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Examining accounting practices of Small and Medium

Enterprises in Accra Metropolis

By

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DECLARATION

I hereby declare that this submission is my work towards the award of the MSc and that, to the best of my knowledge, it contains no material previously owned by another person or any material which has been accepted for the award of any other degree of the University, except where due acknowledgment has been made in the text.

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(Head of Department)   Signature   Date

DEDICATION

I dedicate this work to my family, who showed me great love and support. A warm feeling of gratitude to my adorable parents. Thank you and God bless you.

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A special thanks to my whole family for their great support and encouragement which has inspired me to pursue and complete this work.

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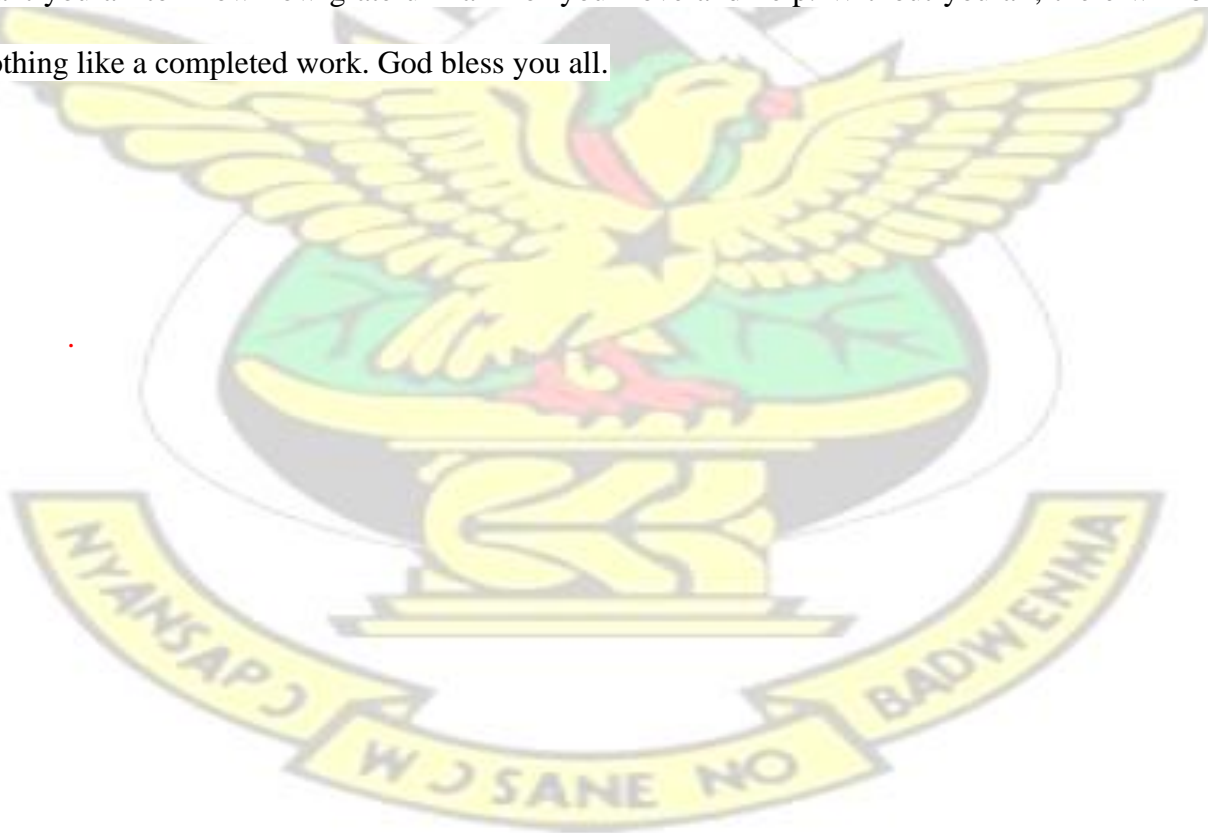
ABSTRACT

Accounting documentation plays a major determining variable in the success or failure of most companies around the world. The general objective is to assess the accounting practices of SMEs in the Accra Metropolis. The study population includes all SMEs within Accra. A total number of 120 SMEs were sampled for this study by using the stratified sampling method. The main data collection instrument was a questionnaire that contained mostly structured questions relating to the research objectives. With the use of closed-ended questions, the researcher was able to obtain specific responses from the respondents. The findings indicated that a majority of SMEs do not have the following: petty cash book, debtors receivable ledger, creditors payable ledger, payment voucher, stores ledger. It was deduced from the survey that more than 70% of the respondents do not operate their business with these accounting books and records. Again, the study found out that, the major challenges are the number of staff required to write and keep the books, the perception that it will make the SMEs pay more taxes, the difficulty in maintaining the accounting system, and the fact that it is time-consuming. The study recommended that SME owners and managers should take part in seminars and training programs designed for bookkeeping and financial management to help improve their record-keeping skills since the level of education has a direct relationship with proper bookkeeping practices.

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LIST OF ABBREVIATIONS

AGI	Association of Ghana Industries
FASB	Financial Accounting Standard Board)
GDP	Gross Domestic Product
GTZ	German Technical Cooperation
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for the Social Sciences
NBSSI	National Board for Small Scale Industry
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The standard for measuring the performance of companies in most economies in the world is the use of financial results generated from the financial statements (Bowen, Schoppe, and Vassa, 2009). Onaolapo and Adegbite (2014) stipulate that the level of financial results of SMEs is mainly a result of the level of accurate and complete financial records kept by the business. Accounting serves as a practical technique used to improve business operations. Accounting information generated from the organization's activities mainly reveals periodic financial results and financial position. This information allows the board to effectively plan and control activities. Accounting documentation is a major determining variable in measuring the success or failure of most companies around the world. Accounting systems are tools used to manage the income, expenses, and other financial activities of a business. Accounting information is vital as it assists companies to cope with short, medium, and long-term as well as cost reduction strategies to improve the sustainability and growth of the business (Mitchell et al., 2000).

In Ghana, 90% of businesses are SMEs and that makes the central point of the country (Acolatse, 2012). These SMEs are the vehicle for the transformation of the economy of Ghana in the areas of job creation, and subsequently a booming growth in the economy. In a work by Aryeetey (2001), he discovers that SMEs make up a huge proportion of Ghana's productive forces. They contribute to around 85% of employment in the Ghanaian industry. It was observed that they account for 70% of Ghana's GDP and makes up about 92% of companies in the country of Ghana. SMEs face many challenges, which can be summarized as a lack of knowledge, as most SMEs do not have sufficient knowledge to keep records of business operations (electronic services, 2011).

One of the vital practices a company needs is keeping accurate records of the company's financial performance. Muteti et al. (2018) postulate that company owners' or managers must adopt the application of accounting practices and systems, as this promotes the efficiency of preparing a commercial transaction by registering systematically and more appropriately. This in turn helps companies prepare their financial statements on time. Madurapperuma et al. (2016) argued that the accurate keeping of financial records enhances the long-term stability of operations and provides long-term perspectives. Amoako (2013) also argued that proper accounting is the most important thing in all companies and is crucial for tracking every facet of the business based on the information contained in the books. This has been confirmed by Sang et al. (2014) that keeping accounting and financial records is a vital factor for a company's accomplishment, and they noticed that a broad accounting system enables SMEs to prepare more complete, accurate, and timely financial reports for business development and forecast.

However, this is not just keeping financial records, but the usefulness of the information generated by the company or business that will be used to make business decisions is vital. Although owners and stakeholders can make better decisions based on financial statements, small business owners are often not well prepared to effectively use financial statements. Therefore, even financial statements prepared fairly and promptly are not sufficient if the owners cannot properly use and interpret them (Vanauken, 2005). The use of financial statements is closely related and useful for the planned goals of any company because decisions that are taken without taking into account their financial impact, can put a lot of pressure on a company (Horngren, Datar, Foster, Rajan and Ittner, 2009). Abdullah et al. (2001) pointed out that accountants prepare financial statements, such

as the balance sheet, profit and loss account, statement of accumulated profit, and cash flows statement which are all statements that help in making business decisions.

Shahwan et al (2008), in their opinion, pointed out that keeping accounting records is a basis for controlling cost and allows SMEs to evaluate the financial situation of their companies and take some concrete control actions to enhance the company's results. In the view of Grant et al. (2008), they noted that trustworthy business and financial information are required to make business decisions. They realized that such information could help businesses to address issues by monitoring and minimizing business areas such as costs, expenses, and improve the general cash flow situation of the business. Therefore, this study aims to assess the accounting and business practices undertaken by SMEs in Accra.

1.2 PROBLEM STATEMENT

Keeping accounting and financial records of business operations often frighten some SME managers and owners (Abdul-Rahaman et al, 2014). The proper keeping and complete recording of all earned revenue and all expenses incurred help the business owner track financial transactions properly (AbdulRahaman and Adejare, 2014). In the view of Dawuda and Azeko (2015), they noticed that inadequate documentation or unavailability of accounting documentation has a dire influence on the adequate management of cash and non-cash resources. This often leads to the failure of businesses. In some cases, SMEs only see the need to prepare financial statements when there is a need for tax certificates and when applying for a credit facility from financial institutions. In most cases, the tax certificate is to help them bid for a bigger or government contract and thus wants to be seen as a law-abiding business entity. The fact is, numerous studies have been done

with a focus on SMEs. For example, in a study assessing the accounting practices of SMEs in Ghana, Mbroh (2011) found that 34% of the total respondents did not use even the basic accounting practices and the others who were keeping the basic accounting books, were incomplete. Previous studies have focused on whether SMEs keep accounting records but were unable to link accounting records to day-to-day SME decisions. Amoako, Marfo, Gyabaah, and Gyamfi (2014) examined the accounting practices of SMEs in Ghana, using the Sunyani municipality as a case study. The study revealed that most SMEs did not keep the right type of accounting records and again most of the accounting records were not complete. Amissah (2011) did a study on appropriate accounting and basic accounting procedures among SMEs in the Greater Accra region and found that it is due to the lack of accounting knowledge and funds that most SMEs do not keep books. It's not about keeping financial records simple, but about the quality of information generated by the business itself that will be used to make business decisions. This study aims to fill this gap by assessing how accounting and business practices are undertaken by SMEs in Accra.

1.3 OBJECTIVES OF THE STUDY

The general objective is to assess the accounting practices of SMEs in Accra. The specific objectives are:

1. To investigate the types of accounting records being kept and maintained by the SMEs in Accra

2. To ascertain the completeness of accounting records being kept and maintained by SMEs in Accra.

3. To examine the challenges of SMEs in keeping proper books of accounts

4. To examine the effects of improper accounting records on the businesses of SMEs

1.4 RESEARCH QUESTIONS

1. What are the types of accounting records being kept and maintained by SMEs in Accra?

2. What is the completeness of accounting records being kept and maintained by SMEs in Accra?

3. What are the challenges of SMEs in keeping proper books of accounts?

4. What are the effects of improper accounting records on the businesses of SMEs?

1.5 SIGNIFICANCE OF THE STUDY

The National Board for Small Scale Industries (NBSSI) was most importantly established as an umbrella institution dealing with financial and technical problems of SMEs to increase development opportunities. The results of the study will help the National Board for Small Scale in assessing the success of its operations with particular reference to proper accounting and basic accounting procedures concerning business practices undertaken by SMEs.

Again, It can help the Board in its training programs to highlight the important role that accounting documentation helps in making business decisions.

The results of the study will help accounting firms dealing with SMEs to educate them on the uses of financial statements and their importance in decision making and not for the sole purpose of tax payment and loan search from financial institutions.

Finally, the study will contribute to a wealth of accounting knowledge as it will serve as a reference to provide awareness of the importance of keeping complete accounting records which in turn will help business owners to make sound financial decisions.

1.6 BRIEF METHODOLOGY

The study adopted a quantitative approach with a survey design. The target population for this study constitutes all SMEs within the Accra metropolis. A total number of 120 SMEs were sampled for this study using a stratified sampling method. Questionnaires were the main instruments used for the collection of raw/primary data. The gathered quantitative data were analyzed using Statistical Package for Social Sciences (SPSS) and interpreted using descriptive statistics such as frequencies and percentages. Finally, the presentation of data was done using tables that depict frequencies, mean, and standard deviation.

1.7 SCOPE OF THE STUDY

Within the context of this study, the focus is on accounting practices and business decision-making practices of SMEs operating within the Accra Metropolis.

1.8 LIMITATIONS

The researcher focused on the owners of SMEs who are usually very busy with heavy schedules and so there were challenges in getting them to answer interview questions. Some respondents also felt the research is an investigative work to look into the malpractice in the business. The President's directive to slow the spread of Covid-19 temporalily halted the face-to-face meetings and thus several appointments were rescheduled before information could be gathered but this did not affect the reliability of the instruments.

1.9 ORGANISATION OF THE STUDY

The study is grouped into five chapters. Chapter one is the introduction of the study and it covers the background, the problem statement, the objectives, the significance of the study as well as the scope of the study. Chapter two presents a review of the relevant and related literature on the subject matter. It will also present the conceptual review, theoretical review, and empirical evidence. Chapter three focuses on the methodology used by the researcher to collect and analyze data. It also presents the research design, population, sample size, data collection procedure, and analysis of the data. The fourth chapter is dedicated to the analysis of the data obtained from the field and finally, chapter five presents the summary, conclusion, and recommendations of the study.
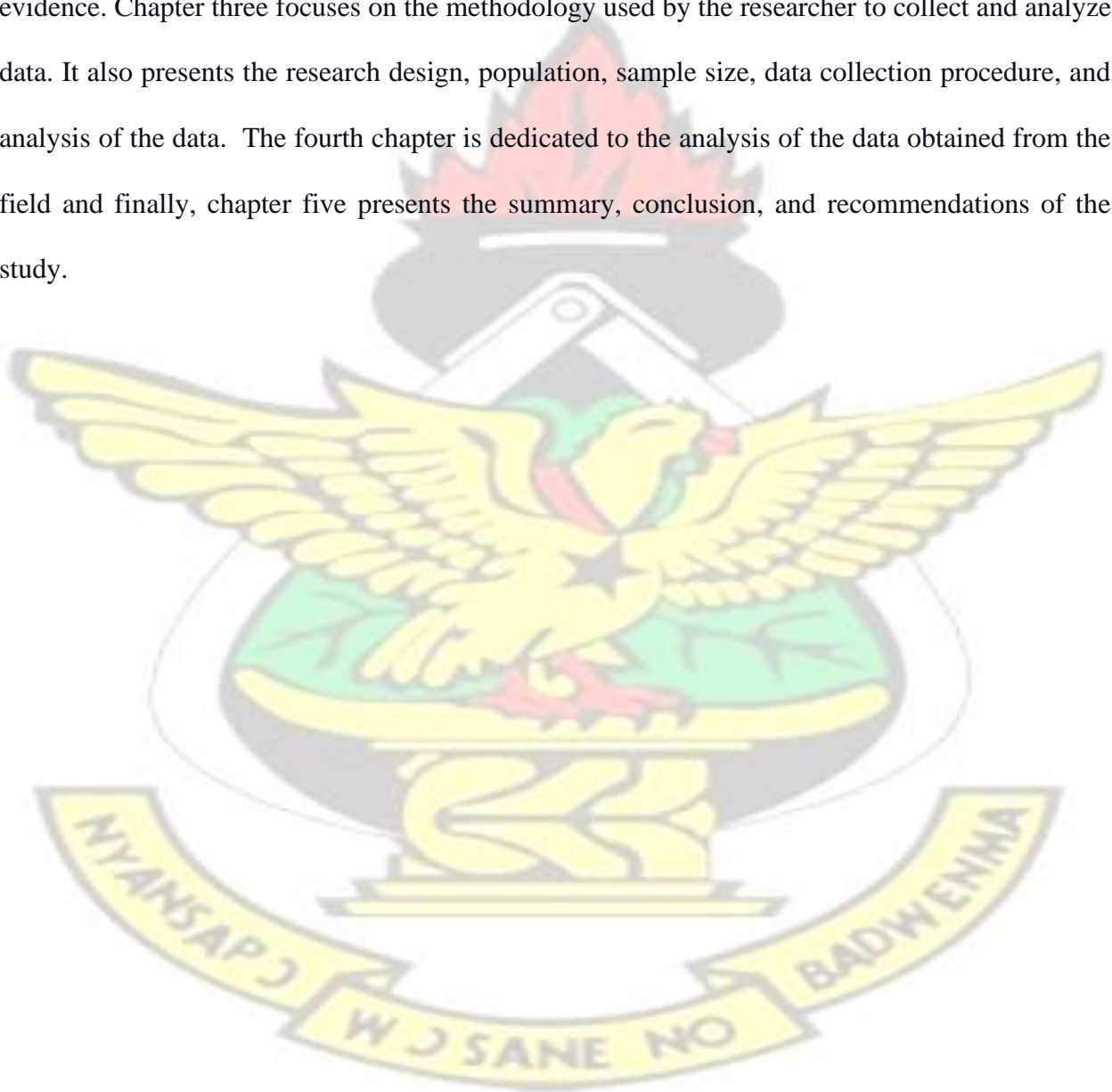
2.0 INTRODUCTION

This chapter presents a review of related studies on the accounting practices of Small and Medium Enterprises. The chapter is made up of conceptual, theoretical, and empirical reviews.

2.1 CONCEPTUAL REVIEW

2.1.1 Definition of small and medium enterprises

The concept of SMEs is defined by different bodies and people in different ways depending on their context. Irrespective of the context, certain features run through all the different definitions such as small or micro-enterprises have fewer employees as compared to large organizations, SMEs have low working capital and sales. The common features in the definition of SMEs are the number of staff, level of sales, size of the business, financial situation, capital expenditure, recurrent expenditure, and ownership of the SME (Ibrahim, 2015). In the context of the United Kingdom, the Bolton report defined it, using two parameters namely: the "economic" and "statistical" parameters. In terms of the "economic" parameters, a business is classified as small if the following conditions are met: (1) it controls a small market share; (2) the business is managed by the owner or owners; and (3) the business is not a subsidiary of a bigger company.

On the other hand, the "statistical" parameters have these benchmarks: (1) The size of the small enterprise and its contribution to GDP, etc. (2) compare the extent to which the economic contribution of the small enterprise sector has transformed. The statistical definition is applied when comparing countries to the economic contribution of SMEs (Bolton, 1971). According to UNIDO (1999), SMEs in underdeveloped countries are grouped as follows: large (companies employing over 100 employees); Medium (companies with 20-99 employees); Small (5-19

employees); and Micro, defined as employing from 1 to 5 employees. In the context of the European Commission, SMEs are defined as businesses that have less than 250 staff and/or have annual sales of less than 50 million euros, and/or the total financial position is less than 43 million euros (European Commission, 2003). In the context of Asia, a business is classified as SME in Hong Kong when its total annual revenue is less than HK $ 50 million and its total assets are also less than HK $ 50 million with employees, not more than 50 workers.

2.1.2 Small and micro-businesses in the Ghanaian context

In the Ghanaian context, the National Board for Small Scale Industry (NBSSI) which is the body established by parliamentary law (Act 434 of 1981) defines "small enterprises" as entities employing between 6 and 29 employees and whose investment capital is not more than USD 100,000 or its equivalent." The board also defines micro-enterprises as entities that have up to 5 workers and whose total non-current asset does not exceed USD 10,000 or its equivalent (NBSSI, 2000). Alternatively, the Ghana Statistics Service (GSS) also defines small businesses as entities that have less than ten staff, while the entities that have more than ten staff are classified as medium and large companies (Amoako, 2012). The SME owner or manager often acts as a financial manager and ensures daily cash management. This feature includes monitoring all cash transactions in the form of cash payment, bank deposits, and payroll checks.

2.1.3 The contribution of SME's

It is a well-established fact that economies of developed countries dwell on the pillars of their SMEs (Arowomole and Oyedokun, 2006). The key ingredients for the development of any country's economy are the proper establishment of SMEs. In the view of Etuk et al. (2014), SMEs

can make a huge contribution to the economy of any country due to the huge advantage that accompanies it. The contribution of SMEs to the economies of nations cannot be over-emphasized, in China, SMEs contribute about 60% to its Gross Domestic Product (GDP), in Germany it is about 57% and 55.3% in Japan. Regarding South Korea and Malaysia, SMEs contribute 50% and 47.3% respectively to their GDP.

In Nigeria, SMEs make up about 75% of the country's private sector (Akande, 2016). In Ghana, 90% of companies are SMEs (Acolatse, 2012). Ghanaian SMEs contribute around 85% of jobs in the manufacturing industry and also contributes to approximately 70% of Ghana's GDP (Frimpong, 2013). Thus SMEs are the driving force as far as the economy is concerned and it makes huge contributions in the areas of income generation, job creation, and ultimately economic growth. In the view of Aryeetey (2001), the SME sector is the powerhouse of the Ghanaian economy. The SME sector contributes to about 85% of Ghana's production and that accounts for 70% of Ghana's GDP. Additionally, the SME sector accounts for around 92% of enterprises in Ghana. Despite these major contributions to the economy of Ghana, one of the major challenges facing the sector is that most SMEs do not have enough knowledge to keep a record of their business operations (Abor and Biekpe, 2006).

2.1.4 Accounting practices

Good record keeping allows companies to plan appropriately and also limit the misappropriation of resources (Mwebesa et all, 2018). Muchira (2012) also noted that maintenance of complete and accurate financial records puts owners and business managers in a good position to make good business decisions. If there is any information that is important for an entrepreneur then, that

should be accurate and complete accounting information. The relevance of accounting information to SMEs can be likened to a company's scorecard.

Keeping an efficient and effective record is vital for the smooth operation of any business because it offers a platform for efficient measurement and communication which enhances the quality of decisions made by the organization as well as the effective and efficient use of the resources of the business (Nkwor and Nkwor, 2015). It is said that accounting practice is the day to day practice of collecting and recording financial transactions of an economic entity. The accounting practice of an SME is the way its accounting principles and policies are implemented and followed, generally by an accounts officer and/or auditor. The accounting practices aim at enforcing the accounting guidelines and principles in business operations.

2.1.5 Decision making

Decision making is a must in managing every company. Good business results depend on many of these decisions. Therefore, making business decisions is choosing from available business alternatives or simply making a profitable decision among the available business alternatives. This is particularly important for SMEs because 75% of them are characterized by dependence or strong dependence on their managers (Feltham et al., 2005). The needs and decision-making processes of SMEs differ significantly from large companies (Shrader et al., 1989). It is the day-to-day decisions that make an organization and that determine how the organization deals with opportunities and threats facing the business (Blenko et al., 2010).

An organization's performance depends on many factors with the internal and external environment within which the business operates but the distinguishing factor is the quality of the final decision and its implementation (Lyon et al., 2000). Organizational decisions require an assessment of the options available to conclude the choice of action (Elbanna, 2006). Decisions must be made regularly, but some may be more important to the organization because of their impact on the company's strategic performance (Zheng et al., 2009)

In this regard, it is crucial to value the essence of decision making in business to achieve the corporate goals of the business. Furthermore, the performance of SMEs and their competitive advantage dwells on these decision-making processes (O'Regan et al., 2005). SMEs are usually family businesses, which is very common in Ghana. Therefore, their decision-making processes are often unsystematic and informal due to the business culture of the owner-manager, who generally makes decisions in response to specific possibilities and circumstances. This procedure seems chaotic and depends on personal and commercial priorities at the moment (Fernández de Lucio et al., 2000). The increasing high rate of business failure among SMEs gives credence to the importance of financial decisions in business.

Most of the SMEs failed due to poor financial management practices (van Praag, 2003). Most SME owners often do not have much financial experience and therefore do not fully understand the impact of their decisions on the operations of their business. Knowledge of SME owners' financial issues for business development is key (Adomako, Danso, and Damoah, 2015). According to Timmons and Spinelli (2004), bad financial and business decisions from SME owners threaten the stability of enterprises and leave common operational problems. Alternatively, Breen et al (2004) argue that companies should display data from financial statements to assess the impact of their

decision on the operations of their business. Shields (2010) therefore admonish SME owners to get accurate and complete financial information to steer the affairs of their business more effectively and efficiently. The effective use of accurate and complete financial information and its correct interpretation is key to the survival and growth of SMEs. The absence of such financial information may result in the collapse of the business (Carter and Van Auken, 2005). Besides, owners can somehow influence the interpretation of financial statements, perceiving the company's financial position and potential. Thus the accuracy and completeness of financial information are necessary as well as the time and reliability of the financial information are key in achieving financial goals. The use of financial statements is important for various stakeholders because the sustainability of SMEs depends largely on their financial condition

2.1.6 Accounting practices and decision making

Valuable decisions of SMEs depend to a large extent on access to accurate, reliable, and complete financial information that provides intuition about the impact of various situations (Shields and Shelleman, 2011). SME owners with a limited understanding of the likely impact of their business decisions may lead them in taking risky decisions which may reduce their revenue and increase their expenses (Van Auken, 2001). The correctness in the preparation of the financial statement, as well as the accuracy of subsequent evaluation, determine the importance of SME business and financial decisions (Carraher et al. 2013). Vanauken, (2013) argues that poor decisions can quickly lead companies to serious problems and incapable of track market trends.

An appropriate financial record-keeping system is essential in today's competitive corporate atmosphere. Proper maintenance of financial records allows business organizations to plan and

verify the misappropriation of organizational resources. Ademola (2013) explains that keeping the right books is essential for the development and survival of a company. To ensure the survival and growth of SMEs into economic giants, SME owners and managers must seek, timely, relevant, reliable, accurate, and complete financial information for decision making and corporate planning.

As a result, all these financial statements assist in making business decisions. In their opinion, Shahwan et al (2008) argued out that the keeping of financial records serves as an element of financial control and gives the management of SMEs the opportunity to evaluate the financial stability of their business and take some control measures to improve the company's results. An analysis of financial statements can disclose the company's strengths and weaknesses, enabling managers to utilize information to improve performance. Additionally, Ismail and Zin (2008) emphasized the key role of managers in analyzing financial statements, is only possible by properly maintaining financial records.

Similarly, Damant (2003) noted that keeping financial records provides relevant information on the company's financial strength and current performance. Even though financial documentation is prepared mainly for interested parties, relevant managers believe that this documentation is useful in making decisions.

The access to accurate, complete, and reliable information serves as a tool for management in making a good business decision about investments, business strategies, business expansion, asset allocation, and others, while inaccurate and unreliable information generated by companies can threaten future economic life. Hence, a piece of reliable accounting information is needed to make

business decisions. In this regard, it is therefore vital to have an appropriate accounting system that can generate timely and reliable financial information to make the right business decision.

Decision-making is associated with many factors and in the context of SMEs, the process is very complex (Romano, Tanweski, and Smyrnios, 2001). Busentiz and Barney (1997) are of the view that limited experience with regards to financial information on the part of SME owners often leads to imperfect decisions. SMEs are primarily exposed to the impact of bad and weak financial decisions due to the non-existing financial information or incomplete financial records. Financial statements are of crucial importance as a source of information for all users of accounting information and most importantly it is a great source of information for small business owners to navigate through the complex business world (Timmons and Spinelli, 2009). In other words, these financial statements provide useful information to employees, investors, credit-granting financial institutions, suppliers, customers, and governments, but are also important to business owners and decision-makers.

The high rate of business failures due to poor financial management underscores the important role financial information plays in the smooth running of SMEs (van Praag, 2003). Owners of SMEs often lack the solid business and financial acumen of interpreting financial statements to support their decisions (Van Auken, 2001). They also have to make decisions often in uncertain conditions, in the absence of accurate and complete information, which is an unrealistic standard (Busenitz et al., 2003). Instead, accurate and complete financial information must be the bedrock upon which business decisions are made. It can also guarantee a certain degree of consistency and reliability in predicting the impact of alternative scenarios (Timmons and Spinelli, 2009).

The appropriate interpretation and analysis of accurate financial information have a positive influence on the quality of decisions made by SME owners. Mitchell et al. (2007) found out that in the absence of financial information, small business owners are heuristic to make decisions. This can simplify situations and allow decisions in situations where owners lack all necessary information (Busenitz and Barney, 1997). However, such dependence on heuristics can lead to decision-making errors that harm the company.

2.2 THEORETICAL REVIEW

2.2.1 Decision usefulness theory

This work has adopted the Decision Usefulness Theory as the theoretical framework. The capacity of financial information to aid managers to take various forms of decisions is the main objective of financial reporting. According to the Financial Accounting Standard Board (FASB) the over-riding goal of financial reporting is to provide accurate and complete information that is useful for making business decisions. The decision-making approach stipulates that the purpose of accounting is to give a supporting tool to the decision-making process of users of accounting information (Godfrey et al. 2010). Other financial and non-financial stakeholders' activities of companies are ignored to meet their specific information needs by adjusting general financial information.

In the view of Wang (2012), the usefulness of a decision is determined in terms of how relevant, reliable, accurate and complete the information is. The theory of usefulness of decisions was adopted to meet the needs of users of accounting information such as employees, investors, shareholders, government agencies, etc. Furthermore, both Wild (2008) and Fellinghan (2005) noted that accounting is seen as a measurement standard for financial reporting to serve as the

basis for decision making in organizations. The quality and usefulness of accounting information depend on certain key characteristics of the information such as timeliness, reliability, accuracy, the relevance of the accounting data presented, comprehensibility, comparability, and verifiability (Soyinka et al.; 2017).

2.3 EMPIRICAL REVIEW

In the study by Adjei et al. (2014), they examined the accounting reporting practices of small businesses at the Kumasi Metropolitan Assembly. Through the study, they found out that a lot of SMEs failed to keep the right accounting books and for the few who even manage to keep financial records, the records were incomplete. Again Mbroh (2011) also discovered through a study that 34% of SMEs do not use any form of accounting. A further study was done by Mbroh and Attom (2012) to examine the accounting and control systems used by the owners of SMEs in Cape Coast. They observed that the majority of SMEs did not have basic knowledge about enterprise management, specifically, only 12% of the respondents have basic accounting knowledge.

Another study in Ghana by Boame, Kudadze, and Sulemana (2014) assess SMEs' adoption of accounting practices and their impact on SMEs. The study discovered that many variables influence SMEs to adopt accounting practices in their business. The factors are a lack of proper training, willful misconduct, and neglect. The study also showed that illiteracy on the part of SME owners was the main reason why the personal expenses of the owners are mostly mixed with business expenses. They failed to appreciate the entity principle which stipulates that the owner is a separate entity from the business. Thus personal expenses should be separated from business expenses. The study also showed that the lack of cash sales documentation, policy error, and incomplete entry, etc., were very high because almost all operators do not have accounting history.

It was also found that companies whose books of accounts were full of challenges did not have the creditworthiness to access loans and funds for future investment and growth, and concluded that a lack of accounting knowledge and skills could threaten future financial stability in the water production sector.

Once again, Mbroh and Attom (2011) surveyed 217 out of 250 registered SMEs in Ghana and reported that 59% of them did not use any form of accounting records. The reason, however, was the low educational levels and insufficient accounting know-how, which served as a barrier for them to understand the need for accounting practices in their companies.

In another study in Ghana regarding SME accounting practices, Amoako (2013) surveyed 210 SMEs in Kumasi and found that most of them had incomplete accounting records with the reason of it being expensive and exposing the entity's financial position.

Kwame, Emmanuel, Nsiah, and Oduro (2014) in a survey of SME accounting practices in Ghana found that despite the numerous cumulative benefits of formal accounting records, many SMEs did not keep any records; and some of them often did not prepare annual financial statements. Besides, respondents noted that they did not have the skills required to keep adequate accounting records and that the high costs of hiring an accounting consultant prevented them. This means that some SME operators in Ghana understood the need for proper documentation, but were afraid of the costs involved and/or the lack of required skills. However, they probably cannot link the costs of not applying accounting practices to the results of their operations.

Similarly, Maseko and Manyani (2011) searched for SME accounting practices in Zimbabwe. The total population consisted of 100 SMEs that ran trading stores, manufacturing companies, and various service providers in Bindura. The study showed that most SMEs fail to keep the correct accounting books because they lack the right accounting know-how and thus do not see the relevance of such a record. This results in an inaccurate usage of accounting information to measure financial results.

Madurapperuma, Thilakerathne, and Manawadu (2016) investigated accounting records practices of SMEs in Sri Lanka, precisely the Gampaha District. The study reveals that the majority of SMEs fail to keep the right accounting records and books for their business due to a lack of accounting know-how and the high cost involved in employing an accounting professional. The inaccurate usage of accounting information hampers the financial decision of SMEs and affects the correct assessment of the performance of these SMEs. This situation gives SMEs a tough time ineffectively calculating profits from their activities. It also showed that their inability to keep accurate records was due to a lack of skills of the owners-managers in accounting.

Rathnasiri (2014) researched to investigate the accounting practices of SMEs. The study examined the extent to which SMEs in Sri Lanka apply financial reporting practices and how they are integrated into dominant information systems. The analysis showed that most SMEs consider three elements of the financial statement more; "statement of the financial position", "income statement" and "cash flow statement". That is why SMEs in Sri Lanka prepare reports that help the owner/manager monitor the company's financial situation and results. The result also showed that the preparation and monitoring of the company's cash flow statement is a priority in these financial statements, although most SMEs operate informal accounting systems that lack a comprehensive set of financial reports.

2.4 CONCEPTUAL FRAMEWORK

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┌─────────────────────────┐
│ Type of Accounting system │
└─────────────────────────┘

┌─────────────────────────┐
│ Accounting Documentation │
└─────────────────────────┘
                                              ┌─────────────────────────┐
┌─────────────────────────┐                   │  Accounting Practices of │
│   Level of accounting    │ ────────────────▶ │          SME's           │
│       knowledge          │                   └─────────────────────────┘
└─────────────────────────┘

┌─────────────────────────┐
│  Accounting methods and  │
│          basis           │
└─────────────────────────┘

┌─────────────────────────┐
│  The completeness of     │
│  accounting records      │
└─────────────────────────┘
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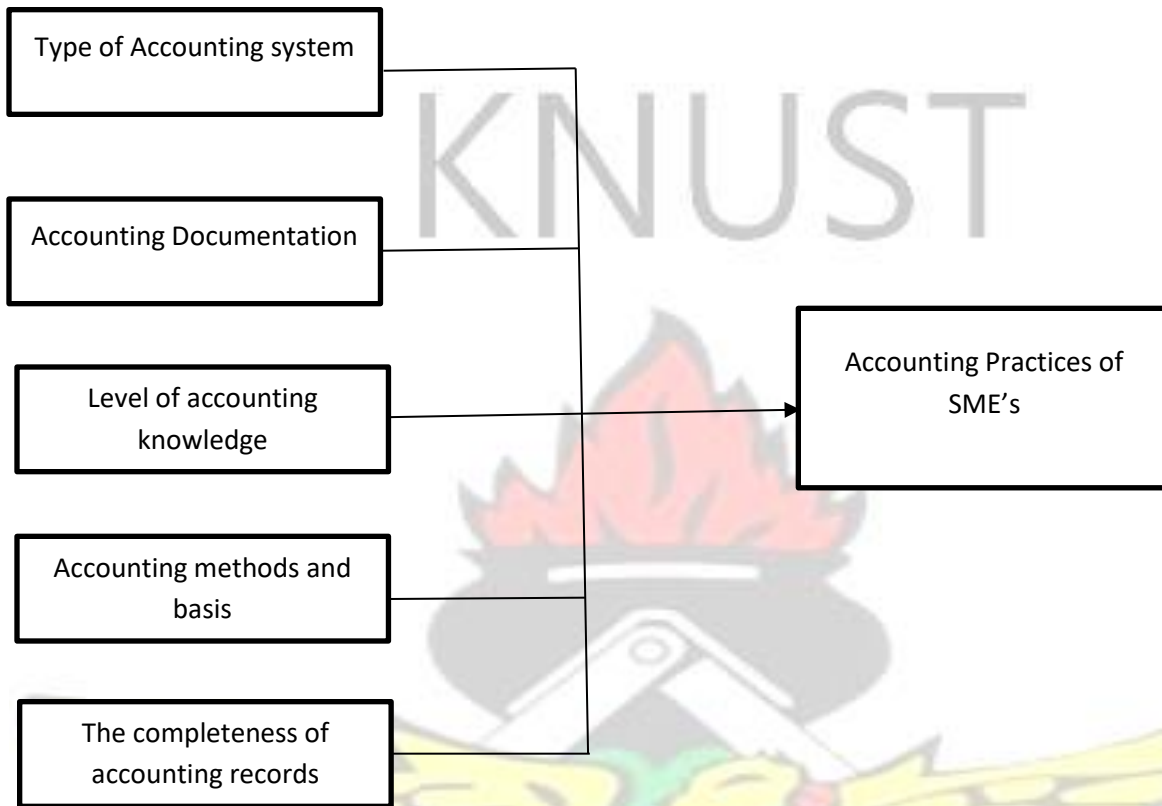
Source: Research's construct (2020)

Accounting documentation is a major determining variable in the failure of most companies around the world. In assessing the accounting practices of SMEs, the following issues are discussed: Types of accounting system, accounting documentation , the level of accounting knowledge, the accounting methods and basis and the completeness of the accounting records.

2.5 SUMMARY

This chapter reviewed related literature on accounting practices of SMEs. It covered the conceptual review, theoretical review, and empirical review. The conceptual review focused on the definitions of SMEs within the global context and the Ghanaian context; the contributions of SMEs and the accounting practices of SMEs. Under the empirical review, relevant papers were reviewed.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter shows the method adopted to get relevant data for achieving the objectives of this study. This chapter has subheadings such as research design, target design, and sample size, sampling techniques, data collection methods, and data analysis techniques

3.1 RESEARCH DESIGN

Research design according to Collis and Hussey (2003) is the art of designing methods and processes to conduct studies to reach valid conclusions. It is the bedrock upon which the objectives of studies are achieved. According to Lewis & Thornhill (2007) research is explanatory, descriptive, or exploratory. This study will use a descriptive research design to describe the accounting practices of SMEs in the Accra metropolis. Researches intended for descriptive purposes gives a detailed picture of a phenomenon(Saunders et al, 2007). This design was adopted because the work describes the state of SMEs in connection to their accounting practices. Studies using a descriptive approach are designed to obtain data that concerns the status of a phenomenon (Saunders & Thornhill 2007).

In terms of research strategies, there are several strategies such as surveys, experiments, and case studies(Yin 1994). This study adopted the survey method. To Ary, Jacobs, and Rezavieh (2002), the survey allows researchers to gather information from a sample of people, comparatively quicker and cheaper.

There are two approaches used to undertake research; either one is employed or a blend of the two is adopted by the researcher. The quantitative approach refers to the data collection methods which generate numerical data (numeric) that can be analyzed statistically whiles the qualitative approach refers to the data collection methods where non-numerical data (text, audio, images) are produced (Bryman, 2006). The study adopted a quantitative approach. Since the research used the survey design and a questionnaire, the data analysis covered larger sample units utilizing data from many respondents in the survey. Thus, the quantitative approach is more appropriate for this research.

3.2 POPULATION OF STUDY

The target population for this study constitutes all SMEs within the Accra metropolis. The SME must be registered with the Registrar General's Department and has less than 29 employees as per the definition by NBSSI.

3.3 SAMPLE SIZE AND SAMPLE TECHNIQUE

A total number of 120 SMEs were sampled for this study using the stratified sampling method. With this technique, the population is divided into groups and then a random selection is made to select the respondents from each group(Steven Nickolas, (2017). Purposively, the study limited itself to only SMEs in the municipality. The SME's were consequently stratified into five sectors: Merchandise, Construction, Service, Manufacturing, and Food.

3.4 DATA COLLECTION

The principal source of data with research is the usage of primary data. The collection of primary data was done through the use of questionnaires. The questionnaires were self-administered to owners of SMEs in the following areas in the Accra metropolis: Accra Central market,

Kokomlemle, Odorkor, Kaneshie, Labone. The questionnaire being the major instrument for the collection of primary data was designed and structured to be in line with the objectives of the study. Closed-ended questions were mostly used in the questionnaire since it allows the respondents to give specific and direct responses to achieve the objectives of the study.

The questionnaire was segmented into four main parts: (1) respondents demographic data, (2) the types of accounting records being kept and maintained by SMEs in Accra, (3)the business decision-making practices by the SMEs in Accra, the completeness of accounting records, the challenges of SMEs in keeping proper books of accounts, and (4)the effects of improper accounting records on the businesses of SMEs. Apart from the socio-demographic characteristics of the institution, all other sections were measured using a five-point Likert scale; Strongly Disagree – 1, Disagree – 2, Neutral – 3, Agree – 4, and Strongly Agree – 5.

The questionnaire was personally administered whereas the purpose of the work was explicitly made known to all the respondents. They were again assured of the confidentiality of the information being provided by them as it's solely for academic purposes and thus the information will not be shared and used for any other purpose other than that. The respondents were not forced to take part in the survey, they had the option to refrain from taking part in the survey. Those who could not read or write were taken through the questionnaire and it was filled for them as they supplied the information

3.5 DATA ANALYSIS

The completed questionnaires were edited and coded appropriately to make meaning out of them. Editing was done to correct errors, check for non responses, and accuracy of answers. Coding was

done to facilitate data entry and a comprehensive analysis. Descriptive statistics, mainly frequency tables and percentages were the medium used for the analysis. The software used was the IBM Statistical Package for Social Science (SPSS) version 20.

3.6 RELIABILITY AND VALIDITY

There was a trial study conducted at Abeka Lapaz which has a lot of SMEs. The pilot test was to ensure that errors are minimized, questions are not misleading and that, the questionnaire fully responds to the research objectives.

3.7 ETHICAL CONSIDERATION

According to Saunders (2007), research ethics are the appropriateness of behavior of the researcher following the right of those who become the subjects of the study. It is indisputable that every research conducted has the potential of affecting the subjects in one way or the other. The researcher sought the consent of the respondents and also assured the anonymity of the respondents. Finally, the researcher ensured that the names of respondents did not appear on the questionnaires for the sake of confidentiality.

CHAPTER FOUR

RESULT AND ANALYSIS

4.0 INTRODUCTION

The chapter presents and discusses the data gathered from the field about the accounting practices of SMEs in Accra. For clarity and understanding, tables and graphs were used to analyze the responses provided. Ninety-four (94) questionnaires were retrieved out of the one hundred and twenty (120) questionnaires distributed to respondents.

4.1 BACKGROUND OF RESPONDENTS

4.1.1 Gender of respondents

The gender of respondents which is captured in table 4.1 is the first variable for discussion under the demographics. In terms of gender, 52.1% of the respondents are females whiles 47.9% of them are males. Mbroh and Assah (2015) also concluded that there are more females (53%) in the micro-business segment.

Table 4.1: Gender of respondents

Gender	Frequency	Percent (%)	Cumulative Percent (%)
Male	45	47.9	47.9
Female	49	52.1	100
Total	94	100	100

Source: Field data, October 2020

4.1.2 Age of respondents

Table 4.2 presents the age category of the respondents and the results presented below. As indicated below, 13 of the respondents are less than 25 years whiles 19 of them are between 25-34 years. 29 and 27 of the respondents are between 34-44years and 45-54 years respectively. Lastly, 6 of the respondents are more than 55 years. This clearly shows that majority of the respondents are within 25-54 years.

Table 4.2: Age of Respondents

Age	Frequency	Percent (%)	Cumulative Percent (%)
Under 25 years	13	13.8	13.8
Between 25-34years	19	20.2	34.0
Between 35-44yrs	29	30.9	64.9
Between 45-54yrs	27	28.7	93.6
More than 55yrs	6	6.4	100
Total	94	100	100

Source: Field data, October 2020

4.1.3. Number of years worked by respondents

From the information below, just 6.4% of the total respondents have less than 5 years of working experience, whiles 19.1% have worked for both 6-10 years and 11-15 years. A further 32.0% have worked between 16-20 years while 23.4% have worked for more than 20 years. Out of the 94

respondents, 88 of them which is 94% have worked for more than 10 years which signifies that
people have considerable rich proficiency.

Table 4.3: Number of years worked

Years	Frequency	Percent (%)	Cumulative Percent(%)
Less than 5 years	6	6.4	6.4
Between 6 – 10 years	18	19.1	25.5
Between 11 – 15 years	30	19.1	44.6
Between 16 – 20 years	22	23.4	76.6
More than 20 years	94	23.4	100
Total	94	100	100

Source: Field data, October 2020

4.1.4 Educational level of respondents

In the table below, tertiary education holders and their equivalents make up 16% of the respondents
while the respondents with secondary school education make up 40% of the total respondents,
Lastly, respondents with basic school education make up 44% of the total respondents.

Table 4.4: Educational level of Respondents

Level of Education	Frequency	Percentage (%)	Cumulative Percent(%)
Tertiary	15	16	16
Secondary	38	40	56
Basic	41	44	100

Source: Field data, October 2020

4.1.5 The business sector of SMEs

Concerning the business sector that the SMEs are engaged in, 52% of the respondents of the SMEs are in the trading business whiles 38% of the SMEs are in the service industry with a further 10% of the respondents being in the manufacturing sector.

Table 4.5: Business sector of the SME

The business sector engaged in	Frequency	Percentage (%)	Cumulative Percent(%)
Trading	49	52	52
Services	36	38	90
Manufacturing	9	10	100
	94	100	100

Source: Field data, October 2020

4.1.6 Type of Business ownership

As indicated by the table below, the majority of the SMEs being 56% of the total respondents are registered as a sole proprietorship which is popularly knowns as a one-man business. SMEs registered as a partnership are 15% of the total respondent's whiles a further 29% of the SMEs are registered as companies. Thus most SMEs are registered as sole proprietorships and companies.

Table 4.6 Type of business ownership of SMEs

Type of business owners operated	Frequency	Percentage (%)	Cumulative Percent(%)
Sole proprietorship	53	56	56
Partnership	14	15	71
Company	27	29	100
	94	100	100

Source: Field data, October 2020

4.1.7 Number of employees

Table 4.7 below, indicates that SMEs that have employed less than 5 employees were 28% of the total respondents while SMEs that have engaged between 6-10 employees make up 30% of the total respondents. A further 18% of the respondents had employed between 10-20 employees in their firm whiles 24% of the SMEs had more than 20 employees.

Table 4.7:Number of employees

Number of employees	Frequency	Percentage (%)	Cumulative Percent(%)
1-5 employees	26	28	28
6-10 employees	28	30	57
10-20 employees	17	18	76
More than 20 employees	23	24	100
	94	100	100

Source: Field data, October 2020

4.2 TYPES OF ACCOUNTING RECORDS BEING KEPT AND MAINTAINED BY SMEs

Table 4.8:Types of accounting records kept by SMEs

STATEMENT	YES	NO
My business has a sales daybook (sales journal)	76%	24%
My business has a purchases day book (purchases journal)	67%	33%
My business has a cash receipt book	92%	8%
My business has a separate bank account separate from the owner	76%	24%
My business has a cheque payments book	45%	55%
My business has a petty cash book	16%	84%
My business has a debtors (receivables) ledger	12%	88%
My business has creditors (payables) ledger	10%	90%
My business has a payment voucher	24%	76%
My business has a general journal	14%	86%

My business has a stores voucher or goods received notes	22%	78%

The majority of the respondents have sales daybooks, purchases daybooks and cash receipts as the table depict. More than 60% of the respondents stated they have these three books as part of their business operations. Concerning bank accounts, 76% of the respondents stipulated that they have bank accounts for their business operations whiles 24% of them operate their business with any bank accounts. For the following: petty cash book, debtors receivable ledge, creditors payable ledger, payment voucher, stores ledger, majority of the SMEs do not have them. As indicated by the table above, more than 70% of the respondents do not operate their business with these accounting books and records.

4.3 THE COMPLETENESS OF ACCOUNTING RECORDS BEING KEPT AND MAINTAINED BY SMEs

The respondents were asked about who is responsible for the bookkeeping and accounting functions in the operations of the business. As per the figure below, 45% of the respondents stated that owners/managers are responsible for the bookkeeping and the accounting functions of the business. A further 23% of the respondents also indicated that accounting consultants are engaged to keep and maintain proper books of accounts. Again 19% of the respondents stipulated that the responsibility of the accounting functions and booking is done by the accounting staff employed by the business. Lastly, 13% of the respondents stated that they engage their family members to help the business with booking and accounting functions. This finding is consistent with that of Madurapperuma, Thilakerathne & Manawadu, (2016) who reported that owner-managers dominated preparers of financial statements in SMEs. Proper records keeping are crucial for the successful performance of a business. It requires a trained and qualified professional to prepare

and present accurate and timely financial reports that show the financial progress and condition of the business.

Figure 4.1: Responsibility for Bookkeeping and Accounting Functions
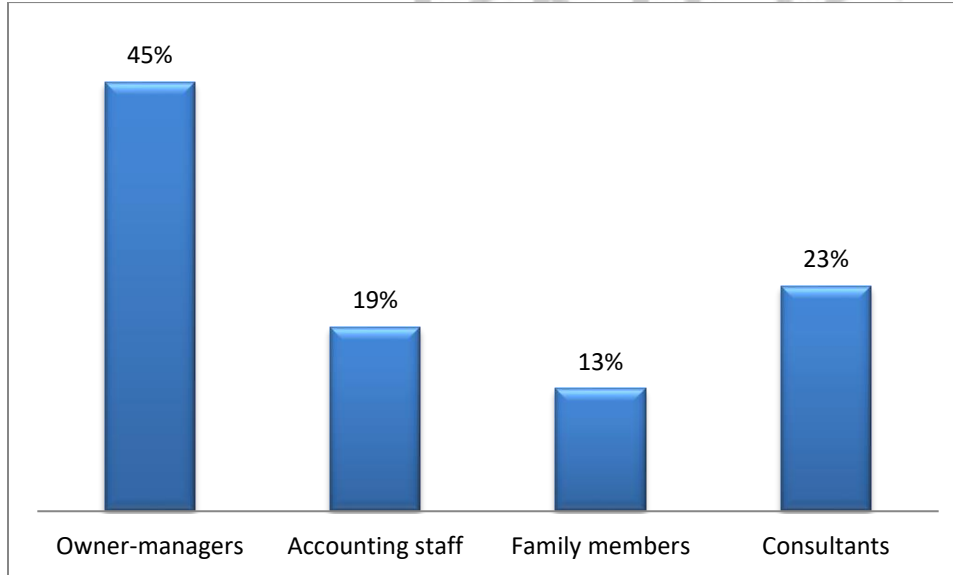
The respondents were asked a series of questions to assess the completeness of their accounting records. The results are indicated in the table below. The assertion that expenses are made from cash proceeds before banking records a mean of 4.05 and a standard deviation of 1.22. A mean of 4.05 on a 5 point Likert scale means that majority of the respondents usually make expenses from cash proceeds before banking the rest. This means that their bank statement will not show the true state of affairs and thus will not be complete. The median and mode of 4 and 5 respectively further corroborates the fact that most of the respondents agreed that they make expenses from cash receipts before banking the rest. The assertion that all cash receipts are banked record a low mean of 2.21 with a standard deviation of 1.29. This stipulates that most of the respondents disagreed with the assertion that they bank all cash receipts. In other words, most of the respondents do not bank all their cash sales. The median and mode of 2 each further confirm the fact that many of the respondents do bank all their cash receipts. The respondents were further asked whether they have complete records of all their business transactions.

As shown by the table, the assertion of complete records of business transactions recorded a mean of 1.84 and a standard deviation of 1.29 which stipulates that the majority of the respondents disagreed with that assertion. It means that most of the respondents do not have complete records of all their business transactions. Thus some records are missing from their books and unless they can recall, it will not be part of any financial statements. Again the assertion of making sales without giving receipts had a mean of 3.24 and a standard deviation of 1.25 which signifies that some respondents have the practices of taking cash from sales without giving receipts. This since there is no record of the sales in any books, the transaction will be missing from their records and will not be part of the total sales figure. Again the assertion about keeping manual records also recorded a high mean value of 4.11 and a standard deviation of 0.86. These statistics show that most of the respondents agreed with the assertion that they keep manual records of their business transactions. The median and mode of 4 each further corroborates that fact majority of the respondents agreed that they keep manual records of their business transactions.

The assertions that respondents often keep mental records of business transactions recorded a mean and a standard deviation of 2.94 and 1.47 respectively. Thus a quite a number of the respondents instead of writing business transactions would rather keep them in their minds. This practice surely results in incomplete business records because once the person forgets about it, it means that's the end. It will never be captured in the books of the business.

Table 4:9: Completeness of accounting records

	Mean	Median	Mode	Standard Deviation	Min	Max	Count
I make expenses from cash receipts before banking the rest	4.05	4	5	1.22	1	5	94
I bank all cash receipts	2.21	2	2	1.29	1	5	94
I keep complete written records of my business transactions	1.84	1	1	1.29	1	5	94
I make sales without giving out receipts	3.24	3	2	1.25	1	5	94
I keep manual records	4.11	4	4	0.86	1	5	94
My financial statement is base on estimations	4.31	5	5	1.06	1	5	94
I sometimes keep mental records of my business activities	2.94	3	1	1.47	1	5	94

The respondents were further asked a series of questions to ascertain the effect of keeping incomplete records in the business. To begin with, the assertion that they are unable to state their actual revenue recorded a mean of 4.23 and a standard deviation of 1.15. This reveals that most of the respondents agreed with that assertion. The median and mode of 5 each demonstrate the fact that the majority of the respondents cumulatively agreed to the assertion that they are unable to state their actual revenue. Their inability to state their actual revenue for the year stems from the fact that their accounting records are incomplete.

Again the assertion that business decisions are made based on budgets and forecast done by the business recorded a low mean and standard deviation of 1.81 and 0.96 respectively. This is so

because accounting records are incomplete. The preparation of budgets and forecast requires information which the SMEs are not keeping thus their inability to prepare their budgets and forecast. A mean value of 1.81 on a 5point Likert scale signifies that the majority of the respondents disagreed with the notion that they make decisions based on prepared budgets and forecasts. This demonstrates that they don't base their decisions on budgets and forecasts because they don't prepare their budgets and forecast and thus there is no variance reporting system for the business.

Another variable is the ability or inability to identify all expenses incurred by the business. The assertion that SMEs are unable to identify all expenses incurred by the business had a mean of 4.03 and a standard deviation of 1.15. Thus, majority of the respondents are of the view that the identification and record of all expenses incurred within a period is a problem for them and this is mainly due to the incomplete records being kept by SMEs. This is confirmed by a median of 4 and mode 5. The respondents were further asked whether their intuition also plays a role in their business decision making. A mean of 3.50 and a standard deviation of 1.65 were recorded which depicts that the respondents agreed that their intuition plays a major role in their business decision making.

The above results clearly show that the incompleteness of the accounting records kept by SMEs prevents SMEs from stating their actual revenues and expenses in the preparation of their financial statements. Thus their financial statements are based on estimated figures and not actual figures. Again due to the incompleteness of the accounting records preparation of budgets and forecast is a huge challenge and they are then forced to use their intuitions in running their business

Table 4:10: The effect of incomplete records

	Mean	Median	Mode	Standard Deviation	Min	Max	Sum	Count
I am unable to state actual revenue	4.23	5	5	1.15	1	5	398	94
I make decisions based on prepared budgets and forecast	1.81	1.5	1	0.96	1	4	170	94
I am unable to identify all expenses incurred by the business	4.03	4	5	1.15	1	5	379	94
I use my intuition because accounting records do not exist	3.50	4	5	1.65	1	5	329	94

4.4 THE CHALLENGES OF SMES IN KEEPING PROPER BOOKS OF ACCOUNTS

The respondents were asked about the challenges they faced in keeping proper books of accounts. The keeping of proper books of accounts is the foundation of the preparation of reliable financial statements. The table below shows the statistical responses of the respondents. To begin with, the assertion that, It is time-consuming to keep proper books of accounts recorded a mean of 4.21 and a standard deviation of 0.94. This reveals that most of the respondents agreed with the assertion that they waste a lot of time in keeping the proper books of accounts. The median and mode of 5 each demonstrate the fact that the majority of the respondents cumulatively agreed to the assertion that It is time-consuming to keep proper books of accounts.

Again the assertion that it is expensive to keep proper books of accounts recorded a mean and standard deviation of 3.83 and 1.50 respectively. A mean value of 3.83 on a 5point Likert scale

signifies that the majority of the respondents agreed to the notion that it is expensive to keep proper books of accounts. This reveals that it is the least of things that SME owners would want to spend their money on. They prioritize other things than the keeping of proper books of accounts. Another challenge for the proper keeping of accounts is the technical skills & knowledge required. The assertion that It requires technical skills & knowledge to keep proper books of accounts had a mean of 3.95 and a standard deviation of 1.31. Thus, the majority of the respondents are of the view that it requires technical skills & knowledge. This is confirmed by a median of 4 and mode 5.

The respondents were further asked whether the staff needed to keep the proper books of accounts is a challenge. The results show that the number of staff required to keep the proper books of accounts recorded a mean of 4.05 and a standard deviation of 1.41 which stipulates that the respondents cumulatively agreed that the staff required to keep the proper books of accounts is a major challenge. Another challenge assessed is whether the keeping of the proper books of accounts exposes the financial position of the business. As indicated by the table, the assertion that the keeping of the proper books of accounts exposes the financial position of the business recorded the mean of 3.81 with a standard deviation of 1.15. The interpretation of this statistic is that majority of the respondents cumulatively agreed that the keeping of the proper books of accounts exposes the financial position of the business. The assertion that the keeping of the proper books of accounts exposes the financial position of the business recorded a median and mode of 4 and 5 respectively which further shows the level of agreement by the respondents to this assertion.

The challenge of whether it makes SMEs pay more tax. The assertion that keeping proper books of accounts makes SMEs pay more tax recorded a mean and standard deviation of 4.17 and 1.32 respectively. The SMEs are reluctant to keep proper books of accounts because they have the notion that their tax liabilities will increase with the keeping of the proper books of accounts.

Lastly the assertion that it is difficult to maintain the system recorded the lowest mean of 4.30 with a standard deviation of 1.02. This reflects the fact that the continuous keeping of proper books of accounts is a worry and a challenge to SMEs. This assertion also recorded a median and mode of 5 each which further confirms that the majority of the respondents disagreed with the notion.

The results for the challenges facing SMEs in their quest to keep proper books of accounts to manage their business operations shows that their major challenges are the number of staff require to write and keep the books, the perception that it will make the SMEs pay more taxes, the difficulty in maintaining the accounting system and the fact that it is time-consuming. The above findings were partly consistent with (Omran. o. Mustafa, 2010; Ben Kwame, 2011; Kahsay and Zeleke,2019). SME owners regard financial records as a necessary evil with no tangible benefit, demanded by the government for purposes of extracting tax. Consequently, these enterprises see keeping financial records as a waste of time. The failure to use accounting records by small scale enterprises is due to their belief that record-keeping takes time, their dislike for figures, and lack of knowledge as the type of information needed and how to collect them

Personal relationships are also very high in the Ghanaian business arena further suggesting that many transactions might have been conducted on credit terms (Pieterson, 2012). It, therefore, makes commercial sense to keep these transactions at the forefront of memory. In this regard, the cash book and the sales ledger come in handy. Besides, going by the general perception argued by Evans, Carlon & Massey(2005) that record keeping might well provide easier routes for tax collection, some owner-managers might be keen to avoid this altogether. Hence, the assertion that keeping accounting records leads to high taxes recorded a high mean value of 4.17.

Table 4:11: The challenges of SMEs in keeping proper books of accounts

	Mean	Median	Mode	Standard Deviation	Min	Max	Sum	Count
It is time-consuming	4.21	4	5	0.94	1	5	396	94
It is expensive	3.83	4.5	5	1.50	1	5	360	94
It requires technical skills & knowledge	3.95	4	5	1.31	1	5	371	94
It requires more staff	4.05	5	5	1.41	1	5	381	94
It exposes my financial position	3.81	4	5	1.15	1	5	358	94
It makes my enterprise to pay more tax	4.17	5	5	1.21	1	5	392	94
There is no need to keep accounting records	3.71	4	5	1.32	1	5	349	94
It is difficult to maintain the system	4.30	5	5	1.02	1	5	404	94

4.5 THE EFFECT OF IMPROPER ACCOUNTING RECORDS ON THE BUSINESSES OF SMEs

Proper accounting records are the lifeblood in the running of any successful business operation. The major objective of this study is to identify the effects improper accounting records have on SMEs. The table below depicts the results from the respondents

Firstly, the table below recorded a mean of 4.39 and a standard deviation of 0.83 for the assertion that improper accounting records lead to wrong business decisions. The statistic shows that majority of the respondents cumulatively agreed that improper accounting records lead to wrong business decisions. The median and mode of 5 each demonstrate the fact that the majority of the respondents cumulatively agreed to this assertion.

Table 4:12 The effects of improper accounting records on the businesses of SMEs

	Mean	Median	Mode	Standard Deviation	Min	Maxi	Sum	Count
Improper accounting records leads to wrong business decisions	4.39	5	5	0.83	1	5	413	94
Record keeping is essential for decision making and business adjustment	4.48	5	5	0.95	1	5	421	94
Improper accounting records increases operating cost	4.18	4	5	1.04	1	5	393	94
Improper accounting records hampers efficiency and productivity	4.46	5	5	0.98	1	5	419	94
Improper accounting records increases accounting/audit fee	4.36	5	5	0.91	1	5	410	94
Improper accounting records makes the preparation of financial statements difficult	4.35	5	5	0.95	1	5	409	94
Improper accounting records fail to detect fraud	4.85	5	5	1.33	1	55	456	94
With improper accounting records, control of cash is difficult	4.37	5	5	0.97	1	5	411	94
With improper accounting records, control of expenses is difficult	4.34	5	5	0.87	1	5	408	94
Improper accounting records leads to improper allocation of resources	3.83	4	5	1.46	1	5	360	94

Again the assertion that record-keeping is essential for decision making and business adjustments

recorded a mean and standard deviation of 4.48 and 0.95 respectively. A mean value of 4.48 on a

5point Likert scale demonstrates that the majority of the respondents agreed to the notion that that

record-keeping is essential for decision making and business adjustments. Thus the SME

owners/manager values the importance of keeping accounting records to make good and sound

decisions. Another impact that is assessed is the impact of accounting records on the operational

cost of the business. The assertion that improper accounting records increase operating costs had a mean of 4.18 and a standard deviation of 1.04, thus a majority of the respondents are of the view that improper accounting records increase the operational cost of the business. This is confirmed by a median of 4 and mode 5.

The respondents were further asked whether improper accounting records hampers efficiency and productivity. A mean of 4.46 and a standard deviation of 0.98 was recorded, which stipulates that the respondents cumulatively agreed improper accounting records hampers efficiency and productivity.

Another assertion is whether improper accounting records increase accounting/audit fees. This assertion as indicated by the table recorded the mean of 4.36 with a standard deviation of 0.91. The interpretation of this statistic is that majority of the respondents cumulatively agreed that improper accounting records increase accounting/audit fees.

Also, the assertion improper accounting records increases accounting/audit fee recorded a median and mode of 5 and 5 respectively which further shows the level of agreement by the respondents to this statement.

A mean and standard deviation of 4.35 and 0.95 respectively were recorded for this assertion that Improper accounting records make the preparation of financial statements difficult. It is as a result of the difficulty in preparing financial statements with improper accounting records that forces accounting firms to increase the accounting/audit fee.

To the detection of fraud, the table shows that the assertion Improper accounting records fail to detect fraud recorded the highest mean of 4.85 and a standard deviation of 1.33. The reflects the fact that the continuous keeping of the proper books of accounts is a worry and a challenge to SMEs. This assertion also recorded a median and mode of 5 each which further confirms that the majority of the respondents disagreed with the notion that It is difficult to maintain the system.

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Concerning the control of cash, the assertion that with Improper accounting records, control of cash is difficult, recorded a mean and a standard deviation of 4.37 and 0.97 respectively. This proves that monitoring the cash flow dynamics of the business is very difficult if accounting records are not kept. Again the assertion that improper accounting records make control of expenses difficult also had a mean value of 4.34 with a standard deviation of 0.87. In a similar situation like the control and monitoring of cash, improper accounting records will also hamper the control and monitoring of expenses which can also lead to cash flow problems. Last the assertion that improper accounting records lead to improper allocation of resources recorded a mean and standard deviation of 3.83 and 1.46 respectively.

The results about the effects of improper accounting records on the businesses of SMEs demonstrate that improper accounting records affect the operation and performance of SMEs negatively in several dimensions of the business. Improper accounting records often lead to wrong business decisions since it is not guided by records. Record keeping is essential for decision making and business adjustments. The decisions to expand, grow, or scale the business must be fully guided by facts. Improper accounting records increases operating costs, hamper efficiency and productivity, increases accounting/audit fee, makes the preparation of financial statements difficult, fails to detect fraud, and leads to improper allocation of resources. Again with Improper accounting records, control of cash and expenses is difficult.

The increase in accounting and audit fees which deters the SME operators is due to the incomplete records by the SMEs. The qualified accountants charge the SMEs high fees because most of them practice unacceptable accounting cycles and thus auditing of small enterprises is time-consuming. However, due to the requirement and obligation to file their financial statement with Ghana Revenue Authority for tax purposes, SMEs still have to pay fees to qualified accountants for the preparation of their annual reports for tax purposes.

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATION

5.0 INTRODUCTION

This concluding chapter presents a summary of the research, indicating the key findings, conclusions, and recommendations based on the problem as related to the research objectives.

5.1 SUMMARY OF FINDINGS

For the type of accounting records kept by SMEs and the completeness of the accounting records, the study found out that for the following: petty cash book, debtors receivable ledger, creditors payable ledger, payment voucher, and stores ledger, majority of the SMEs do not have them. As indicated by the table above, more than 70% of the respondents do not operate their business with these accounting books and records. About the effect of incomplete records by the SMEs, the study discovered that most SMEs are unable to state their actual revenue and actual expenses for a period. Again due to the incompleteness of the records, owners, and managers usually use their intuitions in running the business. Concerning the challenges of keeping accounting records, the study found out that the major challenges are the number of staff required to write and keep the books, the perception that it will make the SMEs pay more taxes, the difficulty in maintaining the accounting system, and the fact that it is time-consuming. Lastly, the results about the effects of improper accounting records on the businesses of SMEs demonstrate that improper accounting records affect the operation and performance of SMEs negatively in several dimensions of the business. Improper accounting records often lead to wrong business decisions because the decision is not guided by records and thus most business decisions are made based on intuition or it is just following the crowd. The decisions to expand, grow, or scale the business must be fully guided by facts on paper. Improper accounting records increases operating costs hamper efficiency and productivity,

increases accounting/audit fee, makes preparation financial statements difficult, fails to detect fraud, and leads to improper allocation of resources. Again with Improper accounting records, control of cash and expenses is difficult.

5.2 CONCLUSION

This study was conducted to assess the accounting practices of SMEs in Accra. Analyzing the information gathered, it can therefore be concluded that majority of the SMEs are registered as sole proprietorship type of business and are mainly in the retail/wholesale and service business sectors. About their accounting practices, most SMEs are not keeping proper books of accounts in running their businesses. The accounting records are manually kept without any computerized system involved. Concerning the following: petty cash book, debtors receivable ledger, creditors payable ledger, payment voucher, and stores ledger, the majority of the SMEs do not have them. The accounting records are often incomplete and thus they are unable to even state their actual revenue and expenses. This, in turn, makes the Profit of loss incurred by the business very difficult to be determined and thus, operators being unable to strategize and make the necessary changes in their businesses. In most cases the bookkeeping and accounting functions for the businesses are the responsibility of the owner/managers; just a handful of SMEs engaged accounting staffs and consultants for such duties. SMEs face some challenges in their quest to keep proper books of accounts such as the time involved, the cost of hiring qualified accounting personnel, and the perception that keeping proper records exposes their business to tax officials. The operations of SMEs are negatively affected in several ways due to their inability to keep proper accounting records.

5.3 RECOMMENDATIONS

There is an urgent need for a designed program to offer accountancy training to SMEs in Ghana. The majority of the owners/managers lack the accounting skills to keep proper books of accounts. Since most of the SME operators have little or no financial knowledge and as a result, the need for institutions such as the Association of Ghana Industries (AGI) and other related institutions to organize a training program in Business Accounting and Finance to develop the skillset of the SME operators in Ghana which in turn will help with their progress.

Furthermore, the inability of SMEs to keep proper books of accounts affects their operations and thus, the necessity for an accounting professional to be engaged to assist with the day to day bookkeeping and recording of financial activities. The preparation of financial statements to conform with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) is technical and demands that qualified accountants are engaged to ensure compliance with these accounting standards.

Most SMEs are still stuck to the traditional and manual way of keeping accounting records. However, the world is now a global village with lots of technological advancement and there is, therefore, the need for SMEs to automate their accounting and cash controlling processes by investing in proper accounting software which makes data recording simple, faster, and more efficient.

It is also recommended that business operators should make a conscious effort to develop their financial knowledge by attending seminars and training programs since the level of education has a direct relationship with proper bookkeeping practices.

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APPENDIX

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

SURVEY QUESTIONNAIRE ON BOOKKEEPING AND GROWTH OF SMALL AND MEDIUM SCALE ENTERPRISES

Dear respondent, this questionnaire is part of research work in partial fulfillment of the requirements for the program of study. All your responses will be treated as confidential as this requirement is for academic purposes only.

SECTION A: DEMOGRAPHIC INFORMATION
Please tick (√) the appropriate option(s) that best apply/applies to you.
1. Age [ ] 20-30 [ ] 31-40 [ ] 41-50 [ ] 51-60
2. Gender [ ] Male [ ] Female
3. Academic Qualification

[ ] No Education   [ ] Basic Education (Primary & JHS) [ ] Technical [ ] SHS [ ] HND [ ] First Degree [ ] Masters

SECTION B: BUSINESS INFORMATION
Please tick (√) the box that best represents your response or writes your response in the provided space.

4. The business sector engaged in is [ ] Trade [ ] Services [ ] Manufacturing

5. What type of business owners do you operate? [ ] Sole proprietorship [ ] Partnership [ ] Family Business [ ] Company [ ] others (specify) ………………

6. Number of employees [ ] Self [ ] 1-5 [ ] 6-10 [ ] 11-15 [ ] 16- 20 [ ] above 20

7. How long have you been in business? [ ] 1-5years [ ] 6-10years [] 11-15years [ ] above 15 years

SECTION C: The types of accounting records being kept and maintained by SMEs.

Please indicate (by a tick √) whether or not the following records are kept in your business. Your response will indicate the types of records kept in your business.

STATEMENT	YES	NO
My business has a sales daybook (sales journal)		
My business has a purchases day book (purchases journal)		
My business has a cash receipt book		
My business has a separate bank account separate from the owner		
My business has a cheque payments book		
My business has a petty cash book		
My business has a debtors (receivables) ledger		

My business has creditors (payables) ledger		
My business has a payment voucher		
My business has a general journal		
My business has a stores voucher or goods received notes		

SECTION D: Business decision-making practices by the SMEs

Please indicate (by a tick √) the extent to which you agree with the following statements. Use SD = Strongly Disagree, D = Disagree, A = Agree, N=Neutral and SA = Strongly Agree.

On what basis do you make business decisions

STATEMENTS	SA	A	N	D	SD
Based on the prevailing business situation					
Based on prepared budgets					
Based on the level of competition					
Based on my profit strategy/target					
I only use the business/trade cycle					

What are the challenges in making business decisions

STATEMENTS	SA	A	N	D	SD
Lack of reliable financial information					
Uncertainty in operations/economy					
Unreliable decisions and plans					
Previous decisions were not attained					
No challenge encountered					

Reasons for keeping records and preparing financial statements

STATEMENTS	SA	A	N	D	SD
To know my business performance					
To help make good decisions					
To show external parties such as GRA and banks					
To manage the business well					
It is my way of doing business					

SECTION E: Completeness of accounting records kept by SMEs

Please indicate by ticking (√) Yes/No.

In what form do you keep your accounting records	YES	NO
Manual Records		
Microsoft Excel		
Others		

Through which medium do you prepare your financial statements	YES	NO
Account Officer		
Sales Officer		
The owner (Self)		
Consultant		
Other(Specify) …………………………………………………..		

Please indicate (by a tick √) the extent to which you agree with the following statements. Use SD = Strongly Disagree, D = Disagree, A = Agree, N=Neutral and SA = Strongly Agree.

STATEMENTS	SA	A	N	D	SD
I have personal knowledge about bookkeeping					
I see bookkeeping as very important in my organization					
I keep complete written records of my business transactions					
I will recommend bookkeeping for a colleague business operator					
I bank all cash receipts					
I make sales without giving out receipts					
I update my business records regularly					
I make expenses from cash receipts before banking the rest					
I keep manual records					
I have an accountant or bookkeeper who keeps my records					
My financial statement is base on estimations					
I prepare financial statements for my business					
I sometimes keep mental records of my business activities					
I will welcome any training or education on bookkeeping					
I am unable to state actual revenue					
I make decisions based on prepared budgets and forecast					
I am unable to identify all expenses incurred by the business					
I use my intuition because accounting records do not exist					

SECTION F: The challenges of SMEs in keeping proper books of accounts as a source of information for economic decision making.

Please indicate (by a tick √) the extent to which you agree with the following statements. Use SD = Strongly Disagree, D = Disagree, A = Agree, N=Neutral and SA = Strongly Agree.

STATEMENTS	SA	A	N	D	SD
It is time-consuming					
It is difficult to maintain the system					
It requires technical skills and knowledge					
It requires more staff					
It exposes my financial position					
It makes my enterprise pay more tax					
There is no need to keep accounting records					

Fear of exposing my business					
The cost involved in preparing financial statements is too high					
Lack of accounting knowledge					
Record keeping is a tedious activity					

SECTION G: The effects of improper accounting records on the businesses of SMEs

Please indicate (by a tick √) the extent to which you agree with the following statements. Use SD = Strongly Disagree, D = Disagree, A = Agree, N=Neutral and SA = Strongly Agree.

STATEMENTS	SA	A	N	D	SD
Improper accounting records leads to wrong business decisions					
Record keeping is essential for decision making and business adjustments					
Improper accounting records increases operating costs,					
Improper accounting records hampers efficiency and productivity					
Improper accounting records increases accounting/audit fee					
Improper accounting records makes the preparation of financial statements difficult					
Improper accounting records fail to detect fraud					
With Improper accounting records, control of cash is difficult					
With Improper accounting records, control of expenses is difficult					
Improper accounting records leads to improper allocation of resources					

What are your perceptions about keeping accounting records/financial statements

STATEMENTS	SA	A	N	D	SD
The keeping of accounting records and preparing financial statements					
High-profit margin to offset any cost					
Record keeping is key to the success of a business					
Record keeping is a tedious activity					
Some business, such as SMEs do not require record-keeping					
It is always good to keep a record of all transactions in my business					
One should not keep records of transactions that did not go well for his business because the records will be a discouragement					
It is a waste of money to employ an accountant to help in record keeping					
My business has been very successful even if I don't practice record keeping					
I would appreciate it if given a chance to learn more about record keeping					