

## ADOPTION OF GAAP: AN INSIGHT INTO THE SMALL & MEDIUM ENTERPRISES

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### ABSTRACT

*This paper analyses the financial accounting practices that are adopted by SME's, which are operating in Mumbai in the state of Maharashtra. The sample consists of 57 units consisting of, manufacturing firms, suppliers of various services and retail shops through administration of a structured questionnaire. The findings of the study says that most of the enterprises do not record each and every financial transaction and do not follow the accounting rules that are framed by the regulatory authorities. Thus, a further attempt was made to find out the reason for not recording the financial transactions. The findings reveal that the enterprises finds recording the transaction as a time consuming activity, which involves efforts and knowledge and the owners also lacks accounting education.*

**Keywords:** GAAP, Accounting, SME's and Accounting Practices.

### Introduction:

Small & Medium Enterprises have been recognized as the driver of growth all over the world. Some of the features of these enterprises comprise low investment base, Flexible Operations, Location wise mobility, employment generation for unskilled & semi-skilled workers, Innovation drive, fostering Entrepreneurship and promoting regional development. Different parameters are used to define Small & Medium Enterprises (SME) worldwide. In Europe, what constitutes a SME is linked to the number of employees (For example, the definition in Germany has a limit of 255 employees, while in Belgium it is 100). In the United States, the small business criteria is based on ownership and industry structure, number of employees and revenue. In India, the definition of Micro, Small & Medium Enterprises (MSME) is governed by the MSME Act, 2006. For Enterprises engaged in the production, manufacture or preservation or processing of goods, the criteria are:

- (i) A micro enterprise if investment in plant and machinery is not over Rs. 25 lakh;
- (ii) A small enterprise if the investment in plant and machinery is greater than Rs. 25 lakh but not more than Rs. 5 crore; and

- (iii) A medium enterprise if the investment in plant and machinery is greater than Rs.5 crore but not more than Rs.10 crore.

For Enterprises engaged in providing services, the classification is based on the level of investment in equipment as follows:

- (i) A micro enterprise if the investment in equipment is not over Rs. 10 lakh;
- (ii) A small enterprise if the investment in equipment is more than Rs.10 lakh but not more than Rs. 2 crore; and
- (iii) A medium enterprise if the investment in equipment is higher than Rs. 2 crore but not more than Rs. 5 crore.

Fundamentally the definition of SME depends on many factors like business culture, population of the country, Industry characteristics and Economic Integration level.

Both developed and developing countries aim to achieve employment generation and output growth through this SME's. With the perception that economic sustainability goes hand in hand with adequate employment opportunity, India has also strived to boost the SME sector. As per recent studies in India, the SME sector have devoted 12% of total

GDP, around 45% of Manufacturing output and around 40% of the exports. The sector employs close to 40% of the country's work force.

However, the sector has also witnessed tough challenges in its journey till now – to name a few – Low scales of operation, Poor productivity mainly due to lack of sophisticated technology, limited distribution capacities, Limited Managerial Capabilities, Inadequate Financial Resources, Limited R & D capabilities. Experts believe that sickness was a big issue in the SME sector but the situation is showing improvement due to government initiatives including policy measures. However, improving the external environment is not the only remedy. It is also opined that these enterprises should also strive to improve their internal planning, control and accounting processes. Accounting plays a critical role in providing the timely inputs for the overall success of business institutions. In order to sustain in the market, SMEs require updated, accurate and timely accounting information. Abbot (1978) has enumerated some of the difficulties being faced by SMEs as tough competition, low demand for products, high production cost coupled with excessive overhead expenses, which may ultimately lead to shutting down of business. As per Morris(2007), public support is also required to overcome some of the inherent disadvantages of this sector which are limited Managerial Acumen, Limited influence on policy making, expensive R & D and out of reach support services.

Accounting being considered as the back bone of business, serves as an important means of communication. According to the American Institute of Certified Public Accountants (AICPA) 'Accounting is the art of recording, classifying and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character and interpreting the results thereof'. Thus, accounting aids the management in business operations by providing information about transactions. As per Stefanou (2006), accounting information system comprises maintenance, processing and communication of financial data which has an economic impact upon the internal as well as external stakeholders. In the opinion of Mitchell, Reid & Smith (1998), management accounting may be a determinant of the success or failure of a SME.

Accounting helps the businesses to manage their resources efficiently. For a SME, with limited resources, efficient resource management assumes even more importance. In addition, timely business decisions can be based on the accounting reports.

The Companies Act, 2013 largely comprises the Indian accounting system. As per section 128 of the Act, every Company shall prepare and maintain books of accounts, papers and financial statements for every financial year. The records should depict the true &

fair view of the affairs of the company. In addition to this, the companies also have to file Tax Returns as per the prevailing statutes.

The Institute of Chartered Accountants of India (ICAI) is a statutory body established for the regulation of the accounting profession in India. The ICAI is majorly responsible for framing the guidelines for Auditing & Assurance standards to be followed in the Audit of Financial Statements in India. In formulating these standards, it works in association with the Government of India, Reserve bank of India (RBI) and the Securities & Exchange Board of India (SEBI).

Since most of the SMEs in India do not incorporate a Company for carrying out business, the provisions of Companies Act have limited utility. The most common business forms that are adopted by SMEs are Sole Proprietorship and Partnership. Partnership firms are governed by the Indian Partnership Act, 1932. So, in essence, most of the SMEs keep books of accounts as provided under the Income Tax Act. However, the adoption of such practices is a matter of concern and requires detailed investigation.

The books of account needed to be maintained under the Income Tax Act are Cash Book, Sales Register, Purchase Register, Ledger and Journal Register. Under the Companies Act, 2013, the various books that need to be maintained broadly relate to shareholders and directors. In India, mostly the SMEs are formed as partnership or proprietary concerns; therefore, they should maintain records as per the Indian Partnership Act, 1932 and Income Tax Act. In reality, most of the SMEs do not fully comply with such record keeping requirements. The reasons for this need to be investigated and taken care of.

Most of these enterprises do not have a proper mechanism for recording their financial transactions. As a result, they face several difficulties and challenges in their everyday operations. This also hinders their long run sustainability.

In view of the above, we have undertaken a study to identify the problems faced by SMEs in adopting the prescribed accounting practices and maintaining detailed records. Also, a further look into the challenges faced by the SMEs in implementing a proper accounting mechanism has also been attempted. The steps involved in conducting this research are as follows – outlining the basic accounting requirements under the existing statutes, literature review, formulation of Hypothesis and testing of the same, followed by discussion and conclusion.

#### **Literature Review:**

According to Mbrog & Attom (2011) SME had led to the socio-economic development and growth of both developed and developing countries. However the SME faces a lot of problems in maintaining their

financial records as the owners lack basic education in keeping the records, due to which the growth of the SME is hindered. The owners of some SME think that if they maintain proper financial records, it will expose them to greater problems like imposition of new licenses, higher interest rates, more competition and more controls. So the researchers suggest that the government should organize various training programmes for the SME's.

Olukotun, James & et al (2012) says that record keeping is the key to success for all the organizations. One of the crucial factors that will lead SME towards success is maintenance of timely and accurate records. The banks provide loan to SME only if they maintain proper and accurate records of accounting. The sales progress monitoring, comparative analysis is not possible for the SME's as they don't maintain proper records. If proper records are not maintained it can also induce to fraud. The researchers suggested that, banks, microfinance institutions and government should help the SME's in maintaining timely records.

According to Abdulraheem, Yahaya, & et al (2012) all over the world SME's are treated as backbone for economic development. The growth and efficiency of operations in SME's is largely influenced by proper accounting records and that will overall contribute to the growth of society, wealth, employment and integrity. The researchers suggested that for the development of the SME's in developing countries, Government should not only give financial assistance at lower interest rates but also make policies relating to pricing, agricultural development, industry incentives and on forestry development. The government should encourage the SME's for keeping proper accounting records.

Dr Yousef AL (2013) Smirat says that the knowledge about financial management is important in preparation of accounting reports. It is basically observed that SME's use single entry accounting system as it involves simple procedure. The efficiency and effectiveness of the operations improves in SME's, if good accounting practices are adopted. SME's are not aware about the concept of financial management and most of the managers in SME's don't maintain the proper and orderly accounting records.

According to Amidu, Effah & et al (2011) SME's faces a lot of barriers in adopting the e-accounting practices. In Ghana SME's give lot of importance to financial accounting and for the same have employed well-educated employees. Many SME's have installed accounting software for the purpose of recording their transactions and this has enabled, to process timely information and have also reduced the cost. The major problem faced by SME's in updating records in accounting software is the frequent power failure. The proper adoption of e-accounting has helped in generating external finances, proper control and evaluation system.

According to Bowen, Morara, & et al (2009) SME's had contributed economically to various countries, but had faced lot of challenges and problems. The challenges faced are competition from large firms, unavailability of credit, availability of cheaper imports and problem in receivables management. The researchers have suggested different solutions to overcome these challenges such as to achieve economies of scale, to offer products at discounted or at fair price, offer innovative products, improve quality of services rendered. The researchers also recommended that SME's should be given help at the initial stage of their establishment, so that they can build a strong base for success. The major problem faced by the SME's is the strict regulation laid down by the Government

According to Okoli (2011), most of the SME's in Nigeria use single entry system of accounting. The study tells that there is a positive correlation between profitability and the proper maintenance of accounting records, so the firm should adopt proper technique to maintain records. To enhance profitability, the author recommended that the Ministry of Commerce should provide relevant training to the managers of SME's on different methods of book keeping.

According to Charles, Amankwaa & et al (2015), the challenges faced by SME's in New Juaben Municipality are bookkeeping, problem to adopt with new technology, problem of skilled employees, problems in capturing the market share, lack of strategic direction and various regulations laid down by the Government. The SME's faces lot of problem in overcoming the above challenges like undue political pressure, lack of administrative and implementation skills.

According to Ezejiolor, Emmanuel & et al (2014) there is a positive correlation between accounting records and efficiency performance of the SME's. As per the research conducted, most of the SME's in Nigeria do not maintain accounting and financial records at all. The researchers of Nigeria recommends that proper training should be given to the SME's on record keeping by the professional institutes and government. The government should also provide financial assistance to the SME's so that most unemployed Nigerians will be engaged in the business and earn a source of livelihood.

According to Mwangi, (2011) the SME's in Kenya maintain accounting system, but most of them only have written records on Debtor's and creditor's book and rest all records like the earning to sales ratio, household needs, funds required for restocking and savings are maintained orally in trader's memory. Due to non-maintenance of proper financial records, the traders are facing a problem in calculating the accurate profitability and the overall performance of the enterprise.

Dr. Rao, (2013) says that SME's across the world had contributed significantly for the country's GDP, employment and exports. The owner of SME's does not have proper accounting knowledge and are unable to maintain the records properly and this had overall affected the profitability of the enterprises. Most of the micro, small and medium enterprise owners think that simple and cheap accounting recording system should be used to maintain the records. Most of the owners think that it is not worth investing in the automated accounting system as it is treated as luxury need and the quantum of data is not required to be maintained as well as they don't have technical support staff for operating the computerized system. So the author suggested that regulatory bodies should encourage the enterprise in maintaining proper accounting records.

According to Akande, Olusola. O, (2011) SME's in Nigeria have significantly contributed to the growth and development of the country. The major factor that hinders the growth of the SME's is the capital. There has been an increase in the number of SME's in Nigeria but there are many enterprises which have failed in running their business. The owners of the SME's should possess distinct skills to run the business effectively. The author had researched that accounting skill had contributed greatly in developing small enterprises. The author suggests that owners of the SME should acquire the accounting and recording skills and the Government should make it mandatory for the SME to prepare financial statements, so that they can monitor their growth and profitability.

According to Harash, Al-Timimi & et al (2014) the SME's of Iraq had contributed on a large scale in generating employment, and has also led to the socio-economic progress, but then too they face lot of issues in obtaining finance from the financial institutions. In Iraq there are many financial institutions which are ready to provide finances to the SME's, but the enterprises are not able to meet the requirements of the financial institutions. Most of the SME's fail to provide collateral security to the financial institution.

Amoah, Samuel & et al (2014) says that SME's in sunyani, basically maintains the book of purchase as compared with the other books. Mostly they prepare statement of account to find out the profit for the purpose of tax calculation. The researcher suggested that there should be some mandatory policies for all SME's for preparing their financial statements and also suggested that training should be given to the owners of SME's, on how to maintain complete accounting records.

Auken and Carragher (2013) had studied whether the financial statements guide the owners of SME's in taking the business decisions and whether the owners have confidence in the reliability of the financial statements. The findings revealed that mostly the women owners and the firms which are owned by

smaller communities prepare the financial statements. So this shows that the owners, who don't have confidence in the reliability of the financial statements, do not prepare financial statements, as they think it is mere waste of time as they will not use in taking decision. The researcher suggested that training should be provided to owners, so that they can understand the importance of the financial statements. Ntim, Evans & et al (2014) says that, the owners of the SME's in Ghana maintain at least one book of accounts mainly comprising of sales, cash and fixed assets and also use certain control techniques in purchasing goods, equipments and controlling stock and labor. Generally they do not maintain records of day to day expenditures and they used single entry system of accounting. According to the research, there are various factors that determine the need for preparing complete financial statements, such as the size, age of the firm and the involvement level of the accounting person. The researcher also suggested that the regulators should frame specific accounting guidelines and should also give training to the owners of SME's for the same.

Zivanai, Onias & et al (2014) says that there is a positive relationship between accounting records and its aiding in risk management, but the SME's in Bindura do not use accounting information in making risk management decisions. Accounting information is an important tool in aiding risk management as it helps in planning, sustaining in the environment and in managing the operations. The research had also revealed that the SME's neither maintain sufficient accounting records and nor hire an accounting professionals for the same. The researchers suggested that the owners should learn to maintain the records or they should hire accounting professionals.

According to Amoako, (2013) majority of SME's in Kumasi Ghana fail to maintain accounting records as they think that by doing so they will be exposing their financial position to others. The researcher suggested that training programmes should be arranged for the owners of the SME's in Kumasi, so that they realize the importance of maintaining the records and also suggested that Government should make certain legal instruments, and should provide accounting templates for maintaining and preparing accounting records.

According to Maseko and Manyani, (2011) majority of SME's in Zimbabwe do not maintain accounting records as they lack the knowledge for the same, so the enterprises are unable to use accounting information in measuring their financial performance. The researcher suggested that the authorities should frame guidelines for maintaining the records and should give training to the managers for the same. Mandatory record keeping procedure should be laid down for improving the accounting practices of SME's in Zimbabwe.

In this paper Fayza Z (2013) is examining the designing of the accounting regulation to facilitate the international harmonization. Harmonization is the process by which difference in practices among countries are reduced. The study reveals that the recent development of the accounting aims at India's commitment to harmonize its accounting system with the world. The study also tells that India had face a lot of problems like economic system and accounting tradition, while developing accounts in harmony with the international standards.

According to Chhabra & Pattanayak, (2014) the SME's in Dhanbad and Bokaro districts do not follow the rules and regulation for accounting their transactions. The researchers found that SME's don't have adequate knowledge in bookkeeping and find record keeping as a time consuming activity.

### Objectives & Formulation of Hypothesis:

The literature review indicates that SMEs worldwide do not maintain detailed records as prescribed under the respective regulations. However, there is a need to investigate whether the SMEs in India maintain detailed accounting records or not. This study aims to find out the actual books of accounts maintained by SMEs and whether they face any difficulties/problems in maintaining the records. The research questions framed are:

Which accounting records are maintained by SMEs in India?

What are the problems & difficulties encountered in maintaining accounting records?

What are the reasons that deters SMEs from maintaining accounting records?

This area being largely underexplored in India, an attempt is also made to identify the books SMEs prefer to maintain and those which they overlook. Although, there are a number of reasons for this treatment, the most common reasons have been considered.

Hypothesis has been developed to test the research questions.

The null and alternative hypothesis for testing whether accounting records are maintained by SMEs is as follows:

**H<sub>A0</sub>**: SMEs record every Financial Transaction.

**H<sub>A1</sub>**: SMEs do not record every Financial Transaction. The above hypothesis is based on the fact that SMEs have to record every Financial Transaction as laid down by the statute. Further, in order to avail a loan / financial assistance, all SMEs (new as well as existing) need to submit Financial Statements to the lenders from time to time.

Further study has been carried out to find out whether SMEs encounter any problems/difficulties in maintaining accounting records, and accordingly the following hypothesis has been framed:

**H<sub>B0</sub>**: No problems & difficulties are encountered in maintaining accounting records.

**H<sub>B1</sub>**: Problems & difficulties are encountered in maintaining accounting records

To investigate into what is holding SMEs back from implementing a proper accounting system, the following hypothesis has been framed:

**H<sub>C0</sub>**: No reason deters SMEs from maintaining accounting records.

**H<sub>C1</sub>**: SMEs do not maintain accounting records due to a reason.

### Data and Methodology:

In the present study, the survey research design was adopted. The study was carried out on a sample SME's operating in Mumbai. Mumbai accounts for slightly more than 6.16% of India's economy. In the recent years Mumbai had experienced rapid growth. By the year 2020-21, Mumbai's GDP Per capita at PPP is expected to reach US\$23,000, making it a richest city in South Asia's. Mumbai had accomplished largely because of its textile mills and its seaport till the 1980s. These are now largely being replaced by industries employing more skilled labour such as healthcare, engineering, diamond polishing, and information technology. As Mumbai is the capital of Maharashtra, government employees share a large percentage of the city's workforce. Mumbai also has a huge population of unskilled and semi-skilled labour who primarily earn their livelihood as taxi drivers, hawkers, mechanics and other such proletarian professions. Like most cosmopolitan cities, Mumbai also has a large convergence of people from rural areas looking for employment.

A survey questionnaire was prepared based on the research questions and hypothesis. The questionnaire contains the following - Profile of the entity, Accounting Practices, Problems & difficulties in maintaining Accounting Records and the reasons for deterrence in adopting proper accounting practices. The above stated issues were measured on 5-point Likert Scale. 57 Questionnaires were accepted as completed for the purpose of data analysis out of 70 questionnaires.

### Results & Discussion:

Table 1 shows that most of the SME'S (68%) maintains some kind of financial records: cash sales receipt (79%), sales invoice (75%), Payment voucher (70%), stock cards (40%), cash book (65%), sales day book (68%), purchase day book (70%), creditor book (69%), debtor book (73%), payroll wages record (59%), and bank reconciliation statement (72%).

To show the variations in the use of recording the documents, the coefficient of variation was calculated. Table 2 shows that 14% of SME's had poor documentation. The recording of stock cards records

highest coefficient of variation (14%). This shows that, of all the documents, stock cards are least maintained followed by cash sales receipts. On the other hand, SME's at least attempt to keep records on cash book, purchase day book and sales book.

The results with regard to difficulties/problems in maintaining records are shown in Table 3, and it reveals that 49% of the SME's faces some problems in maintaining records. The results reveals that time involved in maintaining the records is 67%, efforts involved in maintaining records is 63%, problems associated with lack of accounting education is 51%, difficulty involved in maintaining the system on regular basis is 51%, cost involved in maintaining records is 49%, unwillingness to maintain the records is 32% and inability to pay employed accounting staff is 28%.

Table 4 shows that coefficient of variation is low for time involved (13%), efforts involved (13%) and lack of accounting education (13%). This shows that among all the difficulties/problems mentioned in the questionnaire, these 3 problems are consistently faced by all the SME's. On the another hand, the problems which are not consistently faced by the SME's are the inability to pay to accounting staff (16%) and unwillingness (15%).

The results with regard to problems/challenges encountered by traders in keeping accounting records, as shown in Table 5, reveals that 41% of the SME's encounters certain challenges in maintaining the records. Fear of exposing business transaction/financial position (50%), it makes enterprises to pay more taxes (40%), no compulsion imposed by the appropriate legal authorities (39%), fear of embezzlement by accounting staff (34%).

Table 6 shows that coefficient of variation is less for the problem, fear of exposing business transaction/financial position (13%). This shows that among all the problems/challenges encountered by traders mentioned in the questionnaire, this problem is consistently encountered by all the SME's. On the other hand, the problems/challenges which are not consistently encountered by the SME's are no compulsion imposed by the appropriate legal authorities (14%) and fear of embezzlement by accounting staff (14%).

### Hypotheses Testing:

In this study, a sample of 57 small enterprises have been considered and their responses are evaluated by one-sample Z-test in order to test the research hypotheses.

For testing whether SMEs record every financial transaction or not, the null and alternative hypotheses are rewritten as follows:

$$H_{A0}: \mu \geq 5$$

$$H_{A1}: \mu < 5$$

Where 5 is the hypothetical population mean on the basis of the sample data.

We are interested to find out whether the observed mean of the sample is significantly greater or equal to hypothesized mean. We reject the null hypothesis in favour of alternative hypothesis only when the sample mean is smaller than 5. Thus, it is seen that lower tail or left tail test is appropriate as the rejection region is in the lower tail of the distribution of the sample mean. Thus, the test value for the Z-test is 5 and is tested at 95% confidence level and the results are presented in Table7.

The table shows that the calculated Z-value is -17.88, while the critical value at 0.05 level is -1.65. Since the calculated Z-value is smaller than the critical Z-value, the null hypothesis is rejected. So we consummate that SME's owners do not record every financial transactions.

Now in order to test whether SME's encounter any problems & difficulties in maintaining accounting records, the null and alternative hypotheses are rewritten as follows:

$$H_{B0}: \mu \geq 5$$

$$H_{B1}: \mu < 5$$

Where 5 is the hypothetical population mean on the basis of the sample data. We are interested to find out whether the observed mean of the sample is significantly greater or equal to hypothesized mean. We reject the null hypothesis in favour of alternative hypothesis only when the sample mean is smaller than 5. Thus, it is seen that lower tail or left tail test is appropriate as the rejection region is in the lower tail of the distribution of the sample mean. Thus, the test value for the Z-test is 5 and is tested at 95% confidence level and the results are presented in Table7.

The table shows that the calculated Z-value is -30.69, while the critical value at 0.05 level is -1.65. Since the calculated Z-value is smaller than the critical Z-value, the null hypothesis is rejected. So we conclude that SME's owners are encountered with problems & difficulties in maintaining accounting records.

An attempt is also made to test whether SME's faced any challenge in keeping full and proper records. So the null and alternative hypotheses are rewritten as follows:

$$H_{C0}: \mu \geq 5$$

$$H_{C1}: \mu < 5$$

Where 5 is the hypothetical population mean on the basis of the sample data. We are interested to find out whether the observed mean of the sample is significantly greater or equal to hypothesized mean. We reject the null hypothesis in favour of alternative hypothesis only when the sample mean is smaller than 5. Thus, it is seen that lower tail or left tail test is appropriate as the rejection region is in the lower tail of the distribution of the sample mean. Thus, the test value for the Z-test is 5 and is tested at 95%

confidence level and the results are presented in Table 7.

The table shows that the calculated Z-value is -33.39, while the critical value at 0.05 level is -1.65. Since the calculated Z-value is smaller than the critical Z-value, the null hypothesis is rejected. So we conclude that SME's owners do not maintain accounting records due to a reason.

### Conclusion:

In this paper we have made an attempt to understand and investigate whether proper financial records are maintained by the SME's or not, and the paper also analysis whether the SME's faces any problems and challenges in maintaining the records. The present study has taken into consideration a sample of SME's in Mumbai, so that it could provide an insight for maintaining the proper financial records that can be adopted by other SME's in other areas. The results shows that SME's owners do not record every financial transactions. Book –keeping in SME's is featured as time consuming activity which involves lot of efforts. Most of the SME's only maintain cash, purchase and sales day book, which generates only limited financial information.

The results also revealed that SME's owners encounters with certain problems & difficulties in maintaining accounting records. The findings shows that SME's faces problems in both preparing as well as maintain accounting records. Literature also reveals that SME's do not maintain records as the large enterprises do. SME's think that maintaining the records is waste of time, effort and energy and it is not necessary and of not much help. As most of the SME's are owned by family members, so they don't find fruitful to maintain the records. In India policy makers are not aware of the problems and challenges that are faced by SME's in maintaining the records. If the SME's fail, then always the external factors are considered without giving any weightage to the internal factors, in particular the owners skills in handling and maintaining accounting practices as per the standards. Thus, the findings of this study attempt to describe the problems, challenges that are faced by the SME's in maintaining their records, so that the policy makers can find certain solutions to overcome the above problems.

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**Appendix**

**Table 1: Accounting Records Kept by Small Business**

Document	Frequency of Accounting records kept by small Business (as %)				
	All the Time	Most of the Time	Sometimes	Too Little	Never
Cash Sales Receipt	53	26	9	9	4
Sales Invoice	56	19	16	4	5
Payment Voucher	40	30	9	7	14
Stock Cards	14	26	26	7	26
Cash Book	49	16	16	12	7
Sales Day Book	42	26	12	5	14
Purchase Day Book	44	26	16	5	9
Creditor Book	44	25	23	0	9
Debtor Book	47	26	18	2	7
Payroll Wages Record	40	19	11	7	23
Bank Reconciliation Statement	42	30	14	4	11
Average	43	25	15	6	12

**Table 2: Descriptive Statistics of Accounting Records Kept by Small Business**

Document	Mean	SD	Coefficient of Variation (%)
Cash Sales Receipt	4.16	0.55	13
Sales Invoice	4.18	0.55	13
Payment Voucher	3.75	0.48	13
Stock Cards	2.95	0.42	14
Cash Book	3.88	0.50	13
Sales Day Book	3.77	0.48	13
Purchase Day Book	3.91	0.50	13
Creditor Book	3.95	0.51	13
Debtor Book	4.05	0.53	13
Payroll Wages Record	3.47	0.45	13
Bank Reconciliation Statement	3.89	0.50	13
<b>Average</b>	<b>3.82</b>	<b>0.50</b>	<b>13</b>



**Table 3: Difficulties/Problems in Maintaining Books of Account**

Difficulties/Problems	Frequency of level of Difficulties/Problems in Maintaining Books of Account (%)				
	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree
Lack of Accounting Education	11	40	25	21	4
Unwillingness	5	26	33	25	11
Time Involved	12	54	19	14	0
Effort Involved	11	53	18	19	0
Cost Involved	9	40	14	28	9
Difficult to Maintain the system on Regular Basis	14	37	19	25	5
Inability to Pay Employed Accounting Staff	7	21	25	30	18
<b>Average</b>	<b>10</b>	<b>39</b>	<b>22</b>	<b>23</b>	<b>7</b>

**Table 4: Descriptive Statistics of Difficulties/Problems in Maintaining Books of Account**

Document	Mean	SD	Coefficient of Variation (%)
Lack of Accounting Education	3.33	0.43	13
Unwillingness	2.91	0.42	15
Time Involved	3.65	0.46	13
Effort Involved	3.54	0.45	13
Cost Involved	3.12	0.42	14
Difficult to Maintain the system on Regular Basis	3.30	0.43	13
Inability to Pay Employed Accounting Staff	2.70	0.43	16
<b>Average</b>	<b>3.22</b>	<b>0.44</b>	<b>14</b>

**Table 5: Problems/Challenges encountered in Keeping Records**

Problems/Challenges	Frequency of level of Problems/Challenges encountered in Keeping Records				
	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree
Fear of Exposing Business Transaction/Financial Position	11	39	19	21	11
No Compulsion Imposed by the Appropriate Legal Authorities	9	30	33	19	9
It make Enterprises to pay more Taxes	12	28	33	18	9
Fear of Embezzlement by Accounting Staff	4	30	44	14	9
<b>Average</b>	<b>9</b>	<b>32</b>	<b>32</b>	<b>18</b>	<b>9</b>

**Table 6: Descriptive Statistics of Problems/Challenges encountered in Keeping Records**

Document	Mean	SD	Coefficient of Variation (%)
Fear of Exposing Business Transaction/Financial Position	3.18	0.43	13
No Compulsion Imposed by the Appropriate Legal Authorities	3.11	0.42	14
It make Enterprises to pay more Taxes	3.18	0.43	13
Fear of Embezzlement by Accounting Staff	3.05	0.42	14
<b>Average</b>	<b>3.13</b>	<b>0.42</b>	<b>14</b>

Table 7: Mean standard Deviation and Z- Values

	<b>Grand Mean</b>	<b>SD</b>	<b>N</b>	<b>Z Calculated</b>	<b>Level of Significance</b>	<b>Z Critical</b>	<b>Decision</b>
SMEs record every Financial Transaction	<b>3.82</b>	<b>0.50</b>	57	-17.88	0.05	-1.65	Reject
No problems & difficulties are encountered in maintaining accounting records.	<b>3.22</b>	<b>0.44</b>	57	-30.69	0.05	-1.65	Reject
No reason deters SMEs from maintaining accounting records.	<b>3.13</b>	<b>0.42</b>	57	-33.39	0.05	-1.65	Reject

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