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Research Paper

SOUND ACCOUNTING RECORD KEEPING PRACTICES AND MANAGERIAL EXPERIENCE IN OPERATION OF ACCOUNTS BY SMALL AND MEDIUM-SCALE ENTERPRISES (SMEs) IN HO MUNICIPALITY, GHANA

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ABSTRACT

For a successful business endeavour, accounting is considered as the conduit and essential tool of achieving its target. It has always concerned itself with determining how a business is doing. The level of book keeping and accounting in SMEs have created many problems against the effective operation and accountability of these businesses. The study seek to determine the extent to which sound accounting practice is carried out among SMEs in Ho Municipality and to find out how managerial experience affects operation of accounts. A survey design was employed in the study to evaluate the extent of sound accounting practices in SMEs in Ghana; Ho Municipality being the focal point. The research revealed that majority of respondents agrees to the fact that their knowledge and education in accounting made them practice sound accounting system and that managerial experience of managers and owner have a significant impact on the operation of accounts in the various enterprises. We recommend that the Ministry responsible for Trade and Industry and National Board for Small Scale Industries should initiate training programmes for SMEs that do not know about the importance of maintaining accounting records to come to grips with it.

KEYWORDS: Accounting practice, Bookkeeping, Managerial Experience, Small and Medium Scale Enterprise (SME).

1. INTRODUCTION

For a successful business endeavour, accounting is considered as the conduit and essential tool for achieving business target. Accounting has always concerned itself with determining how a business is doing (Williams et al., 1989). Small and medium-scale enterprises' (SMEs) growth can be ascertained through maintenance of apposite records of accounts, which serve as the foundation for safeguarding, and controlling the properties of the business (William et al, 1989).

Jones (2012) posits that accounting is imperative as it allows organizations to comprehend their financial perspective. Keeping accounting records comprises documenting all business transactions of entities, which consist of assets, liabilities and capital (liquidity). Relevant business and management know-how is needed to handle appropriately the finance, purchasing, selling, production, and human resources aspect of the business in order to unravel challenges such as lack of finance, weak institutional capacity, and



lack of managerial skills and training of SMEs (Boame et al 2014). Olatunji (2013) postulates that, as a result of the distinctiveness of SMEs there is the need for cautious consideration when designing accounting systems for them. SMEs are commonly found in an array of primary and intermediate production business sectors of the economy. Olatunji (2013) further explained that, these institutions have a great impact on the state and well being of the country in creating employment, as an avenue of national productivity and revenues, providing feedstock for huge corporations. However, they may be constricted in sophistication to apply in depth accounting processes, hitherto the value of accounting systems to these enterprises is quite profound.

Adeyemi and Badmus (2011), argue that SMEs hardly give serious thoughts to the process of sound accounting except for statutory demands, yet the insufficiency and ineffectiveness of accounting processes have been accountable for untimely collapse of a host of them. According to Olufunso *et al.* (2010) a sufficient accounting system will produce the financial accounting information needed for whatsoever purpose. It is suggested that SMEs maintain detailed accounting records and endeavour to audit their financial statements on an annual basis. This will assist them in accessing credit facilities from financial institutions, as it will enable the banks make a proper evaluation of SMEs.

Since proper accounting information for owners and managers of SMEs, and their different stakeholders is so paramount, it is therefore important to evaluate the effects of sound accounting practices on the growth of SMEs and find out how managerial experience affects operation of accounts. To be able to meet the above objectives, the study attempts to find to what extent is sound accounting practice carried out and how managerial experience affect the operation of accounts among SMEs?

2. LITERATURE REVIEW

i. Small and Medium-Scale Enterprises (SME)

The issue of what constitutes a small or medium enterprise is a major concern in the SME literature. Different authors, in most cases have given different definitions to this sort of business. SMEs have indeed not been spared with the definition problem that is usually associated with concepts and with many components. The definition of firms by size varies among researchers. Some attempt to use the capital asset; others use skill of labour and turnover level. Some even define SMEs in terms of their legal status and

method of production (Amoako 2012, Storey 1994, Adair & Taylor, 1994).

According to Weston and Copeland (1998), definitions of size of enterprises suffer from a lack of universal applicability. This in their view is because enterprises may be conceived of in varying terms. Size has been defined in different contexts, in terms of the number of employees, annual turnover, industry of enterprise, ownership of enterprise and value of fixed assets. Hauser (2005) defines SMEs as “enterprises that employ fewer than 250 persons and/or have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million”. The International Accounting Standards Committee Foundation (IASCF) (2007) also defines an SME as “an entity that is not obligated to public accountability and thus publishes general purpose financial statements for external users”.

In Ghana also, there have been various definitions given for small-scale enterprises but the most commonly used criterion is the number of employees of the enterprise. In applying this definition, confusion often arises in respect of the arbitrariness and cut off points used by the various official sources (Amoako, 2013; Kayanula & Quartey, 2000). Steel and Andah (2003) used an employment cut off point of 30 employees to indicate Small Scale Enterprises. Mensah (2004) also posits that in Ghana the SME sector is classified by the National Board for Small Scale Industries (NBSSI) as: those that employ up to 5 employees with fixed assets not exceeding \$10,000 but excluding realty (buildings, land, vehicles) as micro enterprise; those that employ between 6 and 29 employees with fixed assets of \$100,000 are small enterprises; and those that employ 30 to 99 employees are considered medium enterprises with fixed assets of up to \$1 million. With this classification, clear lines of heterogeneity in the various types of SMEs are compromised and centred on an easily measurably variable; that is the number of employees. (cited Anane and Cobbinah 2012).

It is clear from the various definitions that there is not a general consensus over what constitutes an SME. Definitions vary across industries and also across countries. For the purpose of this research, the definition by National Board for Small Scale Industries (NBSSI) is used since it applies both the fixed asset and number of employees' criteria in defining the small-scale enterprises

ii. Accounting Practices of Small Scale Enterprises (SMEs)

Accounting can be looked at as the process of recording economic information in a significant manner in order to measure the performance of a firm. Basic accounting is needed to “keep the score” so that the entrepreneur knows what is happening in the business, how much has been sold, what the costs are, what activities are profitable, whether selling prices leave a suitable margin against cost and so on. Accounting practices consist of the methods and records established by management to identify, assemble, analyze, classify, record and report a company’s transactions and to provide assurance that the objectives of internal control are being met. It analyze, record and measures business transactions to ascertain the performance of an entity (Adjei et al, 2014). A good accounting system is not only judged by how well records are kept but by how well it is able to meet the information needs of both internal and external decision-makers. Kieso et al (2011) suggested that for a small or micro business, accounting practices will involve the maintenance of adequate Cash Book (if possible with analysis), Bank Accounts (with policies on deposits and withdrawals), Petty Cash system, irregular or regular preparation of Bank Reconciliation statement, Credit Policies with creditors for Purchases and with customers on Sales, Stock-keeping policy, Fixed Asset register and Budgeting for the entire business.

Reviewing the existing literature shows that the significance of maintaining good accounting records, the motives of maintaining accounting records, the extent of maintaining records and the nature of accounting systems kept by SMEs has been taken account of, although inadequate. Accounting provides an orderly technique of collecting and organizing information concerning a range of business transactions so that it may be used as an aid to management in operating the business. There are contrary views presented by researchers on the significance of accounting practices in SMEs. Both views are presented here. Olson et al. (2004) stated that, users of accounting information in SMEs are on the ascendancy. Copeland & Dascher, (1978) posits that in the process of planning for profit, financial information is gathered in a manner that can assist informed judgment and make decisions pertaining to the organization.

To Biryabarema (1998), it is important to highlight on the significance of maintaining sound books of accounts by SMEs to project purchase and

sales, ascertain break-even point, and make a wide variety of other financial analyses based on accounting information. Hauser (2011) posits that proper accounting information is seen as bedrock for a successful management of a business whether large or small. Hauser further added that the significance of internal and external accounting as a source of information for owners and managers of SMEs and their different stakeholders is growing gradually. It is therefore, vital to adopt accounting systems that will meet the needs of SMEs by making available the essential information while preventing unwarranted administrative burden.

Kieso et al. (2011) also argued that finance and accounting; management; and marketing are the most crucial factors to the success of the business. Therefore, accounting plays a significant role in the successful running of business establishments. The level of accounting knowledge of SME owners influences the development of a sound accounting information system in their enterprises (Ismail & King, 2007). In order to be certain that SME’s resources are put to effective and efficient use, sophisticated financial reporting system is pre-requisite. The information provided must be devoid of inaccurate and unreliable data so as to facilitate sound decision making on time. Mahon, (1999) and Rudiantoro & Siregar, (2012) indicates that accounting practices among SMEs have not been going well. Flaws in accounting practice are as a result of a number of factors such as educational factors and accounting standards burden that serve as a basis for preparing financial statements (Ball & Shank, 1995; Simpson & Bellamy, 2004; William et al., 1989).

European Commission (EC), (2008) affirms that accounting information is important for a successful management of any business entity, whether large or small. Operators especially those in medium scale enterprises perceive recordkeeping as an activity that must be done to simply get back some much needed cash at the end of a particular period of time say a year. However, actually, accurate recordkeeping is not as important to many business operators. If one does not keep accurate and complete records the success of business will be threatened in many ways.

iii. Bookkeeping

Bookkeeping is one thing an entrepreneur cannot afford to ignore. Research has shown that in any business, bookkeeping is the first step of the accounting process, which also includes classifying, reporting and analyzing the business financial data. It involves organizing and tracking receipts, cancelled

checks and other records generated by financial transactions. Bookkeepers chronologically record all transactions: cash disbursements, cash receipts, sales and purchases, and others in a journal and post the journal entries to a general ledger of accounts, which is essential for preparation of monthly financial statements. According to Chelimo and Sophia (2014), bookkeeping is the recording of all financial transaction in a systematic and logical manner. Transactions include sales, purchase income, and payments by an individual or organization. Primary bookkeeping records all business transactions and allocates the income and expenses to various income and expenses account in separate account records (McCarthy, 2000). Bookkeeping is the first important step of accounting system that provides a source of information to owners and managers of small and medium scale enterprises operating in any industry for use in the measurement of financial performance. The purpose of bookkeeping is to help you manage the business and also to enable tax agencies to evaluate the business activity. As long as bookkeeping achieves both of these objectives, the business will be in the right direction (Chelimo and Sophia, 2014).

Bookkeeping usually acts as the guide to the preparation of financial reports, which banks assess before granting loans and also helps in making inventory decisions so as to improve sales and profitability. From the books, SMEs are always able to confirm which goods and services easily sell for them so as to invest in them more. Proper bookkeeping facilitates monitoring and sound business decisions making as in keeping track of debtors and creditors. For record keeping purposes the enterprise can use different methods. A report submitted by the European Commission Enterprise and Industry Directorate-General on the accounting systems for small enterprises in 2008, suggested the following as the main books to be kept by an SME owner: Purchase day book, Sales day book, Cash book, Petty cash book, Expenditure book, Payroll records, Assets register etc.

A study conducted by Kieso et al (2011), confirmed that SMEs do keep subsidiary books of accounts, especially to capture on operating expenses as evidenced by a few number of SMEs keeping books to record expenses. Amoako (2012) in his study of the methods of accounting practices by small business owners within the Cape Coast Metropolitan area of Ghana, concluded that, 34% of his respondents studied did not practice any form of accounting in addition to a seeming problem with specific types of accounts

frequently kept by the SMEs. However, all enterprises do not necessarily need the entire above mentioned book keeping records; the enterprise has to decide this on the basis of its needs. When the enterprise makes the judgment of what book keeping records to maintain it also needs to take into account whether some book keeping records are compulsory in the particular Member State.

iv. Types of Bookkeeping by SMEs

Single entry system

The single entry system is an “informal” bookkeeping system where the bookkeeper makes only one entry of a business transaction. It usually consists of a daily summary of cash receipts and a monthly record of receipts and disbursements (worksheets) (Chelimo & Ole, 2014). To be able to determine your revenues and expenses using manual system, one has to prepare worksheets to summarize income, categorize and summarize different types of expenses (Cromie, 1991). The emphasis of this system is placed on determining the profit or loss of a business (Chepkemol, 2013). The name single entry is used because you each transaction is recorded only once as either revenue (deposit) or as an expense (cheque). Given that each entry is recorded only once, debits and credits are not used to record a bookkeeping event. While the single entry system may be acceptable for tax purposes, it does not provide a business with the enough bookkeeping information that is required to adequately report on the bookkeeping affairs of a business (Cromie, 1991 cited Adjei et al 2014).

Double Entry System

The double entry system is the standard system used by businesses and other organizations to record bookkeeping transactions. Since all business transactions consist of an exchange of one thing for another, double entry bookkeeping using debits and credits, is used to show this two-fold effect. The double entry system also has built-in checks and balances. Due to the use of debits and credits, the double-entry system is self-balancing. The total of the debit values recorded must equal the total of the credit values recorded (Cohen, 2005). This system, when used along with the accrual method of bookkeeping, is a complete bookkeeping system and focuses on the income statement and balance sheet. This system has worldwide support as the system to use by businesses for recording their book keeping transactions. It got its name because each transaction is recorded in at least two places using debits and credits (Cohen, 2005).

v. Management Experience

According to a World Bank Report, (1989) and emphasised by Kauda, (1990), the problems facing entrepreneurs is not so much lack of funds, but it is the inability to properly manage financial, material and human resources efficiently. Theodore and Armstrong; (1964), in a report on Development of African Private Enterprises, noted that the attitude of management of most private enterprises affects the management of financial resources. They observed that most entrepreneurs regard loans as gift and thereby misappropriate such loans for personal affairs because proper accounting procedures were not in place. The experience of management can be described as the period within which the management of the SMEs has served in similar capacities and how well they handled their duties and responsibilities in such capacities. Management teams with a clean and high quality track record can help the SMEs access finance more easily than those with poor track records (Thorsten Beck, Demirgüç-Kunt, & Maksimovic, 2008).

Holmes and Nicholls (1998) conclude that the volume of accounting practices in SMEs is dependent on a number of operating environmental factors that include size of the business, business age and industrial grouping. They further argue that most owners and managers of SMEs engage public accountants to prepare required information and that owners and managers search for additional information, but only to a limited extent. Ismail and King (2007) conclude that the development of a sound accounting information system (AIS) in SMEs depends on the owners' level of accounting knowledge. Keasy and Short (1990) and Bohman and Boter (1984) reported that small firms use professional accounting firms for preparation of annual reports and for other accounting needs.

3. METHODOLOGY

i. Research design

The study seek to determine the extent to which sound accounting record keeping practices are carried out among SMEs and to find out how managerial experience affects operation of accounts in Ghana, especially SMEs in the Ho Municipality. A research design is a plan, structure and strategy of investigation that is developed to help obtain answers to research questions or problems. The plan is the complete scheme or programme of the research (Kerlinger 1986). This, Kerlinger further explained to be a blueprint or detailed plan of how the research study is to be completed and it provides a framework for the collection and analysis of data.

A survey research design was adopted. In survey research, representative samples are used to aid generalization of results and the purpose here is to be able to generalize for the population hence the use of the survey research design. The target population for the research was the Small and Medium Scale Enterprises registered within Ho Municipality. These include the industrial sectors, the service sector and the commercial sector with sporadic presence of wholesale activities in agricultural and industrial goods.

ii. Sample Population and size

The target population for the research was the Small and Medium Scale Enterprises registered within Ho Municipality. These include the industrial sectors, the service sector and the commercial sector with sporadic presence of wholesale activities in agricultural and industrial goods. The industrial sector envelops activities such as people engaged in batik tie and dye, dressmaking, furniture production, kente weaving, bead making, poultry production, wood carvers, bakers, mushroom growing, soap making bee keeping and metal work. The services sector includes but is not limited to activities such as telecommunication services, hair dressing and barbering, electronic repairs, vehicle repairs and footwear repairs. The commercial sector is dominated by activities in the retail and whilst the wholesale activities in agricultural and industrial goods include but is not limited to activities such as raw agricultural produce, food vending, household consumables, chemical shops, and electrical shops and others in the Ho Municipality.

Sample size is a given number of members or cases from the accessible population which is carefully selected so as to be a representative of the whole population with the relevant characteristics. A sample is therefore a smaller group obtained from the accessible population (Mugenda & Mugenda, 2003). Sampling is defined by Chandran (2004), as a method used in drawing samples from a population usually in such a manner that the sample facilitated determination of some hypothesis concerning the population. Probabilistic sampling technique was employed since the aim is to generalize the results from the study. Stratified sampling technique together with simple random sampling technique was used to select the SMEs to participate in the study as there exists a sampling frame for all members of the population of study. Stratification is done when the population can be re-grouped into homogenous groupings. This will allow the proportionate selection of members of the various subgroups so that each

subgroup is adequately represented. The researcher then employed the simple random sampling technique using the lottery method in selecting each member of the subgroups randomly to belong to the sample of 100 SME respondents.

A sample size of 100 SMEs was used. Out of a total of 334 SMEs, 100 was selected made up 21

Manufacturing out of 70, 30 Trading out of 100, 36 Service out of 120 and 13 Agricultural and Agro processing out of 44. The researchers employed 30% of each subgroup population for the sample since for sampling adequacy to be met, the sample size must be greater than 30% for representation and generalization (see Table 1).

Table 1: Sample selection from population

Strata	Pop size	Sample size
Manufacturing	70	21
Trading	100	30
Service	120	36
Agricultural and Agro processing	44	13
Total	334	100

Source: Ho Municipal Assembly, 2015

iii. Statistical design

Both structured questionnaire and interview guides were employed in the process of data collection. In the structured questionnaire statements were made for respondents to respond to. The strengths of statements measuring the extent of carrying out sound accounting practices and managerial experience in operation of accounts were measured using a five-point Likert scale (5- "strongly agree"(SA) and 1- "strongly disagree" (SD). Mean score and standard deviation were computed for each item and the overall averages for each scale as well as a total mean score and standard deviation were computed. Respondents were asked to rate 7 statements denoting sound accounting practices and 6 statements denoting managerial experience using the five-point Likert scale. A higher mean score for a statement indicates greater importance.

Data collected from the field was first edited to check for errors and omissions and inconsistencies that might be recorded. Cases with such errors and omissions recorded was reverted back to field for participants to provide the required responses. Data was then coded and entered into the SPSS version 23 for analysis. Both descriptive and inferential tools of data analysis were employed. Results were presented using tables and graphs for pictorial clarity. Discussions on the findings

were presented after each table or graph. Out of the 100 respondents sampled to participate in the study, 74 responded to the questionnaires. This formed a response rate of 74%. The response rate was adequate to evaluate the effect of sound accounting practices of SMEs since Mugenda (1999) postulate that a statistically significant response rate should be at least 50%. The discussions of the findings were done under thematic and sub thematic areas in line with study objectives.

6. Geographical area

The study area that was considered is the Ho Municipality. Ho is the regional capital of the Volta Region; one of the ten (10) regions that constitute Ghana. It currently has the highest population in the region with a population size of about 12.84% of the total population of the region (Ghana Statistical Service, 2012) with about 8% of the active workforce engaged in various forms of Small Scale Businesses¹ without the presence of any large company.

7. RESULTS

This section looks at the extent of SMEs carrying out sound accounting practices in their enterprises.

I. Accounting Systems and Principles

Table 2: Accounting Systems and Principles

Responses	Frequency	Percentage
Yes	60	81.1
No	14	18.9
Total	74	100
Reasons	8	57.1
Can Operate without accounting	6	42.9
Lack of accounting Knowledge & education	14	100
Total		
Accounting principle	26	43.3
Double entry bookkeeping system	34	56.7
Single entry bookkeeping system	60	100
Total		

Source: Field survey, July 201

From table 2 about 81.1% used systematic accounting system in their businesses and 18.9% do not use any systematic accounting system. 43.3% use double entry system and remaining 56.7% use single entry system of accounting.

Out of the 74 enterprises 18.9% who do not use systematic accounting system, 57.1% said they can operate without accounting system and the remaining 42.9% said they lack accounting knowledge and education to operate a sound accounting system. This confirmed the findings of Mbroh & Attom (2011);

Maseko & Manyani (2011) who stated that low levels of education and inadequate knowledge in accounting makes it difficult for SMEs to appreciate the need to practice accounting in their business. However, the 14 enterprises mentioned that they kept some informal records that guide them to track their debtors but such records do not follow any order to make it qualify for any form of accounting records. It therefore becomes very difficult to present the business to the outside world to ensure confidence in the business and ultimately inhibit the growth of the enterprise

ii. Extent of carrying out sound accounting practices

Table 3: Responses on the extent of carrying out sound accounting practices

	Statement measuring sound accounting practices	Mean/St. Dev
SSA3	I prepare statement of comprehensive income and statement of financial position at the end of every accounting year.	3.30 / 1.20
SSA4	Stock taking is done on a regular intervals	3.10 / 1.41
SSA2	I maintained up to date accounting records on all transactions undertaken in my business.	3.08 / 1.11
SSA7	I employ the services of auditors to examine my accounting records	3.05 / 1.21
SA5	Sound cash management practices are put in place to avoid misappropriation and embezzlement of funds	3.02 / 1.08
SSA1	I employ a qualified accounting clerk to man my accounts department	2.93 / 1.39
SSA6	I keep records on all monies taken from the business account for personal use	2.78 / 1.14
	Total Average	3.04/1.22

Source: Filed survey, July, 2015

Table 3 shows the extent to which study enterprises carry out sound accounting practices. "I prepare statement of comprehensive income and statement of financial position at the end of every accounting year" (mean = 3.30) is the most utilized activity followed by "Stock taking is done on a regular intervals" (mean = 3.10). The least two activities includes; "I keep records on all monies taken from the

business account for personal use (drawings)" (mean = 2.78) and "I employ a qualified accounting clerk to man my accounts department (mean = 2.93). It is obvious from the findings that majority of SMEs practice an accounting system but most of them not really sure whether the system put in place is robust enough to be qualified as a sound accounting system. This is evident from the overall mean score of 3.04.

Table 4: Extent to which respondents agree on carrying out sound accounting practices

		Category	N	Observed Prop.	Test Prop.	Exact Sig. (2-tailed)
SA1.	Group 1	<= 3	40	.67	.50	.005
	Group 2	> 3	20	.33		
	Total		60	1.00		
SSA2.	Group 1	<= 3	35	.58	.50	.245
	Group 2	> 3	25	.42		
	Total		60	1.00		
SSA3.	Group 1	<= 3	30	.50	.50	1.000
	Group 2	> 3	30	.50		
	Total		60	1.00		
SSA4.	Group 1	<= 3	32	.53	.50	.699
	Group 2	> 3	28	.47		
	Total		60	1.00		
SSA5.	Group 1	<= 3	43	.72	.50	.001
	Group 2	> 3	17	.28		
	Total		60	1.00		
SSA6.	Group 1	<= 3	41	.68	.50	.006
	Group 2	> 3	19	.32		
	Total		60	1.00		
SSA7	Group 1	<= 3	31	.52	.50	.897
	Group 2	> 3	29	.48		
	Total		60	1.00		

Source: Field Survey, July 2015

Table 4 analyses the extent to which enterprises carry out sound accounting practices. Group 1 are those who strongly disagree or disagreed to the seven variables indicating the extent to which respondents agree on carrying out sound accounting practices in their enterprise and group 2 is those who strongly agreed or agreed. 67% disagreed that they employ a qualified accounting clerk to manage their accounts department while the rest 33% agreed.

Statistically, there is a significant difference between the proportions of the groups since the significant value of 0.005 is less than 0.05. 72% of group 1 disagreed that sound cash management practices are put in place to avoid misappropriation and embezzlement of funds; however, 28% agreed. Finally .68% disagreed that they keep records on all monies taken from the business account for personal use (drawings) whereas the rest 32% of them agreed.

Table 5: Freidman test for variables describing the extent to which respondents agree on carrying out sound accounting practices in their enterprise

Indicators	Mean Rank
SSA1	3.78
SSA2	4.05
SSA3	4.34
SA4	4.19
SSA5	3.86
SSA6	3.66
SSA7	4.12
Chi-Square	5.382
Df	6
Asymptotic Significance	0.496

Source: Field Survey, July 2015

From table 5 above, the test is not significant; the seven variables were rated equally; hence significant difference does not exist in the response to the seven

variables describing the extent to which respondents agree on carrying out sound accounting practices in their enterprise

iii. Managerial experience and operations of account

Table 6.: Managerial experience and operations of accounts

	Statement measuring managerial experience and operation of accounts	Mean / St dev.
SME6.	My knowledge and education in accounting made me practice sound accounting system	3.10 / 1.30
SME3.	I have seen a great improvement in the financial performance of my business since adoption of sound accounting practices	2.88 / 1.26
SME5.	The experience of other entrepreneurs in adopting sound accounting system in their businesses encouraged me to adopt the same approach in maintaining my books	2.77 / 1.89
SME4.	Financial literacy training gave me a positive view about keeping sound accounting records	2.52 / 1.14
SME1.	I know the importance of keeping accounting records through my past business dealings	2.48 / 1.19
SME2.	Keeping sound accounting records assisted me in having access to loan from the banks and MFIs	2.48 / 1.00
	Total Average	2.71 / 1.30

Source: Filed Survey, July 2015

Table 6 shows the extent to which study enterprises managerial experience influence their operations of accounts. Majority agree to the statement “my knowledge and education in accounting made me practice sound accounting system” (mean = 3.10), followed by “I have seen a great improvement in the financial performance of my business since adoption of sound accounting practices” (mean = 2.88). The least are; “keeping sound accounting records assisted me in having access to loan from the banks and MFIs (mean =

2.48) and “I know the importance of keeping accounting records through my past business dealings” (mean = 2.48). This shows that most of the respondents have an accounting education and knowledge and made it easy for them to adopt a sound accounting system in their businesses. On all other statements, the respondents express neutral and disagreeing opinion on their managerial experience and the operation of accounts. This is evident from the overall mean score of 2.71.

Table 7: Significant test for extent to which managerial experience have effect on the operations of accounts in your enterprise

Indicators	Category	N	Observed Prop.	Test Prop.	Exact Sig. (2-tailed)	
SME1	Group 1	<= 3	46	0.77	0.50	0.000
	Group 2	> 3	14	0.23		
	Total		60	1.00		
SME2	Group 1	<= 3	47	0.78	0.50	0.000
	Group 2	> 3	13	0.22		
	Total		60	1.00		
SME3	Group 1	<= 3	47	0.78	0.50	0.000
	Group 2	> 3	13	0.22		
	Total		60	1.00		
SME4	Group 1	<= 3	50	0.83	0.50	0.000
	Group 2	> 3	10	0.17		
	Total		60	1.00		
SME5	Group 1	<= 3	45	0.75	0.50	0.000
	Group 2	> 3	15	0.25		
	Total		60	1.00		
SME6	Group 1	<= 3	34	0.57	0.50	0.366
	Group 2	> 3	26	0.43		
	Total		60	1.00		

Source: Field survey, July 2015

From table 7 above 77% of the respondents strongly disagreed or disagreed that they know the importance of keeping accounting records through past business dealings while the rest 23% of them strongly agreed or agreed. Statistically, there is a significant difference between the proportion of those who strongly disagreed or disagreed, and the other group since the significant value of 0.000 is less than 0.05. 78% strongly disagreed or disagreed to keeping sound accounting records that assisted them in having access to loan from the banks and micro finance institutions; while the rest 22% of them strongly agreed or agreed. 78% of the respondents strongly disagreed or disagreed that they have seen a great improvement in the financial performance of their business since adoption of sound accounting practices while the rest 22% of them strongly agreed or agreed. 83% strongly disagreed or disagreed to the fact that financial literacy training gave me a positive view about keeping sound accounting record; however, 17% of them strongly agreed or agreed. 75% strongly disagreed or disagreed that the experience of other entrepreneurs in adopting sound accounting system in their businesses encouraged me to adopt the same approach in maintaining my books; however 25% of them strongly agreed or agreed. Finally, 57% strongly disagreed or disagreed that the knowledge and education in accounting made them practice sound accounting system while the rest 43% strongly agreed or agreed. Statistically, there is no significant difference between the proportion of those who strongly disagreed or disagreed, and the other group since the significant value of 0.366 is greater than 0.05.

For the reasons of maintaining accounting, all respondents attested to the fact that they maintain accounting records to aid them in assessing the profitability of their businesses. 78.3% confirmed that they keep accounting records because they want to track receivables and payables in their businesses. 73.3% of respondents assigned income distribution as a reason for maintaining accounting records, while 41.7% attributed it to taxation purposes, 35% gave performance evaluation as a purpose for maintaining accounting records and 33.7% affirmed maintaining accounting records for support accessing credit worthiness and finance from financial institutions and their creditors. It is clear from the analysis that all enterprises maintained accounting records for various reasons.

In relation to how managerial experiences of operators of SMEs affect operations of accounts in the various enterprises studied, majority of the respondents

agree to the fact that their knowledge and education in accounting made them practice sound accounting system. This shows that most of the respondents who have an accounting education and knowledge in accounting easily adopt a sound accounting system in their businesses. It is evident from the analysis that apart from the respondents' knowledge and education in accounting, the respondents revealed that other managerial experiences do not have any significant effect on the operations of accounts in their enterprises.

8. CONCLUSION

The findings of the field survey indicated that majority of SMEs that maintain accounting records fail to keep complete accounting records representing 56.7%. The study concludes that managerial experience of managers and owners of SMEs do not have a significant impact on the operation of accounts in the various enterprises in exception of those who have education and knowledge in accounting.

9. SUGGESTIONS

It is recommended that the Ministry Trade and Industry and National Board should initiate accounting training programmes for those SMEs who do not know about the importance of maintaining accounting records to come to grips with it. This strategy will help them to advance their accounting practices and bring about the possibility of formalizing their operations. As critical as accounting information is in managing relationships with the outside world, owners and managers need to understand the role of such information in the form of clear financial statements in ensuring proper justification for business transactions and state of affairs. Further, as a means of motivation, the authorities should design specific guidelines for SMEs accounting and provide templates for accounting practices of SMEs. This strategy will reduce the technicalities involved in maintaining accounting records and also make the whole process very simple and friendlier. The government should empower NSSBI through additional role as a regulatory body to ensure that SMEs keep proper books and prepare final accounts. This will not only ensure the proper declaration of income and increase tax revenue to the government but also make available proper data for national income accounting, which usually influences major government policies.

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