functioned to monitor the performance of its employees.

In this service company, responsibility for the tasks given, discipline in the work attendance, and employee behaviour towards the customer will be used as consideration to increase the amount of salary or bonus to the employee. Because employees play a direct role in the customer's good rating of the hotel.

2. Cost of living

The company also takes into account the cost of living of employees who are working at Bossotel Inn Chiang Mai. Because the employees who work at Bossotel Inn Chiang Mai are not only from local residents, but also many foreign employees. Therefore, hotel owners also offer hostels for out of town employees who want to stay at very affordable prices compared to room rental rates in the market. And for foreign employees the company will usually provide its own hostel without paying. Not only that, the company also provides lunch and breakfast facilities for all employees. From the facilities provided by the company, the cost of living incurred by employees can be reduced.

### 3. Government regulation

Company is required to follow regulations in granting compensation to employees. Because many Bossotel employees come from foreign citizens, the salary costs incurred by the company for foreign employees are not same as local employees, usually the company and foreign employees will sign an agreement that contains the results of negotiations regarding the salary should be.

### 4. Company capability

The company's financial capability will also affect the amount of employee salaries. When the company is in a state of crisis, the possibility of salaries to be paid to employees can be reduced even bonuses will be removed. But for the loyalty of hotel employees, they

company will continue to provide full salaries in accordance with the results of the work that has been done. For the sake of smoothness, the company is also advised to make a reserve of money to pay employee salaries in the future.

#### **4.2.4 Elements of internal control**

##### **1. Organization**

The payroll function in Bossotel Inn Chiang Mai is quite effective, because the systems used for payroll and finance are also different, automatically the payroll section with finance is also separate. So that each section can focus on the function of each activity. Even the space used for their work is also different.

##### **2. Authorization system**

- ✓ The name and amount of salary of the Bossotel employees listed in the salary list are in accordance with the employment contract signed by the general manager.
- ✓ Changes in employee salaries due to changes in rank or changes in salary levels are usually based on evaluations of employee performance each year and decisions will be taken through deliberations with the general manager and department heads by looking at the financial condition and situation faced by the hotel.
- ✓ Salary reduction for employees other than based on the previous contract agreement letter, sanctions such as employees arriving late

will also reduce salaries to employees automatically through the fingerprint attendance system and the personnel department will ensure that to the head of the employee's department before following up to make a decision.

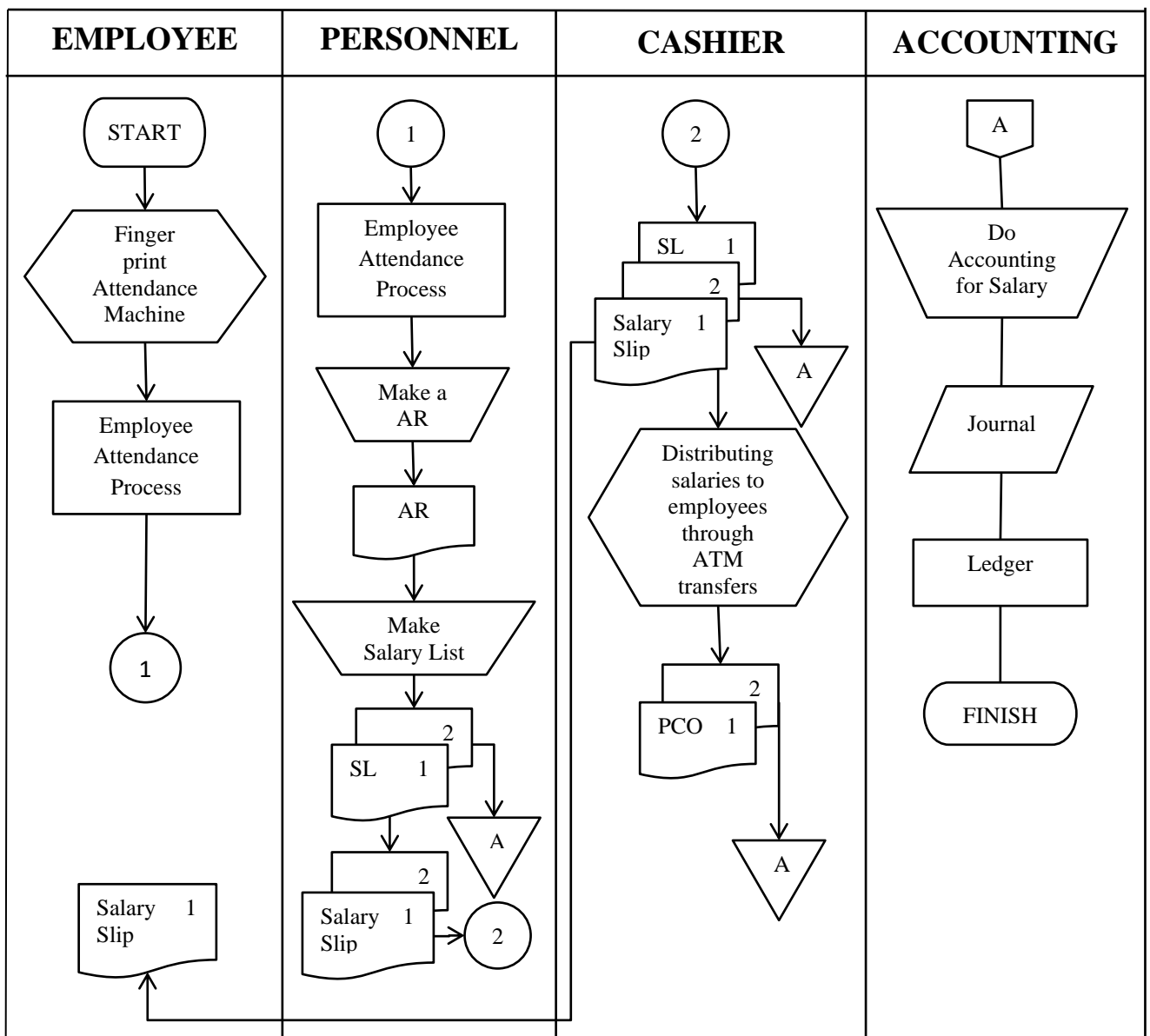
- ✓ Still ineffective procedure in the overtime hour recording system because sometimes the department head forgets to provide overtime card which must be signed by the employee so it is not possible for the personnel section to make mistakes in calculating employee salaries.
  - ✓ The personnel department is responsible for authorizing the payroll on employees.
  - ✓ The accounting department is responsible for authorizing evidence of cash payments for salary payments before being transferred to the payroll department.
3. Recording procedure
- ✓ Usually at the end of the year there will be a reconciliation between changes in employee income records and the list of employee payroll.
  - ✓ Every month the accounting department verifies the rates listed on the business hours card as a form of accuracy.
4. Healthy practices
- ✓ The present hour card had compared to the hour card before the last card was used as a basis for the distribution of direct labor costs.

- ✓ Bossotel Inn Chiang Mai has used an automatic time recording system which has been included with the time recording function.

### 4.3 Interpretation

Table 4.2

Flowchart of Payroll Process of Bosotel Inn Chiang Mai



Source : The Researcher (2020)

Explanation of the payroll process at Bossotel Inn Chiang Mai as shown in table 4.2 is as follows :

1. Employee

The payroll process begins with the attendance process. Employees attendance through a fingerprint. Furthermore, the fingerprint machine will input and recap the employee's attendance.

2. Personnel

The personnel section makes a recap of attendance lists based on reports from the fingerprint machine. Then the personnel department will make the next salary list and salary slip will be submitted to the cashier.

3. Cashier

The cashier will process the payment of employee salaries by distributing money through ATM which will then produce proof of cash out.

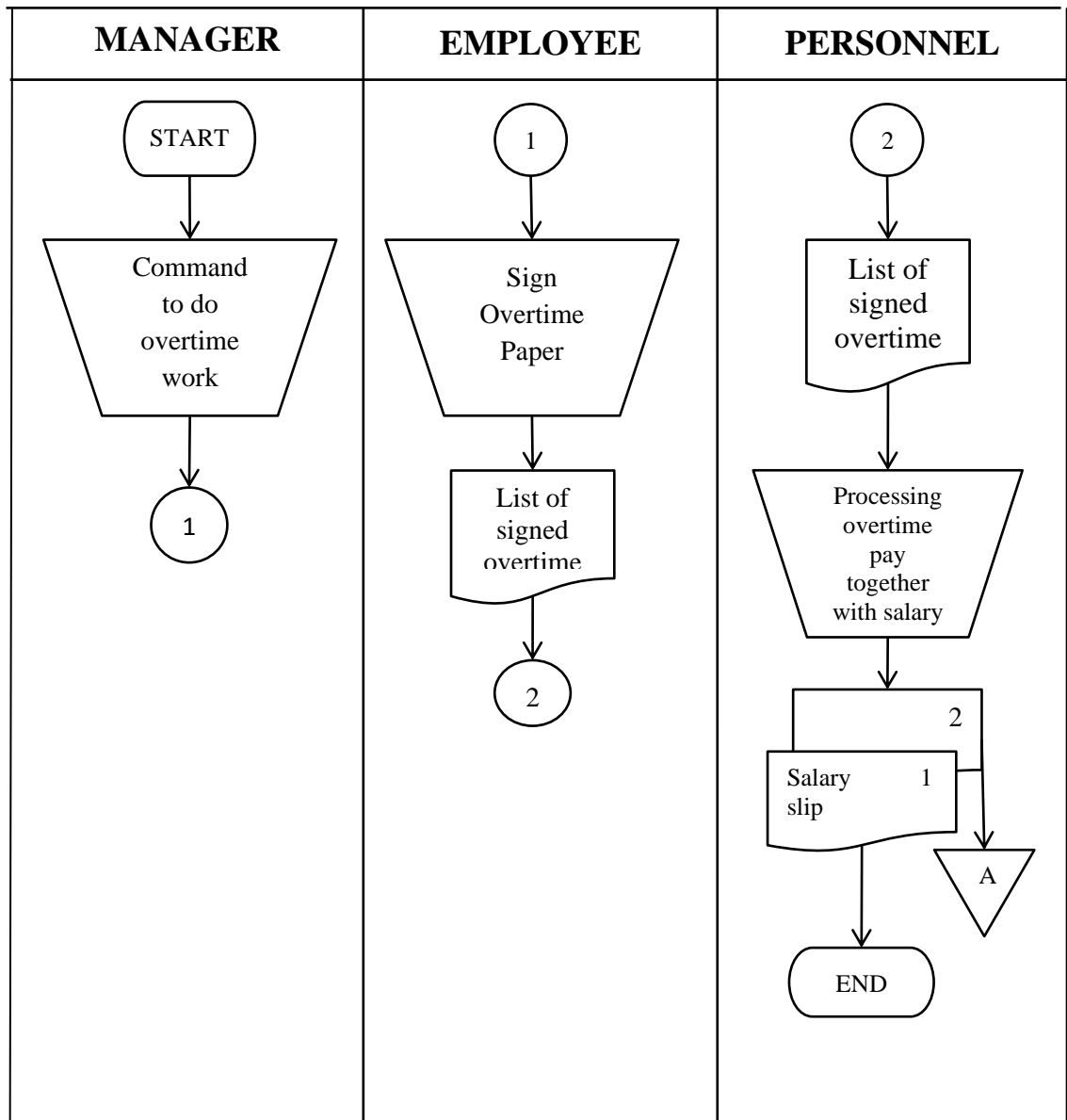
4. Accounting

The accounting department will record salary payments in general journal and ledger based on the evidence of cash out and salary list received by the cashier.



The payment process for overtime can be seen in the following flowchart :

**Table 4.3**  
**Overtime Payment Process Flowchart**



Source : The Researcher (2020)

Explanation of the payment overtime process at Bossotel Inn Chiang Mai as shown in table 4.3 is as follows :

1. Manager

Manager command to do overtime work to employees

2. Employee

Employees will sign overtime paper after doing overtime work. The employee will provide the signed overtime list to the personnel department.

3. Personnel

The personnel department will process overtime payment along with salaries and will produce pay slips that include overtime pay.

#### **4.3.1 Analysis of The Weakness Identification of Payroll Procedures at Bossotel Inn Chiang Mai**

Analysis of procedural weakness identification from Bossotel Inn Chiang Mai is as follows :

1. Lack of detailed task and calculation of employee overtime working hour because it still uses a manual system and can lead to fraud which results in the system being used ineffective.
2. The lack of employee intention in using the system is seen when employees often arrive late. This can hamper the process of calculating working hours so that it affects the company's goals in creating a good internal control.

3. Lack of employees ability to communicate using foreign languages can hinder the work they do because employee performance appraisals can also determine the salary calculation process for employees.

#### **4.3.2 Proposed Problem Solving and Payroll Procedures at Bossotel Inn Chiang Mai**

From the weaknesses obtained by the author on the effectiveness of the payroll accounting information system as an internal control, the author provide suggestions or recommendation to Bossotel Inn Chiang Mai in order to achieve goals optimally and more effectively, as follows :

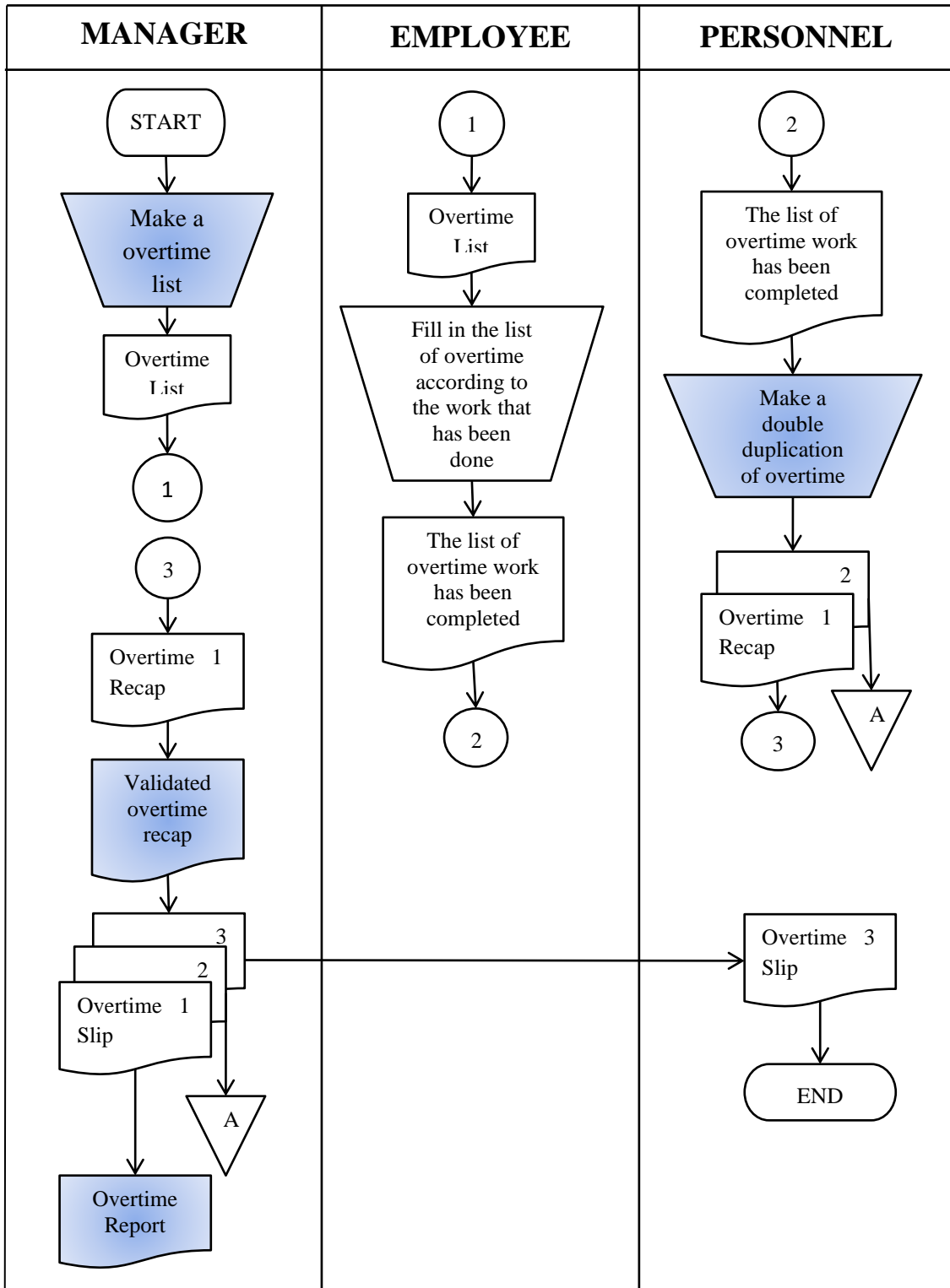
1. Managers need to be more detailed in order to give instructions to employees regarding duties and responsibilities so as to reduce errors or gaps and employees can focus more on their work. Making a more detailed schedule may need to be done, not only containing the date and time of work, but also contains tasks that must be accounted for. And for overtime list, managers of each division must make overtime list for employees and each division head is advised to always remind employees who are do overtime work to fill in overtime card and manager will make overtime slip and than can use to make overtime report. The company can update the system for recording overtime if needed so that it can be processed automatically and more faster to calculate.

2. The need for non financial incentives such as awarding certificates or honors and activities such as tourist visits and so on to increase employee motivation and enthusiasm in their work. Even though what is provided is not in the form of money, non financial incentives are effective enough to trigger employees to work better for the company.
3. The company should hold workshop or language class several times a month. In addition to smooth communication with each other, that activity is also useful for developing employee quality and service for hotel and increase customer satisfaction.

#### **4.3.3 Explanation of The Proposed Payroll Flowchart Recommendation For Bossotel Inn Chiang Mai**

**Table 4.4**

**Proposed Flowchart for Overtime Payment Proses to Employees**



Source : The Researcher (2020)

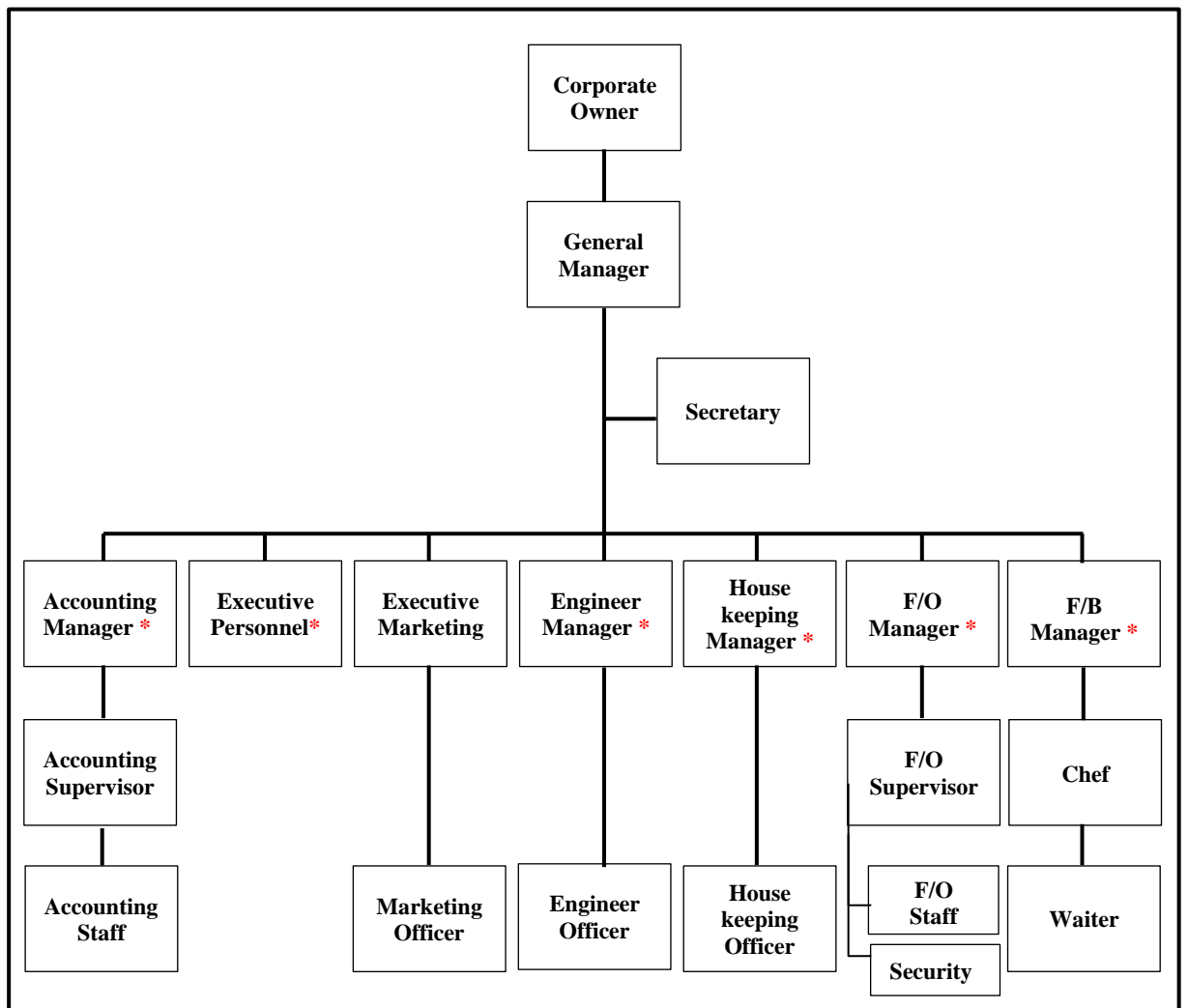
Explanation of the proposed overtime payment process for Bossotel Inn Chiang Mai as shown in the flowchart table above is as follows :

1. Managers makes a list of overtime work and given to employees.
2. The employee fills in the list of overtime according to the work done.
3. The personnel department will make an overtime list of employees based on the overtime list provided by the employee. Which then will be given to the manager.
4. The manager will validate the employee's overtime recap for making overtime slips.
5. Overtime slip 1 will be used by manager to make employee overtime report while overtime slip 2 wil be given to the personnel department to make salary slips to employees.

#### 4.3.4 Proposed Organizational Structure

Figure 4.6

Proposed Organizational Structure



Source : The Researcher

The following is an additional job description suggestions for improving the organization structure of Bossotel Inn Chiang Mai :

1. Personnel : Make a double duplication of overtime recap.
2. Manager : Responsible to make overtime list for employees, do validate overtime recap and than make overtime report.

## **CHAPTER V**

### **CONCLUSIONS AND RECOMMENDATION**

#### **5.1 Conclusions**

Based on the research results, it can be concluded as the follows :

1. Bossotel Inn Chiang Mai still uses a manual system to calculate employee overtime work. The document is only written by hand, so they can be misused and also the process of calculating salaries and wages not as it should be.
2. Employee's intention to use the attendance system is still lacking. Resulting in the process of calculating salaries to employees requires a longer time.
3. Many customers and employees who come from abroad often misunderstanding due to language differences. It can hamper communication between employees and customers. While communication is one of the assessments on employee performance.

#### **1.2 Recommendation**

Based on some conclusions according to the results in this study, it can put forward some recommendations are as the follows :



1. Bossotel should consider updating or replacing the system in the process of employee attendance more accurately and also including overtime hours calculation.
2. Non financial incentives in the form of awarding certificates or honors can increase employee motivation and enthusiasm for work. Employees will work more disciplined, enthusiastic, and fast if a non financial incentive system is in place for each individual who has managed to record good performance. It is effective enough to trigger employees to work better for the company.
3. The company should hold workshop or language class several times a month. In addition to smooth communication with each other, that activity is also useful for developing employee quality and service for hotel and increase customer satisfaction.

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