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KUMASI, GHANA.

SCHOOL OF GRADUATE STUDIES

ASSESSING THE BOOKKEEPING PRACTICES OF SOME SELECTED SMALL AND MEDIUM SCALE ENTERPRISES IN THE SUHUM MUNICIPALITY.

BY

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DECLARATION

I hereby declare that this submission is my own work towards the award of the Degree of Master of Science (Accounting) and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due

acknowledgement has been made in the text.

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DEDICATION

This work is dedicated to my lovely wife and son; Mrs. Esther Obiri Opare and Bernard Nhyira Opare-Kru who have been very dear to me throughout, and will continue to be as long as I live. You have in many ways enriched my life. Thank you for the thoughtfulness, the well wishes and the prayers to making this work a success.

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Finally, may I state that I am solely, accountable for any flaws that this contribution to knowledge may contain.

God bless you all.

ABSTRACT

This study discusses the bookkeeping practices of some selected small and medium scale enterprises in the Suhum Municipality in the Eastern Region of Ghana. The study examined the detailed profile of SMEs, bookkeeping practices, whether it conforms to best practices and the challenges they face in their bookkeeping practices. This is to guide policy makers to develop accounting and bookkeeping modules that aims to improve ways by which SMEs bookkeeping can meet international best practices. The research was conducted in the form of a survey. Information was collected from selected SMEs in order to describe some aspect of the population of which the target constitutes a part. The descriptive sample survey helped the researcher to obtain a large sample of information, the result of which could be used to generalize the entire population. The main way through which information were collected was through administering of questionnaires and interviews; answers to these questions by members of the group constituted data for the study. Irrespective of the contributions of SMEs to national development, proper bookkeeping play critical role in the performance and growth of small businesses. The research indicated there was lack of professional skills particularly in bookkeeping procedures among SMEs in Suhum Municipality. It is therefore imperative for accounts clerks to be hired whether businesses are manned by owners or employees no matter the cost, for accounts to be appropriately maintained to enable SMEs keep track of business activities and used it as a source for effective economic planning. In order to ensure bookkeeping and financial management practices of SMEs meet international and best standards, the NBSSI/BAC should collaborate with professional accounting bodies particularly ICA-Ghana to develop accounting and bookkeeping modules that will serve critical needs of SMEs. Government should grant tax incentives to relieve the plight of SMEs that employ professional accounting staff to manage their bookkeeping duties.

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ABBREVIATIONS AND MEANINGS

Abbreviation		Meaning
AD	-	After Death
AGOA	-	African Growth and Opportunity Act
AICPA	-	American Institute of Certified Public Accountants
ASB	-	Accounting Standards Board
BAC	-	Business Advisory Center
DFID	-	Department for International Department
EC	-	European Commission
GAAP	-	Generally Accepted Accounting Principles
GDP	-	Gross Domestic Product
GEC	-	Ghana Enterprise Commission
GSS	-	Ghana Statistical Service
FASB	-	Financial Accounting Standards Board
FRSSE	-	Financial Reporting Standard for small Entities
IAS	-	International Accounting Standards
IASB	-	International Accounting Standards Board
ICA	-	Institute of Chartered Accountants
ICT	-	Information Communication Technology
IFRS	-	International Financial Reporting Standards
MDGs	-	Millennium Development Goals
NBSSI	-	National Board for Small Scale Industries
NEPAD	-	New Partnership for Africa's Development
NGOs	-	Non Governmental Organizations
ODA	-	Official Development Assistance
OECD	-	Organization for Economic Co-operation and Development
PSDS	-	Private Sector Development Strategy
PWC	-	Price Waterhouse Coopers
SMEs	-	Small and Medium Scale Enterprises
SPSS	-	Statistical Package for Social for the Social Sciences

SSEs	-	Small Scale Enterprises
UNDO	-	United Nations Development Organization
UNDP	-	United Nations Development Programme
USAID	-	United States Agency for International Development
Yrs	-	Years

CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

The economy of Ghana comprises of small individual businesses, SMEs, companies and multinational firms. They form the medium through which the economy transacts its business activities and acquires growth. SMEs comprise non-farm activities such as manufacturing, mining, trade and services. There are different criteria for categorizing SMEs and the most commonly used are total workforce, total investment and sales proceeds (Burns and Dewhust 1996).

SMEs contribute significantly to national income, employment in many countries worldwide and are instrumental for positive economic revolution. Despite these significant contributions in Ghana, the SME has remained relatively small and seen stunted growth for decades. However, modern studies show that the most likely cause of non-performance of SMEs is absence of or incomplete bookkeeping (Chepkemoi, 2013). Bookkeeping is the process of recording monetary transactions such as receipts and payments of an individual or organization in an orderly and consistent manner. This is generally handled by a book keeper who uses basic standards of accounting such as single and double entry recording methods. The single-entry bookkeeping method follows only income and expense accounts, which is recorded primarily in an income and expenditure journal. This is adequate and recommended for most small businesses. This can be completed with bookkeeping software to expedite manual calculations (Haber, 2004). The double entry bookkeeping method comprises compiling of economic data in the form where transactions have bearing on at least two separate entries required to record every financial transaction. In contemporary bookkeeping, this is represented by way of debit and credit and functions as a kind of self-error checking system. That is, every debit entry transaction at the left hand side of a particular account should have a corresponding credit entry at the right hand side and if at any point the debit is not equivalent to the sum of credits then, an error has occurred. Bookkeeping practices differ amongst SMEs in scope, occurrence, sensitivity, maturity and the level of development of the business as well as the comparative worth of fixed working capital. It is expected of small firms to maintain accurate data regarding all incomes as well as expenditures, sales and procurements, and all resources and obligations from which returns are generated. The information gathered should be one which is unbiased, adequate, significant and reliable to make well informed choices and decisions by its intended users. Regardless of the significance of book keeping, a considerable number of SMEs in Suhum Municipality have not given it the needed attention. Practicing proper bookkeeping can help SMEs effectively and efficiently manage and forecast cash flows, have adequate knowledge about earnings and losses, and develop strategies for the future based on economic trends.

To achieve this purpose, accounting standards are required by SMEs that will enable their financial reports to fairly and consistently define their business performance. Without principles, users of financial reports would be required to study the accounting rules of each firm, and comparisons amongst companies would be challenging. Although keeping track of your company's assets may seem overwhelming, it's not that difficult when you know the bases of bookkeeping and accounting used.

1.1 Statement of the Problem

The need for all business transactions to be systematically recorded with clarity cannot be over-emphasized. Accounting or bookkeeping prepared using best practices assist businesses to relate outcomes of different period. Governments (tax authorities) sometimes rely on details contained in a set of books if they are kept in accordance with GAAP. Bookkeeping records supported by accurate and genuine vouchers are sometimes worthy proof in court trials. However, a study on small businesses by Boachie et al. (2005) revealed that almost 60% of small businesses are unable to survive for the first few years of establishment due to organizational inefficiencies as a result of poor record keeping. Advance studies also show several companies fail due to poor bookkeeping. For instance, study conducted by Muchira (2012) in Kenya found that, substantial number of small firms do not keep accurate books and in some cases keep no records of business transactions coupled with non-preparation of financial statements at period ends. Notwithstanding the findings above, the problem is indifferent here in Ghana. It was evidenced from the work of Suraj (2011) on bookkeeping practices and its relevance to SMEs in New Juaben that, most of SME operators do not keep records of business transactions. As a result, these firms could not track their activities thereby making it difficult to plan, forecast future performance and sustainability for growth. It also came to light that, many of the owners of these small set-ups think it was unnecessary to practice bookkeeping since the firm belongs to them. Nevertheless, proper bookkeeping practices helps SMEs to effectively and efficiently manage and forecast cash flows, have adequate knowledge about earnings and losses, and develop strategies for the future based on economic trends. Despite the numerous benefits that businesses stand to gain from practicing proper bookkeeping, it has been observed that majority of SMEs still practice improper bookkeeping. To this regard, it can be seen that, there has not been enough research work to uncover the bookkeeping practices of small firms and how these practices conform to best standards. Indeed, insignificant information if any is accessible on the subject matter.

Notwithstanding these earlier efforts, it happened in dissimilar area of location and with different set-up units that can be influenced by bookkeeping. Therefore, it is against this background that the study 'assessing bookkeeping practices of some selected small and medium scale enterprises in the Suhum was carried out to help establish the reasons behind their inability to keep appropriate bookkeeping records.

1.2 Objectives of the Study

1.2.1 General Objective

To assess the bookkeeping practices of some selected SMEs in Suhum Municipality.

1.2.2 Specific Objectives

1. To identify the nature of bookkeeping practices of some selected SMEs in Suhum Municipality.
2. To assess whether the bookkeeping practices of these SMEs meet the best standards.
3. To determine the problems SMEs face in their bookkeeping practices.

1.3 Research Questions

1. What is the nature of bookkeeping practices of these selected SMEs in Suhum Municipality?
2. Does the bookkeeping conform to standards?
3. What problems SMEs face in the practice of bookkeeping?

1.4 Significance of the Study

Record keeping is essential to help analyze the financial state of a business. Without it, firm owners as well as managers will not be able to see how much money they are really making as against the amount lost, nor get a real sense of the actual profits from their operations. More to this, it could be extremely difficult to ascertain whether it is generating adequate earnings to cover its expenses. However, proper recording of business transactions is the foundation for effective and efficient business planning. This is because, no matter how skilled firm owners and managers are at achieving outputs, the earnings could simply slip-up through their hands if they do not accurately record and keep track of it. On the other hand, it is the desire of every serious business minded manager to increase productivity in other to earn higher profit for the organization. More so, this material increase will not maximize profit if the firm's financial resources are not subjected to sound financial management systems. This indicates clearly that without proper bookkeeping, a business could very quickly and easily crash into a wall. For this reason, the study will help to create awareness on the benefits of bookkeeping for businesses.

This study is significant in the following:

a. assist businesses to improve on their bookkeeping practices to help the Ghana Revenue Authority to appraise their business activities with ease;
b. aid businesses maintain accurate and informed records of economic activities;
c. help streamline records and summarize monetary transactions into a practical form.

Again, the outcome of this research would be beneficial to the industry players (owners, managers, suppliers, tax administrators, lenders and employees) of SMEs to appreciate the key role played by sound bookkeeping practices in the performance, viability and sustainability of their businesses.

Furthermore, the study will add to existing knowledge and act as a stepping stone for future research works on the same topic or similar ones.

1.5 Limitation of study

The research was restricted to the Suhum Municipality in the Eastern Region, Ghana to assess the bookkeeping practices of some selected SMEs in the Municipality. However, time and monetary constraints did not permit the researcher to collect information from all SMEs in the study area. More so, the Municipal office of the NBSSI and the

Municipal Assembly did not have up-to-date record of all businesses operating or otherwise in the Municipality. This was due to the fact that; most businesses fail to report to the appropriate authorities for their names to be struck off after their collapse. The results were grounded on the information solicited from the respondents and such might be subjected to human inaccuracies, oversights and potential misstatements. In addition, the following difficulties were also encountered by virtue of collecting data for the study:

1. Lack of straight forward records on events and activities of respondents.
2. Also the low level of literacy among respondents demanded that one on one interview questionnaire method be used. Even though respondents were forthcoming with answers, the method was time-consuming.
3. Failure on the part of some respondents to return the filled questionnaires for their views to be captured of which the researcher had to be on them.
4. Difficulty in understanding the need and relevance of the study particularly on the part of some respondents.

In spite of all the challenges faced, the researcher ensured that the work met all the appropriate requirements for an orderly inquiry and thus reducing mistakes to the barest minimum.

1.6 Scope of the Study

The study looks at the type of bookkeeping practiced by SMEs, whether it conforms to best standards and the associated challenges managers and owners of these businesses face in their bid to keep books of accounts. The work will therefore concentrate on small and medium setups (SMEs) in Suhum.

1.7 Organization of the Study

The work is grouped under five main chapters. One consists of Introduction under which these sub-headings fall: Background to the Study, Statement of Problem, Objectives of the study, Research Questions, Significance of the Study, Scope of the Study, and Limitations of the Study. Two reviewed Related Literature. Three discusses methods as well as techniques used to collect and analyze the data. It comprises of a heading Methodology followed by sub-headings: Research Design, Population, Sample and Sampling procedure (techniques), Data Collection Plan and Data Analysis. Four focuses on data analysis and discussion of findings. Five which is the final, looks at the summary of findings, conclusion and recommendations and areas for future research.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The main import of this part of the study is to review the theoretical framework and empirical literature which can help focus and assess the Bookkeeping Practices of some Selected Small & Medium Scale Enterprises in Suhum Municipality.

Under this section the theoretical literature is reviewed first and then related to empirical literature on the study.

2.1 History of Bookkeeping and Accounting

Many stories are told of how bookkeeping began, but most scholars agree that it has a long history, dating as far back as 5,000 years or so. In the olden days, wealthy individuals who want their properties recorded engage transcribers to account add-ons and deductions to their possessions as they buy, sell, or trade them. One presumes that they sought to be certain that any deviations were genuine; that losses were not as a result of theft, for that matter if 50 cows were procured that the herd increased by 50. Periodically, a count of properties are made and matched to the accounts kept by the scribe. Any uncertain losses are indication that something was wrong and needs to be investigated.

2.1.1 Modern Bookkeeping

Contemporary bookkeeping or formal accounting is believed to have been developed during the Italian Regeneration around 1494 AD by Luca Pacioli. On the qualities shared by successful dealers, Mr. Pacioli wrote were cash, constant update to accounting system and a good accountant. According to Alistair Cooke's (1973) book

"America", his modern-day Christopher Columbus knew so on his journey to the New World, he acquired a royal bookkeeper to track his "swindle sheet when he started to figure the cost of gold and interests he would mount up".

2.2 Nature of Bookkeeping of SMEs

It is statutory obligation for companies to prepare and have their accounts audited in all over the world (EC, 2008). This requires corporate owners to have some fair knowledge of bookkeeping and accounting. From Ismail and King (2007), coming out with comprehensive accounting data depends on the level of bookkeeping knowledge of operators of SMEs. Several researches revealed that many operators of business have little or no knowledge in bookkeeping; therefore, some engage the services of expert firms to manage their accounting role (Keasy and Short, 1990; Bohman and Boter 1984). On the other hand, Jayabalan and Dorasamy (2009), contend that high fee of engaging experts for accounting services leave owners of SME with no choice but to relegate those responsibilities for managing bookkeeping or accounting information. Wichman (1983) concludes that bookkeeping and advertising poses great challenge in managing SMEs and claims managers or owners of these businesses should learn about record keeping and accounting. From works of many scholars, there are elementary financial accounts SME managers and owners ought to maintain in order for their firms to be successful. These basic documents usually comprise sales day books for recording all daily sales, cash analysis book, purchases day book, nominal ledger, cheque register, petty cash book and general leger. According McMahon (1999), these books need to be kept and maintained in a complete and accurate manner. Basically, it is important to ensure appropriate recording of the following economic information;

1. an account of all commercial sales, copies of all bills issued out,
2. an account of all acquisitions or purchases and business expenses,

3. the particulars of owner’s capital and all drawings,

4. copy of bank statements showing financial transactions serving as a source document for the preparation of income statement which gives details whether a profit or loss is posed from the operations of the business for a particular period.

In addition, as firms are diverse, there are several specific forms of complete accounts that must be maintained. Examples include: cash analysis book, purchase orders, sales invoices, particulars of all other income received or accrue to the business, details of capital injection into the enterprise, particulars of any other financial results, all the money taken to pay bills for procurements and associated expenditures, an inventory at the end of the year and all banking details, bank statements, cheque counterfoils, including details of all financial transactions. Possibly, cash movement is one of the most important financial statements kept in all businesses. As Germain (2010), indicates, small firms should rather think of keeping positive cash movement which is vital and key to sustaining their businesses. An inquiry may be made here as to the type and standard of bookkeeping practiced by owners and managers of SMEs in Ghana and especially those in Suhum Municipality? For this reason, it would therefore be useful to undertake such investigation in Suhum, in an effort to answer this question.

2.3 SMEs in Ghana

The small businesses in Ghana referred to as the informal sector is quite formless and therefore flouts any straight forward definition. According to Storey (1994), there is no distinct or standard meaning of small firms. The definition rests on the individual at a particular time and where it is actually being defined. SMEs differ in their level of capitalization, employment and income. Hence, the definitions which employ methods of size (net worth, profitability, turnover, number of workers, etc.) when applied to one sector could lead to all firms being categorized as small, while the same size description when applied to a dissimilar sector could lead to different results.

There is an emerging recognition of SMEs contribution in economic growth. As a result, they are mostly labeled as the nucleus for economic evolution and job creators. In economies of advanced countries, it is the small businesses which employ most workers compared to the multi-nationals (Mullineux, 1997).

The role played by SMEs in economic transformation process remains a subject for policy debate in so many countries. Governments have embarked on ways and means to support the course of SMEs (Feeney and Riding, 1997).

SMEs are made up of more than 90% private firms, contributes way and above 50% of employment and of GDP in most African states (UNIDO, 1999). Small business set-ups are noted to offering about 85% of industrial employment in Ghana (Aryeetey, 2001). Undoubtedly, these firms also contribute roughly 70% to Ghana's GDP and account for nearly 92% of businesses in Ghana.

Small Scale Enterprises have been defined by many. Generally, the most used criterion is the staff strength of the enterprise. By the GSS' standard for categorizing firms, set-ups with staff below ten (10) qualifies as Small Scale Enterprises and others with staff more than ten (10) as Medium and Large-Sized Enterprises. Ironically, the

Service considered establishments with up to nine (9) workers as SMEs in its national accounts. However, NBSSI relates both the fixed asset and number of staff principles. It defines a Small Scale Enterprise as one with not more than nine (9) staff, has plant and machinery (without land, structures and vehicles) not above ¢10 million ($ 9,506 American Dollars using 1994 conversion rate). It is worthy to note that the method of prizing properties in it-self poses a challenge. Also, the constant fall in the conversion rate sometimes makes such descriptions out of date.

SME by the Venture Capital Trust Fund Act, 2004 (Act 680) is a business or an economic activity with an asset base (without land and building) not exceeding the cedi equivalent of one million US dollars in value. The USAID also terms these small set-ups as firms with fixed assets not more than 250,000 US dollars exclusive of land and building.

2.4 Classification of Small and Medium Scale Enterprises

The 1971 report on Small Businesses by the Bolton Committee remains the most commonly cited for defining and appreciating the small business sector. It tried to unravel the difficulty of defining SMEs and formulated what it termed ‘economic’ and ‘statistical’ definitions in relation to these firms. Economically, the report considered firms as small when:

1. They have fairly small share of their area of operational;

2. They are owner managed or privately owned by part-owners;

3. They are self-regulating by not forming part of a larger company.

However, with the ‘statistical’ classification, the Committee applied it in three key areas as seen below;

I. Measuring the firm size and its support to Gross Domestic Product, job creation, exports, etc.

II. Relating the level of change over time by the firm’s sector economic input;

III. Finally, the statistical description is used as a world-wide contrast to the small firm's economic input.

Consequently, the Committee engaged dissimilar meaning of the small business to many areas. The report also proposed diverse classifications of small firms in diversity. Businesses in production, building and extracting were categorized in terms of staff strength. To this effect, up to 200 employees qualify these categories as small firms. In the selling, services, wholesale, etc. the committee classified them in terms of revenue with a range of £50,000-£200,000 as small firms. Again, those in the roads and transportation sector were also classified as small if they own up to five (5) vehicles. The Commission's report was questioned for the classifications primarily on the discrepancies amongst the various classes based on the employee and the management approaches.

Table 2. 1: The Bolton's Description of Small Firms

Business Area	**Description**
Manufacturing	Two hundred (200) and below workers
Construction	Twenty-five (25) and below workers
Mining and Quarrying	Twenty-five (25) and below workers
Retailing	Revenue of up to 50,000 British pounds
Miscellaneous	Revenue of up to 50,000 British pounds
Services	Revenue of up to 50,000 British pounds
Motor Trades	Revenue of up to 100,000 British pounds
Wholesale Trades	Revenue of up to 200,000 British pounds
Transport	Up to 5 vehicles
Catering	All excluding multiples and Brewery-managed houses

Source: Bolton Committee's Report (1979)

However, the criticisms gave rise to many alternative definitions as follows;

The World Bank (1976) defined them one whose fixed asset value without land is less than 250,000 United States Dollars as Small Enterprises. According to the United States Agency for International Development (USAID) in the 1990s, they are businesses which do not have up to fifty (50) workers and at least half the production is traded. UNlDO defined it for developing countries in the following perspective:

Micro: Firms with up to 5 employees

Very Small: Businesses that have least workers of 6 and 9 at maximum.

Small: Businesses that have least workers of 10 and 19 at maximum.

Medium: Businesses that have least workers of 20 and 29 at maximum.

In addition, the EC (2003) defines SMEs as firms which have a workforce not up to 250 and with a yearly income not greater than €50million, and /or a yearly total financial position not over and above €43million. That is less than 10 staff as a micro firm, less than 50 as small and less than 250 staff as medium firm. The key benefit of the EC definition is that, unlike the Bolton Committee's report, no criteria was used than job, revenue and total financial position. Again, it didn't contrast its description on sectorial enterprise base. From the European Commission, the SME sector comprises three divisions and these include; micro, small, and medium. Consequently, the EC's classifications are centred exclusively on job than a range of criteria. To end with, the description did consider the SME class is identical, therefore differentiates amongst MSMEs. From the above, it can be seen that no single and exclusive meaning for a SMEs, thus, requiring a working classification.

Table 2.2: European Commission's definition of SMEs

Firm Size	Workforce	Revenue (€m)	Financial Position (€m)
Medium-sized	Below 250	50 or less	43 or less
Small	Below 50	10 or less	10 or less
Micro	Below 10	2 or less	2 or less

Source: EC, 2003

2.4.1 The Case of Ghana

In Ghana, the challenge for many writers and institutions to define and properly classify micro, small and medium scale enterprises is indifferent. However, the most used measure is the workforce of the enterprise (Kayanula and Quartey, 2000). They stressed that by this meaning; a lot of mix-up sometimes arises due to the non-regular and cut-off facts used by various formal sources. From the NBSSI (1990), SMEs are defined in Ghana by using both the "fixed asset and number of workers" criteria. Thus, an SME is a business with staff up to 9, and plant and equipment (without land, building and vehicles) not greater than ¢10million. On the other hand, a micro firm is one with employees below five (5).

The Ghana Statistical Service (GSS) considers firms with workforce below 10 in number as small scale enterprises and whilst those with more than 10 as medium and large-sized enterprises. Strangely, the GSS in its national records considers businesses with 9 staff as SMEs. The worth of secured properties in the firm has also been used as a substitute measure for classifying SMEs. In the same way, Osei et al. (1993) used a job cut-off point of 30 workers. They categorized small scale enterprises into three classes which are:

Micro: Firms with up to 5 employees;

Very Small: Firms with staff of 6 to 9;

Small: Firms with staff of 10 to 29;

The IASB (2007) also defines SMEs as entities that neither account to the public nor publish general-purpose financial reports for other users. Public accountability is also known as a corporate body that has debt or equity instruments operated in a public market (or it is in the process of issuing such instruments) or holds assets in a fiduciary capacity for a broad group of outsiders as one of its major businesses.

2.5 Empirical Review

This section provides empirical studies to the subject of bookkeeping practices of small entities. It will further look at basic bookkeeping requirements for SMEs as well as the challenges that hinders these businesses from practicing proper bookkeeping will be brought to fore. Bookkeeping of SMEs have remained a subject of inquiry in literature. Studies of users of commercial information in small business sector showed that owners/managers, government and creditors are the core consumers. From Olson et al. (2004), modern works are realizing that users of bookkeeping data in SMEs are growing to embrace entrepreneurs and customers in supply-chains. Investigations in the past have also affirmed that the worth of bookkeeping and accounting information used in the SME business has useful link with a firm’s output. In Sri Lanka, the work of Madurapperuma et al. (2016) on accounting record keeping practices of SMEs cannot be left out. The study used a survey research design to investigate into the kind of accounting records being kept and maintained by SMEs in Gampaha District in Sri Lanka. With a target population of 100 small firms operating in commerce, industry and services sector, the study discovered that, majority of the SMEs do not practice proper record keeping and as a result, unable to use of accounting information to measure financial performance. This was due to lack of in-depth bookkeeping knowledge of operators of these small entities. Muchira (2012), on recordkeeping and growth of micro and small enterprises in Kenya also found that, substantial number of small firms do not keep accurate books and in some cases keeps no records of business transactions coupled with non-preparation of financial statements at period ends. However, the work of Kamau (2015), a fellow countryman on 'the influence of accounting records on the financial performance of SMEs' conducted by in the central business district of Nairobi revealed otherwise. The study showed that, most small businesses keep books in accordance with best practices. Notwithstanding the disparities in the findings of the studies on bookkeeping practices in Kenya and, the problem was indifferent in other parts of Ghana. It was evidenced from the work of

Suraj (2011) on bookkeeping practices and its relevance to SMEs found that most of SME owners and managers do not keep records of business transactions. It further came to light that, those firms who were not practicing bookkeeping could not keep track of activities thereby making it difficult to plan and forecast future performance and sustainability which is a contributing factor to retarding firm's growth. Interestingly, the work also highlighted that, many of the owners of these small set ups think it was unnecessary to practice bookkeeping as far as the firm belongs to them. However, this was due to the fact that the NBSSI and its agencies tasked to build the capacity of SMEs were under resourced to carry out their mandate. Hashim (2011), with an objective to find out the need for proper bookkeeping and basic accounting procedures in SSEs revealed that there was lack of managerial skills especially in basic accounting principles and bookkeeping procedure among SSEs in the country. In addition, the research revealed contrary to the work of Amoako et al. (2014) on the importance of bookkeeping to small firms. For that purpose, SSEs do not employ account clerks not to talk of qualified accountants to prepare their financial books since they do not attach any importance to proper bookkeeping and basic accounting principles. The research work of Amoako et al. (2014) on "accounting records keeping practices of SMEs in Ghana" detailed out on accounting practices among SMEs in Ghana with Sunyani Municipality as a case study. It disclosed that, although SMEs attach a lot of prominence to appropriate bookkeeping, most of them do not practice bookkeeping though accounting warrants several benefits to them. Further to this, generating returns becomes a burden for the few firms that keep books on businesses due to the fact that they do not have the expertise coupled with high expert charges. From the previous researchers on the subject of bookkeeping practices of SMEs in Ghana, Kenya, and elsewhere in Sri Lanka, it could be mentioned that frantic efforts have been made to unravel the problem of best bookkeeping practices and the associated challenges to small businesses.

2.5.1 Basic Bookkeeping Requirements for SMEs

Numerous small and medium scale enterprise owners start their businesses with only faith and high hopes to grow in leaps and bounds without any idea of bookkeeping or accounting. Usually, such deficiency creates challenges to keeping track of the progress and finances of the business. But, studies reveal that keeping proper records increases the prospects of business's survival and therefore, owners/managers must personally involve in record keeping (Sian, 2006). Although the procedure used to present the data may be different amongst businesses, the principles should not change (Howard, 2009). Norman's classical piece on the basic steps in bookkeeping offers a perfect understanding of best bookkeeping practices for SME business administration. The work submitted that, accounting and bookkeeping share two simple objectives: to keep track of income and expenses, thus improving your prospects of making a profit.

He argues that, it is always essential to collect every important financial data about businesses, so as to provide accurate tax returns and meet other statutory reporting requirements. The puzzle that needed to be solved was what are the stages of the basic steps? To begin with, it is essential we keep receipts or other appropriate records for all amount received or paid out by the business.

In addition, we summarize the revenue and payments at regular intervals, normally on monthly basis. Finally, we use the extracts to generate financial statements or reports for users of the information to take economic decisions concerning the business. It does not matter if we use hand written schedules or use accounting software on the computer these basic steps must be applied (Norman, 2004).

2.5.2 Cost of Financial Records to SMEs

Financial information is expensive because it involves additional managerial costs which are borne by the business. In addition, the firm could suffer from disclosure to the industry and owners (Carbersg et al, 1985). Hence, subsequent to the abovementioned facts, it is rational to say that inconsistencies in reporting ought to be improved for financial statements of all firms to achieve the following:

1. Make financial information more valuable for management and bank loan advices;
2. reduce costs of disclosure of economic information;

However, there are opinions contrary to inconsistencies in giving out information on small and medium-sized enterprises. The Generally Accepted Accounting Principle

(GAAP) promotes comparability. Comparability is critical for external users of annual financial statements of firms particularly investors and banks. This motivates bookkeeping and accounting experts to relieve SMEs from certain disclosure obligations rather than presenting varied reporting needs of small businesses. In fact, in recent years, regulators have begun to decrease overburdened management expenses for small and medium enterprises (the Bolton Report, Committee of Inquiry on Small Businesses 1994). Hence, the fourth European Directive (1987) introduced various financial reporting obligations base on firm size in 1997; the Accounting

Standards Board (ASB) gave out 'financial reporting standard for small entities' (FRSSE) exempting smaller firms subject to specific provision of accounting standards.

2.6 Theory of Accounting and Bookkeeping

It has been repeatedly said that, accounting is key in the management of any firm. Accounting is mostly about the art of keeping important monetary data in a way to measure the level of an entity's performance. The American Institute of Certified Public Accountants (AICPA) defines Financial Accounting as "the art of recording, classifying and summarizing in a significant manner and in terms of money

transactions and events which in part, at least of a financial character, and interpreting the results thereof". A good bookkeeping system is measured by how well it is able to present credible financial information to meet the varied needs of users in making timely informed choices. Bookkeeping is the process of recording monetary transactions such as receipts and payments of an individual or organization in an orderly and consistent manner and this task is generally performed by a book keeper or a clerk. Bookkeeping is a fundamental part of accounting; hence, it formulates needed economic information for accounting. Bookkeeping comprises recording, classifying and summarizing information but does not involve analysis and interpretation of results of the accounting data. Usually, the basic standard methods of bookkeeping involved are single-entry and double-entry recording systems. It is described by advanced studies as a way by which an entity can track its business activities to warrant appropriate financial discipline. Proper bookkeeping practices helps organizations being it business firm, as an association or a non-profit making institution effectively and efficiently manage and forecast cash flows, have adequate knowledge about earnings and losses, and develop strategies for the future based on economic trends.

The term “book” represents financial records and “keeping” involves maintaining it using an appropriate format and in an orderly manner. Hence, bookkeeping could be defined as “a way of recording business dealings in books in a consistent and coherent style”.

The following are also definitions of bookkeeping:

1. “The art of acceptably recording business transactions in books with a view to ensuring a permanent account of items and the financial result thereof”.

2. “The knowledge of correctly recording transactions in books of accounts that result in the transfer of money's value”.

It is worthy to note that, bookkeeping basically deals with the art of recording business transactions in books.

2.7 IFRS for SMEs

The set of generally accepted accounting principles and processes involving in the presentation of financial accounts called International Financial Reporting Standards. These standards once set by the IASB are interpreted appropriately into each country’s accounting standards. The principles established by respective state’s standards setting, will then be used as the Generally Accepted Accounting Principle for countries. The GAAP then becomes binding for reporting for firms to give minimum level of uniformity in the financial statements used by interested parties when exploring businesses for venture. Consequently, persistent development of GAAP, thus, validates its task to propagate superior fiscal and economic data. This proof gained from the business reports, specifically earnings, facilitates stakeholder's appraisal and monitoring of directors. However, the problem of applicability of adopting GAAP by SMEs has been a substance for much schoolwork all over the world (Allister, 1995). According to (www.ifrs.com), the IFRS for SMEs is an autonomous comprehensive bookkeeping and financial standard targeted at reaching the needs of small firm financial report users. It was issued by the IASB on 9th July, 2009 and was adopted by many countries. It is the first set of global reporting requirements developed explicitly for SMEs. Though structured on IFRS basics, it is a distinct product that is separate from the full set of International Financial Reporting Standards. It has simplifications that reflect the requirements of users of small entity's financial reports in cost-benefit considerations and less complex compared to the full standard. A complete revised version was completed in 2015. As such, entities reporting using this standard are required to apply the amendments for annual periods beginning on or after 1st January, 2017 for which early application is permissible. From IASB (2007), IFRS for SMEs would provide the following benefits:

- improve the comparability of financial information of SMEs at either national or international level;
- make it easier to implement planned cross-border acquisitions and to initiate proposed partnerships or cooperation agreements with foreign entities;

- help SMEs to reach international markets, and enhance the financial health of the SMEs.

In spite of these benefits, IFRS for small entities still have substantial threats, including the possibility of cost of its adoption exceeding the anticipated benefits.

There is the perception that, most SMEs especially in developing economies such as Ghana may not have the resources to adopt or adequately implement those standards. This according to Sian and Roberts (2006), is due to the low literacy level, lack of bookkeeping education, and the absence of hi-tech systems which may impair the ability of such entities to produce financial information, in accordance with IFRS. Consequently, departure from using a uniform framework of recording would, among others, be challenging to comparing performance of the small and medium-size entities.

However, the very aim of financial reports is to make available information on economic status of a business which is beneficial to third parties in making healthy economic decisions. It is believed however that, the information desires of clients of SME financial reports are not the same as that of public and listed firms that would probably use detailed IFRS. Basically, small firms' accounts are prepared mainly for use by management and other institutions such as the tax authorities and bankers who require little of information to users of public companies' statements. Consumers of SME financial reports are extra concerned on immediate cash flows, liquidity, financial position strength, interest scrutiny and credit reliability. Many writers have observed that, the introduction of this standard for small businesses has made it more difficult for SMEs to adhere to bookkeeping requirements. Jankovic (2007), one of these writers, has described numerous bases why the practice of IFRS by small entities is inadequate to include:

1. Consumers of SMEs' financial reports need less comprehensive data contrary to listed firms;
2. Thorough particulars in IFRS arise occasionally, if really, in SMEs;
3. The relationship between ask price and worth of economic recording tends to favour large and listed companies to SMEs;
4. IFRS could easily be modified unlike national standards, thereby making it difficult to implement.

A study supported by the AICPA showed that some Generally Accepted Accounting Principles are not important and suitable to assist SMEs undertake supervision, credit and venture choices (Tie, 2005).

According to Fitzsimons and Thompson, (2005), the FASB is making efforts to resolve the difficulties of the GAAP order in the criteria handed out. Often times, argument comes about as to whether different bookkeeping and analysis guidelines ought to be fixed for SMEs (Sayther, 2004). That is, whether SMEs ought to accept and implement a separate set of bookkeeping rules since there are different financial information requirements of consumers, swift and extensive growths in economic reportage, cost to conformity, and legislative requirements.

2.8 Importance of Bookkeeping for SMEs

Bookkeeping is an important primary element of accounting that provides and makes available information to managers and owners of SMEs at all business for use in the evaluation of economic progress. The significance of measuring growth of each company's profit cannot be overlooked. For this reason, the basis of bookkeeping, principles and rules adopted has all the appropriate financial information necessary to ensure the consistency and reliability in the measurement. Cooley and Edwards (1983), sought to suggest that stated earnings show changes in wealth of entrepreneurs. This explains why important and key economic decisions in enterprises focus on economic advancement as measured by viability. Besides, the EC (2008) confirms that bookkeeping is important for better control of each business unit, whether huge or small. Therefore, it's worth noting that, bookkeeping practices of the small entities should be one which is complete and appropriate financial source of data necessary to improve economic decisions taken by businesses. Manyani and Maseko (2011) authored that record keeping in small businesses is the life support of these businesses. Though a difficult task for many, it may make or halt a business.

Observing proper record practicing is truly making lucrative venture. In principle, SME recordkeeping must not be taken casually. Germain (2010) noted that many entity owners mainly those in the SME sector think about recordkeeping as a task which requires only a few basic works at each period end, in order to get some required money, for instance, after one year. But, proper bookkeeping is not as significant for many entrepreneurs and therefore, it is not surprising that many of these businesses fail few years from their commencement. However, the success of a business will be threatened in many ways, if it fails to keep complete and accurate records. For instance, one can pay more taxes as a result of the lack of evidence of deductible expenses for tax or at the end of incorrect sales. Paying an accountant or a bookkeeper to prepare the financial statements of the company may depend on the time it takes; but, with correct and accurate records, it will lessen or shorten the time required as well as the amount to be charged (Commonwealth of Australia 2010). The above reasons are good enough to keep proper books and records, but then the utmost significant reason is to ensure that the management of the company can evaluate its usefulness and cash flow, certifying results of probable worries and can make good choices with accessible data available.

To realize this essential mechanism over an entity, you should reflect keeping appropriate and genuine records. This brings us to what form of bookkeeping should be kept for the purpose of a successful business.

2.9 Contribution of SMEs to National Development

The contribution of SMEs in developing economies such as Ghana cannot be underscored. Many researchers argue that the progress of the economy of every country depends on the strength of small businesses. Besides, Snodgrass and Biggs (1996); Department for International Development (2000); Beck et al. (2005) noted that SMEs have responsibility towards poverty reduction in developing countries and overall attainment of the Millennium Development Goals (MDGs) is essential. Small entities play critical feature towards consolidate national fiscal growth and stability in particular for deprived economies (Tambunan, 2009; Maseko and Manyani 2011). A buoyant SME sector is a sign of thriving economy which impacts positively on a country's Gross National Product (GDP). It is estimated that Small businesses contribute about 85 percent of the work force in the manufacturing sector which account for 90 percent of firms in the country (Amoako, 2012). Though the SME sector alone significantly contributed 47 percent of Ghana's GDP in 2012 (Frimpong 2013; PWC, 2013), from that of 6 percent in 1998. However, it is therefore not shocking that this massive growth led to small entities in Ghana on the approximation that the economy's GDP will grow to 8.7 percent in 2014 from and 8% in 2013 (PWC, 2013). Small and medium enterprises contribute in diverse ways to create jobs, the supply of basic goods and services and generate revenue and export taxes for national socio-economic improvement (Tambunan, 2009; Day, 2000; Lukacs, 2005). In addition, they contribute significantly to economic modification; exports, social stability, and the bedrock for that foster the development of multinational companies

(MNCs) and large enterprises (Day, 2000; Lukacs, 2005 and Frimpong, 2013). Therefore, the development of small entity's capacity plays a crucial role in economic sustainable development, reduce poverty and national stability. From the works of (Dalitso and Quartey, 2000; Amidu and Abor, 2005), this is the most appropriate avenue for building wealth and ensuring that the destiny of the people is in their own hands).

2.10 Interventions by Successive Governments towards SME Development

Strategic programs by successive government since independence aimed at developing small and medium enterprises had diverse effect on their growth and development. Despite the fact that the potential of the small entity sector was not misplaced at any time in times past of Ghana, it was the Busia administration established the Ghana Enterprise Commission in 1971 to ensure the development of small businesses in the country. Amongst other things, the Commission (GEC) was to remove all impediments which hinder the expansion and growth of small businesses entities and to open the way to the base of industrialization on market forces than state control. This was suddenly interrupted by a coup in 1972. Unfortunately, the military rule era did not show any commitment to the growth of SMEs. It was until the early 1990s that time was given to the sector and the state began to realize the importance of their contribution in economic growth. The United Nations Development Program, ODA have on countless times supported towards the development of private enterprises in Ghana. Nevertheless, the NBSSI established by Act 434 became operationalized from 1985 in the third republic because government at the time realized the sector as having the potential to contribute substantially to reducing the high unemployment and to the growth of the economy of Ghana. The NBSSI amongst other things and in accordance with ACT 434 of 1985 was to;

i. To contribute to the creation of an enabling environment for the small-scale enterprises development.
ii. To contribute to the development of an enterprise culture in Ghana.
iii. Facilitate SMEs access to substantial and high quality Business Development Services for their development.
iv. To Promote MSE sector Associations.
v. To facilitate access to credit for small enterprises.

The NBSSI offers training and business management capacities for employees and managers of small and medium-sized businesses. The officers in various regions, municipalities and districts identify SMEs, and according to their needs, undertake training programs, such as bookkeeping procedures for their business as well as business management skills.

The private sector was widely recognized as the instrument of growth for the economy of Ghana for the 21st century and this brought forth sector ministries such as the Ministry of Private Sector Development, New Partnership for Africa's Development (NEPAD), African Growth and Opportunity Act (AGOA) which created enabling environment for the private sector to develop. For this reason, a national strategy for development 'Private Sector Development Strategy' (PSDS, 2004-2008) was implemented. This indicated that most businesses in Ghana are micro or small enterprises and the most of these private sector activities is the semi-formal. Furthermore, majority of the Ghanaian households are involved in some form of private sector activity. Indeed, those whose efforts thrives the private sector certainly are the very people to be given critical attention (2006 report of the Ministry of Trade and Industry).

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter seeks to outline the research methodology that was used to carry out the study. The methods used in acquiring and analyzing information on the study ‘‘assessing bookkeeping practices of some selected SMEs in the Suhum Municipality” specifically include the research design, sources of data, population, sample and sampling procedure, data collection instruments, validity and reliability of data, pre-testing for data collection and the analytical framework that enabled the researcher to achieve the objective of the study.

3.1 Research Design

The descriptive/survey design was adopted and used. The research was conducted in the form of a survey. This method consists of collection of data to support in responding to questions concerning the current status, issues and subject. It is usually recommended for the purposes of making a sweeping statement from a sample to a population. According to Crieswell (2003), a descriptive/survey research comprises investigators asking normally a large group of people questions about a particular topic or issue. Data is therefore composed from a group of people in order to designate some aspect of the population of which the group constitutes a part. The main way through which data is collected is through administering of questionnaires and interview; answers to these questions by members of the group constitute facts for the study. The design in this study mainly dealt with assessing bookkeeping practices of selected SMEs in Suhum Municipality of the Eastern Region of Ghana. The assessment of the situation was made through administering questionnaire. The descriptive sample survey helped the researcher to obtain a large sample of individuals, the result of which could be used to generalize to the entire population.

3.2 Sources of Data

Data gathering in any research work is an essential and basic requirement in the conduct of any proper research exercise of which can be from a number of sources.

These sources are categorized into primary and secondary data (Clarke and Dawson, 1999). It is suggested by McNeil 1985 that primary sources of data are those obtained by the researcher for the purpose through questionnaire administration, observation, participation, interviews and so on whereas information collected from variety of sources such as magazines, publications, journals, books, the internet etc. represents secondary data.

3.2.1. Types of Data Collected

The primary source of data was the field survey conducted by the researcher. These included a well structure self-administered questionnaire in both close and open ended format as shown in Appendix 1 assisted in obtaining information from owners/managers of SMEs in the Municipality. In addition, a face to face interview was conducted with officials of the NBSSI which sought to collect information on the assistance offered to the SMEs in their bookkeeping practices. In order to acquire reliable data from respondents, the rationale for the study was duly explained with assurance of confidentiality of their responses.

3.2.2. Pre-Testing for Data Collection

A pre-test or preliminary study was piloted to test the validity and reliability of the survey. To begin with, the professional opinions, proposals and modifications of the supervisor were considered in restructuring of almost all the questions that were found to be unclear and immaterial. To this regard, five (5) firms were hand-picked to test the questionnaire before the actual administration. This was meant to ensure all possible difficulties in appreciating the questions by respondents were dealt with. The outcome enabled the researcher to redesign the questions in a clearer and simple manner. Accordingly, thirty (30) questions were selected out of the initial draft of forty-two (42) to complete the questionnaire. As a result, the real meaning of the research data collection instrument was conveyed to respondents which ensured that their responses were without ambiguity.

3.3 Population

All SMEs in the Suhum were involved in the study. However, the target population for the study included all SMEs who are registered with the NBSSI and, the office of NBSSI in Municipality. Therefore, for the purpose of the research, one hundred and fifty (150) registered SMEs were identified of which sixty-three (63) representing 42% of the target population was selected for the study. Also, few personnel from the Municipal Office of BAC or NBSSI were questioned to determine the degree to which they help SMEs in their bookkeeping.

3.4 Sample Size and Sampling Techniques

A research sample is the selection of a group of element drawn from the target population on which information is obtained (Fraenkel and Wallen, 1993). Sampling is the method of picking out individuals for a study (McMillan and Schumacher, 2001). For the purpose of this study, both probability and non-probability sampling techniques were used. The research considered a total number of one hundred and fifty (150) registered SMEs as target population. To begin with, purposive sampling method was used to select SMEs that had been in business for five years and beyond of their operations in Suhum Municipality. This was because; these businesses could give rich evidence in terms of the worth of bookkeeping to the firms. Additionally, for the purpose of collecting in-depth information from small and medium scale businesses who met the requirement, quota sampling procedure was used to select the sample. However, to avoid biasness in sampling, the businesses were grouped into thirteen categories; Textiles/Clothing, Food Processing, Accommodation, Wood Processing, Metal Work, Handicraft/Hairdressing, Agro-processing, Water and Sanitation, Finance & Insurance, Wholesale/Retailing, Mining & Construction, Pharmaceuticals and Catering. In selecting the respondents from the accessible population for the study, the researcher was guided by suggestion made by Nwana 1998 which mentioned that, if the population is a few hundreds, a 40 % or more sample size will do; if several hundreds, a 20% sample size will do; if a few thousands, a 10% sample size will do and if several thousands, a 5% or less sample size will do. With this, a sample size of sixty-three (63) respondents was selected using a proportionate sample technique, thus forty-two percent (42%) of the target population of one hundred and fifty (150) SMEs. A sample size of sixty-three (63) respondents was large enough to serve as an adequate representation of the population. Also, it must be small enough to be selected economically in terms of sample accessibility and expense of time, money as well as complexity of data. The simple random sampling technique was then used to pick the same number of participants from each of these categories.

Table 3.1 Questionnaire Sample Distribution Table

Sector	Population	Sample	Percentage %

Textiles/Clothing	13	5	38.46
Food Processing	2	0	0.00
Accommodation	13	6	46.15
Wood Processing	11	4	36.36
Metal Work	6	2	33.33
Handicraft/Hairdressing	11	4	36.36
Agro-processing	11	4	36.36
Water & Sanitation	13	7	53.85
Finance & Insurance	15	7	46.67
Wholesale/Retailing	16	9	56.25
Mining & Construction	8	3	37.50
Pharmaceuticals	17	7	41.18
Catering	14	5	33.33
Total	**150**	**63**	**42.00**

Source: NBSSI (BAC) Municipal Office, Suhum

3.5 Data Collection Instruments

The study obtained information from both secondary and primary data sources. The secondary data for the study was obtained from the publications on SMEs from the Municipal Office of BAC or NBSSI. Primary data was gathered through selfadministered questionnaires and interviews. Considering the topic and its objective, it was appropriate to employ the use of questionnaires as well as interviews so as to improve the rate of response in collecting data relevant for the study.

3.6 Data Analysis

To arrive at an effective statistical presentation and for effective computer analysis, quantitative data from the survey was analyzed using frequencies and percentages. The raw data gathered was organized bearing in mind the research questions for which the instrument was designed. The questionnaires were serially numbered to facilitate easy identification. This precaution was taking to ensure quick detection of any source of error when they occur in the tabulation of the data. The responses to the various items in the questionnaire were then coded, tabulated and statistically analyzed. The study adopted mainly descriptive/survey approach and for that matter, the statistical analysis used consisted mainly on the determination of the frequencies and percentages (SPSS). Descriptive statistics were therefore generated to show the bookkeeping practices of small and medium scale enterprises (SMEs) in the Suhum Municipality.

3.7 Validity and Reliability of Data

Many researchers have defined validity and reliability in varied terms. For instance, Mugenda and Mugenda, (2003) define validity as "the degree to which results obtained from the analysis of the data actually represents the phenomena under study". Thus, the accuracy of information mainly depends on the data gathering instruments. Again, from Orodho, (2005) validity involves the extent to which empirical measure or several measure of a thought, precisely measures the concept. Reliability on the other hand is the extent to which research instruments yields consistent outcomes after every repeated trial. Validity and reliability were verified by pre-testing. Through this, the information from the sample carefully chosen was pretested through the conduct of a pilot test to establish the reliability of the research instrument for accuracy and evaluations were made to conventional bookkeeping.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSIONS

4.0 Introduction

This chapter deals with the analysis of the data gathered from the field. The findings are also discussed in this chapter. For the purpose of data gathering, questionnaires were administered, to sixty-three (63) respondents and an interview conducted with the office of NBSSI in the Suhum Municipality on bookkeeping practices of SMEs. This was specifically to assess the nature of bookkeeping practices, whether it conforms to best standards and the challenges faced by small firms in their record keeping. The responses from the data collected are summarized and presented in tabular form and corresponding is made with respect to the findings of the study. Frequencies and percentages are the main statistical techniques used in the analysis of the data.

4.1 DEMOGRAPHIC DATA OF RESPONDENTS (SMEs)

Table 4.1 Sex Distribution of Respondents

Sex	Frequency	Percentage (%)
Male	51	80.95
Female	12	19.05
Total	**63**	**100**

Source: Field Survey August, 2016

According to table 4.1, fifty-one (51) out of the (63) respondents were males and twelve (12) were females representing 80.95% and 19.05% respectively. This shows that the male dominance for SME ownership in the Suhum far outweighs that of the female counterpart.

Table 4.2 Age Group of Respondents

Age Range	Frequency	Percentage (%)
Below 20	0	0
20-29	0	0
30-39	4	6.35
40-49	29	46.03
50-59	24	38.1
60 and Above	6	9.52
Total	**63**	**100**

Source: Field Survey August, 2016

Showing from table 4.2 above, out of the (63) respondents in knowing their age group, it was found out that (6) respondents were above 60 years representing 9.52%, (24) respondents representing 38.10% were found to be in the age bracket of 50-99 years, (29) respondents representing 46.03% were in the age range of 40-49 years and (4) respondents, representing 6.35% were found to be in the range of 30-39.

Table 4.3 Level of Education of Respondents

Level of Education	Frequency	Percentage (%)
O/A Level	22	34.92
SSCE	0	0
Diploma	29	46.03
Degree	12	19.05
Total	**63**	**100**

Source: Field Survey August, 2016

From table 4.3 above, (22) respondents were O/A level holders representing 34.92%, (29) respondents were Diploma holders representing 46.03% and (12) respondents had Degree Certificate representing 19.05%.

Table 4.4 Area of Business Operation

Area of Business Operation	Frequency	Percentage (%)
Textiles/Clothing	5	7.94
Food Processing	0	0
Accommodation	6	9.52
Wood Processing	4	6.35
Metal Work	2	3.17
Handicraft/Hairdressing	4	6.35
Agro Processing	4	6.35
Water & Sanitation	7	11.11
Finance & Insurance	7	11.11
Wholesale/Retailing	9	14.29
Mining & Construction	3	4.76
Pharmaceuticals	7	11.11
Catering	5	7.94
Total	**63**	**100**

Source: Field Survey August, 2016

According to table 4.4, 7.94% of the respondents operates in the textiles/clothing business, 9.52% engage in accommodation business, 6.35% engage in wood processing business, 3.17% were into metal work business, 6.35% engage in handicraft/hairdressing, 6.35% engage in agro processing, 11.11% were into water/sanitation business, 11.11% engage in finance and insurance business, 14.29% engage in wholesale/retail business, 4.76% engage in mining and construction, 11.11% engage in pharmaceutical business and 7.94% were into catering services.

Table 4.5 Year of Establishing Business

Year	Frequency	Percentage (%)
1-10 Yrs	11	17.46
11-20 Yrs	26	41.27
21-30 Yrs	17	26.98
31-40 Yrs	9	14.29
41-50 Yrs	0	0
Total	**63**	**100**

Source: Field Survey August, 2016

Table 4.5 above shows that, 17.46% of the respondents begun operations from 2006, 41.27% started their businesses from 1996-2005, 26.98% started their businesses from 1986-1995 and 14.29% from 1976-1985.

Table 4.6 Number of Employees

Number	Frequency	Percentage (%)
Less than 5 Staff	0	0
5-9 Staff	48	76.19
10-14 Staff	12	19.06
15-20 Staff	3	4.76
Above 20 Staff	0	0
Total	**63**	**100**

Source: Field Survey August, 2016

According to the above table 4.6, it was found that forty-eight (48) respondents representing 76.19% employ less than 10 people, twelve (12) respondents representing 19.05% employ less than 15 people and three (3) respondent representing 4.76% employ up to twenty (20) people.

4.2 NATURE OF BOOKKEEPING PRACTICES OF THE SMEs

Table 4.7 Maintaining records of business transactions

Responses	**Frequency**	**Percent (%)**
Yes	63	100
No	0	0
Total	**63**	**100**

Source: Field Survey August, 2016

From table 4.7 above, it was found that all the (63) respondents representing 100% maintains records of their business transactions. Record keeping has existed long ago as early research work has shown. The responses above confirm to the fact that SMEs in the Suhum Municipality has not shun from this assertion of maintaining books on their businesses.

Table 4.8 Records maintained

Records Maintained	**Frequency**	**Percent (%)**
Single Entry	52	82.54
Double Entry	11	17.46
Total	**63**	**100**

Source: Field Survey August, 2016

From table 4.8 above, it was found that out of the (63) respondents surveyed, (52) representing 82.54% record transactions using single entry system whilst (11) representing 17.46% record business transactions in a double entry format. The outcome reveals that, records of majority of the SMEs were likely to be incomplete. This was because; no corresponding records were kept on transactions. This is a recipe for poor bookkeeping practice. However, to every credit entry, it is only appropriate to have a corresponding debit entry which is a basic principle of proper bookkeeping.

Table 4.9 where records are kept

Responses	Frequency	Percent (%)
Exercise Book	12	19.05
Teacher's Note Book	40	63.49
In a Ledger Book	11	17.46
Computer Support System	0	0
Total	**63**	**100**

Source: Field Survey August, 2016

The above table 4.9 shows that, out of the (63) respondents, 19.05% keep records of their business transactions in an exercise book, 63.49% keep records in teacher's note book and 17.46% of the respondents keep business records using ledger books. This implies that, small firms in Suhum are not embracing modern technology since none records transactions using computer support system. More so, it was evidenced that some owners/managers undermine the overall importance of record keeping on growth and development of businesses. This was why 19.05% of businesses surveyed still records business transactions using mere exercise books.

Table 4.10 Reasons for keeping business records

Responses	Frequency	Percent (%)
As a statutory requirement	7	11.11
To determine profitability	47	74.6
As a loan requirement	0	0
For tax purposes	9	14.29
Total	**63**	**100**

Source: Field Survey August, 2016

According to table 4.10, it could be found that, (7) out of the (63) respondents representing 11.11% keep books on their business transactions to meet statutory requirements, (47) respondents representing 74.60% keep books to enable them determine profit and (9) respondents representing 14.29% keep records for tax purposes. Keeping proper records is making profitable business though it seems to be a difficult task for many; it may make or break a business. The responses from the study confirms to the work of Manyani and Maseko (2011). They authored that, record keeping in micro and small firms is the backbone of their businesses. It is therefore not surprising that 74.60% of the respondents use bookkeeping to determine profit or loss from their operations.

Table 4.11 Bookkeeper of your business

Responses	Frequency	Percent (%)
Self	51	80.95
Employee	0	0
Accounts Clerk	12	19.05
Professional Accountant	0	0

Total	63	100

Source: Field Survey August, 2016

From table 4.11, it could be found that, the accounts books of (51) respondents representing 80.95% are prepared by the owners themselves whilst (12) respondents representing 19.05% are kept by accounts clerks. Record keeping is essential because, the success of a business will be threatened if it fails to keep complete and accurate records. For instance, one can pay more taxes as a result of the lack of evidence of deductible expense for tax or at the end of incorrect sales. Keasy and Short (1990) espoused that; some business owners have little or no knowledge in bookkeeping and therefore engage the services of experts to manage their accounting role. The responses showed that 80.95% of owners/managers play this role. If it is apparently to save costs then, it is best for them to engage experts to manage such roles since bookkeeping has the tendency to make or break the success of businesses.

Table 4.12 Benefits of bookkeeping to SMEs

Benefits of bookkeeping	Frequency	Percent (%)
To determine profits and loss information	57	90.48
Meeting bank credit requirements	6	9.52
Helps general business management	0	0
Helps businesses link suppliers	0	0
Total	**63**	**100**

Source: Field Survey August, 2016

Showing from table 4.12, it was found that, bookkeeping enables (57) out of (63) respondents representing 90.52% to determine profit and loss information and (6) respondents representing 9.52% to meet bank credit requirements. This affirms the European Commission (2008) assertion that, accounting information is important for good management of each business unit, whether large or small. The result therefore explains why important and key economic decisions in enterprises focus on financial performance as measured by profitability as asserts by the EU in 2008.

Table 4.13 Progress of business due to bookkeeping

Responses	Frequency	Percent (%)
Yes	63	100
No	0	0
Total	63	100

Source: Field Survey August, 2016

Table 4.13 shows that all the (63) respondents representing 100% said bookkeeping practices has in one way or the other brought some level of progress in their businesses. This was evidenced since SMEs in the Municipality were able to determine profit and loss information from their bookkeeping practices. Hence, this enabled owners/managers to measure the performance of their businesses.

Table 4.14 Satisfied with record keeping

Responses	**Frequency**	**Percent (%)**
Yes	63	100
No	0	0
Total	**63**	**100**

Source: Field Survey August, 2016

The above table 4.14 shows that, all the (63) respondents representing 100% were satisfied with the way and manner transactions of their businesses were maintained. This was because, SMEs which do not have knowledge on proper bookkeeping will continue to record transactions in an improper manner until they are trained. It is this basis that the NBSSI must intensify its effort to educate all SMEs on the effects of proper bookkeeping on the performance of businesses.

4.2.1 The Role of NBSSI

The intention of the interviewee was to know the work of the NBSSI. Basically, this was to enable the researcher to better appreciate the connection between NBSSI and SMEs in Suhum. Information collected from the interview with the Office of NBSSI showed that, the department was set up in 1985 to help small firms access considerable and high quality business growth facilities that promote their development. This was because, the small business sector was seen as potential to propel national economic growth and create more jobs thereby reducing unemployment.

4.2.2 Description of bookkeeping practices of SMEs in Suhum

The NBSSI in a response to a question on the bookkeeping of SMEs in the interview revealed most of the SMEs practice bookkeeping in Suhum. The 2015 survey of the NBSSI on the subject of SME bookkeeping showed that, 79% of registered businesses in the Municipality practice bookkeeping. However, majority of these firms keep incomplete records. Accordingly, the office has intensified its efforts to ensure all small firms are adequately trained on record keeping and to also get all on board to practice bookkeeping.

4.3 COMPLIANCE TO BEST STANDARDS.

Table 4.15 Prepares reports in accordance with IFRS

Responses	Frequency	Percent (%)
Yes	11	17.46
No	52	82.54
Total	**63**	**100**

Source: Field Survey August, 2016

The above table 4.15 shows that, (11) out of the (63) respondents representing 17.46% prepare financial statements with reference to IFRS whilst (52) respondents representing 82.54% do not. The response above is a clear manifestation of the argument by Sayther, 2004 which sought to suggest different accounting and reporting rules for SMEs. That is, SMEs ought to accept and implement a separate set of accounting rules since there are different financial information requirements of consumers, fast and extensive growths in monetary reportage, cost to compliance, and legal requirements.

Table 4.16 Financial Statements prepared by SMEs

Responses	Frequency	Percent (%)
Income Statement	0	0
Income Statement/ Statement of Financial Position	11	100
Income Statement/ Statement of Financial Position/ Changes in Equity	0	0
Income Statement/ Statement of Financial Position/	0	0
Changes in Equity/Notes to Accounts/ Cash Flows Statements		
Total	**11**	**100**

Source: Field Survey August, 2016

Table 4.16 shows that, all the (11) respondents representing 100% prepare income statements in addition to statement of financial position. This situation confirms to the suggestion made by Tie (2005) on a study supported by the AICPA which showed that, some GAAP are not important and suitable to assist SMEs manage their businesses. Due to this, the small fraction of the respondents who prepare financial statements find it appropriate to only generate income reports and that of financial position. This position is in lure of income report, financial position, variations in equity, and notes to the accounts together with cash flows statements as espoused by the IASB (2009).

Table 4.17 Reasons SMEs reports do not reflect IFRS

Responses	**Frequency**	**Percent (%)**
Accounts to no one	33	63.46
I am not a qualified accountant	12	23.08
I am the only user of all financial reports	4	7.69
Pays a flat tax rate	3	5.77
Total	**52**	**100**

Source: Field Survey August, 2016

According to table 4.17 above, it was found that, (33) out of the (52) respondents representing 63.43% do not prepare financial reports with regards to IFRS since they are accountable to no one, (12) respondents representing 23.08% indicated they were not qualified accountants and therefore had no knowledge on reporting, (4) respondents representing 7.69% do not prepare financial statements because no other parties use their reports and (3) respondents representing 5.77% indicated it was because they were taxed at a flat rate. This situation is not a deniable fact. Small firms' accounts are basically prepared for use by management and institutions such as the tax authorities and bankers. Similarly, this does not deviate from the work of

Jankovic (2007). Jankovic revealed that, consumers of SMEs' financial reports need less comprehensive data contrary to listed firms. It was this and many reasons that the practice of IFRS will not be sufficient for SMEs.

Table 4.18 Training on bookkeeping

Responses	Frequency	Percent (%)
Yes	41	65.08
No	22	34.92
Total	**63**	**100**

Source: Field Survey August, 2016

From table 4.18 above in knowing whether SMEs have received any training on bookkeeping; (41) out of the (63) respondents representing 65.08% responded in affirmative whilst (22) businesses representing 34.92% responded otherwise. This showed that a section of the SMEs in the Municipality had undergone some form of training in bookkeeping. From this assertion, businesses of the 34.92% of who were yet to benefit from the training exercise are likely to suffer setbacks from improper bookkeeping.

Table 4.19 Form of bookkeeping trained on

Responses	Frequency	Percent (%)
Cash Analysis	25	60.98
Inventory Management	16	39.02
Asset Management	0	0
Debt Management	0	0
Total	**41**	**100**

Source: Field Survey August, 2016

According to the above table 4.19, (25) respondents representing 60.98% indicated that they were trained on cash analysis management and (16) respondents representing 39.02% were taken through inventory management. There are basic financial books SME managers and owners ought to maintain in order for their firms to be successful. These elementary documents usually enable firms to keep track of daily transactions. According McMahon (1999), these books need to be kept and maintained in a complete and accurate manner. Keeping books on cash movements and inventory is crucial. It is therefore appropriate for SMEs to be enlightened in this aspect of record keeping so they will appreciate the effect of bookkeeping of their businesses. Although the procedure used to present the data may amongst entities, the ideas are the same (Howard, 2009).

Table 4.20 Organizers of the training

Responses	**Frequency**	**Percent (%)**
NBSSI/BAC	20	48.78
Banks	12	29.27
NGOs	9	21.95
Others	0	0
Total	**41**	**100**

Source: Field Survey August, 2016

From table 4.20, (20) out of the (41) respondents representing 48.78% were trained by NBSSI/BAC, (12) respondents representing 29.27% indicated their training was carried out by banks and (9) respondents representing 21.95% had theirs from nongovernmental agencies (NGOs). The department of NBSSI has been responsible for the development of SMEs particularly in their bookkeeping for decades. However, in realizing the major contributions by small firms to the national economy, most banks have in recent times created separate sections to take charge of this informal sector. For this purpose, the NBSSI can collaborate with these banks and other NGOs to develop the capacity of small firms especially on bookkeeping.

Table 4.21 Effectiveness of the training

Responses	Frequency	Percent (%)
Positive	28	68.29
Negative	0	0
No Effect	13	31.71
Total	**41**	**100**

Source: Field Survey August, 2016

The above table 4.21 shows that, (28) out of the (41) respondents representing 68.29% indicated the training had positive effect on their bookkeeping practices whilst for (13) respondents representing 31.71%, the training had no effect on the way and manner their business transactions are kept. From these responses, there is a possibility that some SMEs do not practice whatever training given by the trainers. More so, firms that practice do encounter difficulties during implementation. These however, could be some of the reasons why bookkeeping had no effect on 31.71% out of (41) SMEs in Suhum. It is instructive for the training institutions to therefore tailor their training to the basic bookkeeping needs of these small businesses.

Table 4.22 Visits to trainees by the trainers

Responses	Frequency	Percent (%)
Yes	27	65.85
No	14	34.15

Total	41	100

Source: Field Survey August, 2016

The above table 4.22 shows that, (27) out of the (41) respondents representing 65.85% of SMEs who had benefited from the training programme were visited by the trainers. This was to ascertain whether they indeed practice what they were taught whilst (14) respondents representing 34.15% were never been visited by the trainers after the training exercise. The NBSSI offers training and business management capacities for owners/ managers of small and medium-sized businesses. It is only proper for the department to ensure these SMEs practice whatever training they offer. This can only be achieved if the office is able to go round to evaluate the extent of implementation by these beneficiaries.

Table: 4.23 Evaluation on bookkeeping knowledge

Responses	Frequency	Percent (%)
Excellent	14	51.85
Very Good	8	29.63
Good	5	18.52
Poor	0	0
Total	**27**	**100**

Source: Field Survey August, 2016

According to the above table 4.23, it could be found that, (14) out of the (27) respondents representing 51.85% obtained an excellent score during the evaluation to ascertain the extent of implementation of their bookkeeping practices after series of training were held for the SMEs. Similarly, (8) respondents representing 29.63% scored very good and (5) respondents representing 18.52% scoring good. Assessment after the training only helps to know the extent to which these owners/managers apply the bookkeeping concept trained on. This will guide the trainers to redesign and use suitable methodology that will ensure intended objectives are achieved for subsequent training exercises.

4.3.1 Specifics activities of NBSSI in dealing with SMEs

This was to gain insight of the precise activities the NBSSI does with regards to SMEs. It came out that, the department renders two types of service; financial and non-financial to small firms. The first services comprise facilitating credit facilities, whips up client's interest in banking and insurance services as well as helping SMEs practice proper accounting and bookkeeping. The second category of service which is non-financial involves all other programmes designed to position small and medium scale enterprises for competition. These include training programmes on employment related issues, legal, marketing and customer care management and any other government policies.

4.4 PROBLEMS FACED BY SMEs IN BOOKKEEPING

Table: 4.24 Difficulties SMEs face in bookkeeping

Responses	Frequency	Percent (%)
I am always busy	0	0
I cannot read and write	0	0
It is a cumbersome task	49	77.78
No bookkeeping knowledge	14	22.22
Total	**63**	**100**

Source: Field Survey August, 2016

According to table 4.24 in knowing the difficulties SMEs face in bookkeeping, it was found that, (49) out of the (63) respondents representing 77.78% see bookkeeping as a cumbersome task which wastes much of their time. (14) Respondents representing 22.22% indicated that, they had no knowledge to keep systematic records on business transactions by way of proper bookkeeping. Notwithstanding the role of keeping books being cumbersome, most owners start businesses without any idea of bookkeeping or accounting. Though some SME owners claim the business is their bona-fide property and therefore accounts to no one, such deficiency creates challenges to keeping track of the progress and finances of businesses. However, knowledge in basic accounting increases the prospects of business's survival. Therefore, owners/managers who are not accounting bias must undergo bookkeeping training to personally get involved in record keeping (Sian, 2006).

Table 4.25 Reasons why most SMEs don't keep proper books

Responses	**Frequency**	**Percent (%)**
High cost of hiring experts	38	60.32
No technical knowhow	15	23.81
Time consuming	4	6.35
Cumbersome Task	6	9.52
Total	**63**	**100**

Source: Field Survey August, 2016

According to table 4.25, it was found that, (38) out of the (63) respondents representing 60.32% do not keep proper books of their business transactions as a result of high cost of employing qualified personnel to take charge of bookkeeping, (15) respondents representing 23.81% indicated they had no knowledge in bookkeeping, (4) respondents representing 6.35% said bookkeeping is time consuming and (6) respondents representing 9.52% indicated bookkeeping is a cumbersome task. The above responses confirm the contention of Jayabalan and Dorasamy (2009), that costly engaging experts for accounting services leave owners of SME with no choice but to relegate those responsibilities for managing bookkeeping information. It is indeed true financial information is expensive due to additional managerial costs and disclosure to the industry (Carbersg et al, 1985). However, this should not prevent SME owners/managers from bookkeeping

underscoring its overall importance to small businesses.

Table 4.26 Difficulty implementing training given

Responses	**Frequency**	**Percent (%)**
Yes	41	100
No	0	0
Total	**41**	**100**

Source: Field Survey August, 2016

From table 4.26, it was found that, all the (41) respondents representing 100% encounter who had undergone the training encounter some form of difficulty practicing the knowledge of bookkeeping imparted by the training institutions. Bookkeeping is usually quite a challenging task as agreed by Wichman (1983). He concludes that bookkeeping and advertising pose great challenge in managing SMEs and for that matter, managers or owners of these businesses should learn about record keeping and accounting.

Table 4.27 Areas of difficulty in Bookkeeping

Responses	**Frequency**	**Percent (%)**
Posting transactions	26	63.41
Reconciling the Accounts	15	36.59
Balancing the Books	0	0

Preparing financial statements	0	0
Total	**41**	**100**

Source: Field Survey August, 2016

According to table 4.27, it was found out from the responses that, it was challenging for (26) representing 63.41% to post transactions in the appropriate journals whilst (15) representing 36.59% found it difficult reconciling their books at the end of the period. The responses from the table above showed that SMEs encounter challenges in posting transactions as well as reconciling their accounts. This is an indication that entries for transactions of some SMEs end up in the day books since they had no ideas to post them in the general ledger not even to talk of reconciling their accounts.

Table 4.28 Solution to the problem

Responses	**Frequency**	**Percent (%)**
Seek advice from NBSSI	0	0
Seek advice from Bank	0	0
Do nothing	41	100
Total	**41**	**100**

Source: Field Survey August, 2016

The above table 4.28 shows that, all the (41) respondents representing 100% do not give feedback to NBSSI and the other agencies for advice whenever they encounter difficulties implementing what they were taken through. The response indicates that SMEs have not fully embraced the tenet of bookkeeping and its numerous benefits for growth of firms. This is because, it is incumbent on the owners and managers to seek for further and better clarifications from the trainers whenever they encounter challenges with regard to their books. Therefore, doing nothing implies, they were not ready to solve the challenges they claimed to face; the end result being no effect of bookkeeping on their businesses.

Table 4.29 Challenges faced by SMEs for not keeping books

Challenges	**Frequency**	**Percent (%)**
Unable to measure performance and growth	19	30.16
Lack of effective planning	25	39.68
Difficulty in tracking business activities	11	17.46
Unable to determine stock levels	8	12.7
Total	**63**	**100**

Source: Field Survey August, 2016

According to table 4.29 above, it was found that, (19) out of the (63) respondents representing 30.16% indicated firms are unable to measure performance and growth when they do not keep books, (25) respondents representing 39.68% said bookkeeping enables them to effectively plan their businesses, (11) respondents representing 17.46% indicated it is difficult tracking business activities without bookkeeping and (8) respondents representing 12.70% indicated bookkeeping enables them to determine stock levels by preventing pilfering of stocks and funds by unscrupulous employees. Proper bookkeeping is not as significant for many entrepreneurs and therefore, it is not surprising that many of these businesses fail few years from their commencement. However, the success of a business will be threatened in many ways, if it fails to keep complete and accurate records. Record keeping enables businesses to effectively plan, measure growth and performance and track all transactions.

4.4.1 Difficulties faced by NBSSI in the execution of mandate

Results from the interview with the NBSSI on the difficulties faced in the execution of its mandate showed that, the office was highly challenged logistically; understaffed, meager budgetary allocations and delays/non-release of budgets. These affect the department negatively in the discharge of its mandate. Due to this, the office is unable to reach out to all small businesses within the Municipality to organize adequate training for them and a timely follow-up to monitor activities of the firms.

4.4.2 Challenges that confront SMEs for not keeping books

When the Municipal Officer of the NBSSI was asked about the difficulties entities face for not practicing bookkeeping, the answers were not dissimilar from the previous answers from SME operators. He mentioned that, a business will be unable to measure performance and growth, track business activities, difficult to plan effectively as well as unable to periodically determine stock levels for which unscrupulous employees take advantage and pilfer stock among others.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter considers the summary of the research findings and conclusion drawn from the data analysis and discussions. It also includes recommendations made to address the problems identified.

5.1 Summary of Research Findings

5.1.1 Nature of Bookkeeping

Almost all the respondents surveyed practice some form of bookkeeping. However, there was lack of professional skills particularly in bookkeeping procedures exhibited by the respondents. This was because, (82.54%) of the SMEs surveyed practice single entry system of bookkeeping. This implies the records were incomplete in nature.

More so, as many as (40) respondents representing 63.49% uses teacher's note book for recording and keeping of business information or accounts. In addition, the study found that, more than two-thirds (79%) of registered SMEs in the Municipality practice bookkeeping according to the department's 2015 annual report.

It also came to light that, the motive for keeping records on business transactions to the many were reached for the purpose of this research was to aid in determining profit. Similarly, bookkeeping of 80.59% of firms surveyed were handled by the owners themselves with only 19.05 percent employing accounts clerks for this role. This was one of the many reasons why majority of SMEs practice incomplete bookkeeping.

5.1.2 Compliance to Best Practices

A small fraction of 17.46 per cent of SMEs surveyed practice bookkeeping using double entry format and prepares income statements as well as statement of financial position in accordance with international reporting standards. This was because majority (82.54%) of the SME owners/managers held the view that the business is their bona-fide property and therefore, accounts to no one. However, doing away with such primitive mind-set and keeping books in accordance with best standards will promote good governance. This has the potential to bring other stakeholders on board for partnership and investment that will foster growth/expansion of their businesses and as well develop the national economy.

Besides, the study found that, SMEs in the Municipality sees bookkeeping as very cumbersome work. As such, small businesses spend huge amounts to acquire services of accounting staff to take charge of their accounting duties that meet international reporting standards.

It was also evidenced that, the NBSSI and other institutions such as banks and NGOs are making frantic effort to ensure the bookkeeping of small firms in Suhum comply with best practices. By so doing, these institutions undertake financial literacy education especially on best bookkeeping practices for SMEs with cash analysis and inventory management the most taught.

5.1.3 Problems faced by SMEs in Bookkeeping

According to the study, small businesses spend huge amounts to acquire services of accounting staff to take charge of their accounting duties. This negatively affects their financial position. For this reason, SME owners/managers are compelled to do the bookkeeping themselves which resulted for the non-compliance with international reporting standards.

It was also found that, most firms find it difficult practicing what the NBSSI and other organizations had trained them on; especially, with postings of transactions and reconciling accounts books.

In addition to the above, without bookkeeping, SMEs in Suhum are faced with lack of effective planning of business activities as well as unable to measure performance and growth.

Though the NBSSI/BAC is performing its responsibility of promoting the development of SMEs in Ghana through the performance of two critical services; financial and non-financial services, it faces numerous challenges. The challenges span from logistics, understaffing, meager budgetary allocation and delays in the release of budgets to non-release of budgets.

5.2 Conclusion

The research which was undertaken to assess the bookkeeping practices of some selected Small and Medium Scale Enterprises revealed that almost all SMEs in the Municipality practice bookkeeping with most of them engaging in single and incomplete record system of bookkeeping. This was due to lack of bookkeeping and accounting knowledge coupled with cost of employing qualified and professional accountants. There is no financial information generated as a result of bookkeeping to support effective economic planning and the evaluation of financial performance of small businesses in the Municipality. It was however evidenced that, proper bookkeeping of business transactions enabled owners to measure profitability and growth. The study revealed majority of SMEs do not prepare financial statements at the year not talk of complying with International Financial Reporting Standards. Most of the owners believed they account to no one and for that matter, need not bother themselves with such tedious, cumbersome and time consuming bookkeeping duties.

The study therefore concludes that; SME operators concede defeat to proper bookkeeping with a simple reason of high cost to acquire services of professional accounting staff. This challenge persists due to the fact that no weight is placed on the overall benefit of bookkeeping practices by SMEs in the Municipality.

5.3 Recommendations

Based on the findings the study, it is imperative for accounts clerks to be hired by operators of SMEs no matter the cost to embrace proper bookkeeping practices in order to be successful in the financial performance of their businesses. This is because, SME operators hold the view that once they account to one, there is no need to adhere to principles and procedures of proper bookkeeping with 'after all, the firm is mine' mantra.

It is however wide of the mark, whether businesses are manned by owners or employees, accounts must be appropriately maintained to enable SMEs keep track of business activities and used it as a source for effective economic planning.

Secondly, the NBSSI/BAC should deepen collaborations with professional accounting bodies particularly ICA-Ghana to develop accounting and bookkeeping modules that will serve critical needs of SMEs. Government should make it a priority to adequately resource the department of NBSSI. This will enable the office to continuously train and organize more seminars on proper bookkeeping and financial management practices that meet best standards for SMEs. Notwithstanding this, SME operators should be supported by the Ministry of Communication through the NBSSI to embrace Computer Support System; a modern way of using ICT for accounting bookkeeping.

Finally, government should grant tax incentives to relieve the plight of SMEs that employ professional accounting staff to manage their bookkeeping duties. This will enable small firms to keep proper account of economic transactions and produce periodic financial statements in accordance with international reporting standards. This has the potential to court investors into the SME sector which is believed to be the engine of growth and national economic development as well as creating more jobs.

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APPENDIX 1

RESEARCH QUESTIONNAIRE

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

INSTITUTE OF DISTANCE LEARNING

PROJECT TOPIC: ASSESSING BOOKKEEPING PRACTICES OF SOME SELECTED SMALL AND MEDIUM ENTERPRISES IN THE SUHUM MUNICIPALITY.

QUESTIONNAIRE FOR SME OWNERS/MANAGERS

The questionnaire is designed to collect data for academic purpose. Accordingly, due care shall be exercised to ensure that the information provided will not be used for any other than the defined purpose.

Findings of the research will be beneficial to other researchers and policy makers in the country. I therefore implore your cooperation to produce accurate information to the following questions. Your anonymity will be strictly protected.

Please, tick [√] or fill in as appropriate.

PART ONE: DEMOGRAPHIC DATA

1. Sex: Male [ ] Female [ ]

2. Age: Below 20 [ ] 20-29 [ ] 30-39 [ ] 40-49 [ ] 50- 59 [ ] 60 and above [ ]

3. Educational background: a. O/A Level [ ] b. SSSCE [ ] c. Diploma [ ]

d. Degree [ ] e. Others specify……………..……..………………..…………………

4. Which area of business are you engaged in? a. Manufacturing [ ] b. Services [ ]

c. Trading [ ] d. Mining [ ] e. Others (Please Specify)……..………………………

5. How long have you been in business? ....

6. How many people have you employed? a. Less than 5 people [ ] b. 5-9 people [ ]

c. 10-14 people [ ] d. 15-20 people [ ] e. Above 20 [ ]

PART B: NATURE OF BOOKKEEPING PRACTICES OF THE SMEs

7. Do you maintain records of your business transactions? a. Yes [ ] b. No [ ]

8. If yes, what record do you maintain? a. Incomplete Records [ ] b. Single Entry [ ]

c. Double Entry [ ]

9. Where is/are the record(s) maintained? a. Exercise Book [ ]

b. Teacher's Note Book [ ] c. Ledger Book [ ] d. Computer Support System [ ]

10. If no, what is/are the reason (s) for not maintaining records?

....

11. Why do you keep records of your business? a. As a statuary obligation [ ]

b. To determine profitability [ ] c. As a loan requirement [ ] d. For tax purposes [ ]

12. Who does the bookkeeping for your business? a. Myself [ ] b. Employee [ ]

c. Accounts Clerk [ ] d. Professional Accountant [ ]

13. Which of the following benefits do you derive from book keeping?

a. Assists in tracking business activities (profits and loss information) [ ]

b. Meeting bank credit requirement [ ] c. Helps in general business management [ ]

d. Helps businesses link suppliers [ ]

14. Has there been some level of progress in your business as a result of recordkeeping?

a. Yes [ ] b. No [ ]

15. If yes, are you satisfied with how your business transactions are maintained?

a. Yes [ ] b. No [ ]

PART C: ASSESS WHETHER BOOKKEEPING PRACTICES OF THE SMEs MEET BEST STANDARDS.

16. Do you prepare financial statements in accordance with IFRS?

a. Yes. [ ] b. No [ ]

17. If yes, what statements do you prepare? a. Income Statement [ ] b. Income Statement and Statement of Financial position [ ] c. Income Statement/Statement of Financial Position/Changes in Equity [ ] d. . Income Statement/Statement of Financial Position/Changes in Equity/Notes to Accounts /Cash Flows [ ]

18. If no, what is/are the reason(s) for not preparing financial statements?........…………………………………………………………..…..

19. Have you received some level of training on bookkeeping? a. Yes. [ ] b. No [ ]

20. If yes, what form of bookkeeping were you taking through? a. Cash Analysis [ ] b. Inventory Level Management [ ] c. Assets Management [ ] d. Debt management [ ]

21. Which organization did the training? a. NBSSI [ ] b. Banks [ ] c. NGOs [ ] d. Others (Specify)…………….……………...………………….………..……

22. How will you rate the effectiveness of the training obtained? a. Positive [ ] b. Negative [ ] c. No Effect [ ]

23. Have the trainers ever visit you after the training period? a. Yes [ ] b. No [ ]

24. If yes, what was the overall evaluation score of your performance?

a. Excellent [ ] b. Very Good [ ] c. Good [ ] d. Poor [ ]

PART D: PROBLEMS FACED BY SMEs IN BOOKKEEPING

25. What difficulties do you encounter in bookkeeping? a. I am always busy [ ]

b. I cannot read and write [ ] c. It is a cumbersome task [ ]

d. No knowledge as to how it should be done [ ]

26. In your view, what is/are the reason(s) most businesses do not practice proper bookkeeping? ....

27. Do you find it difficult practicing what you learnt? a. Yes [ ] b. No [ ]

28. If Yes, which areas? a. Posting transactions [ ] b. Reconciling the Accounts [ ]

c. Balancing the Books [ ] d. Preparing financial statements [ ] 29.

How do you solve these problems? a. Seek advice from NBSSI [ ] b.

Do nothing [ ]

30. What challenges do small businesses face for not practicing bookkeeping?.........……

APPENDIX 2

QUESTIONS FOR INTERVIEW

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

INSTITUTE OF DISTANCE LEARNING

PROJECT TOPIC: ASSESSING BOOKKEEPING PRACTICES OF SOME SELECTED SMALL AND MEDIUM ENTERPRISES IN THE SUHUM MUNICIPALITY.

QUESTIONNAIRE FOR NBSSI OFFICE

Dear Respondent,

This questionnaire is purely for an academic exercise. It is in partial fulfillment of the requirement of Masters of Science in Accounting (MSC Accounting) programme. Any information given would be treated with utmost confidentiality.

1. What is the role of NBSSI?
2. What are the specifics activities of NBSSI in dealing with SMEs?
3. What difficulties does the NBSSI face in the execution of its mandate?
4. How will your outfit describe the bookkeeping practices of SMEs in the Suhum Municipality?
5. Are there some challenges confronted with the SMEs for not practicing bookkeeping?