CHRISTIAN SERVICE UNIVERSITY COLLEGE

SCHOOL OF BUSINESS

ACCOUNTING AND FINANCE DEPARTMENT

TOPIC:

A STUDY TO EXAMINE THE REASONS WHY SMALL AND MEDIUM SCALE ENTERPRISES ARE NOT KEEPING PROPER ACCOUNTING RECORDS. (EVIDENCE FROM KUMASI)

BY

OWUSU ANSAH ALEXANDER

JANTOAH JAMES ELIJAH

ADU GYAMFI CHARLES

ANNOR YEBOAH EMMANUEL

KINTOH DANSO DENNIS

ERIC YEBOAH

A PROJECT WORK PRESENTED TO THE DEPARTMENT OF BUSINESS ADMINISTRATION IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A BACHELOR OF BUSINESS ADMINISTRATION (ACCOUNTING OPTION)

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STATEMENT OF AUTHENTICITY

We have read the university regulations relating to plagiarism and certify that this report is all our own work and do not contain any unacknowledged work from any other source.

We also declare that we have been under supervision for this report herein submitted

CANDIDATES' NAMES	INDEX NO.	SIGNATURE	DATE
OWUSU ANSAH ALEXANDER	10218903	....	....
JANTOAH JAMES ELIJAH	10218022	....	....
ADU GYAMFI CHARLES	10216707	....	....
ANNOR YEBOAH EMMANUEL	10216791	....	....
KINTOH DANSO DENNIS	10218082	....	....
ERIC YEBOAH	10219125	....	....

SUPERVISOR'S DECLARATION

I hereby declare that the preparation and presentation of the dissertation were supervised in Accordance with the guidelines on supervision laid down by Christian Service University College.

Confirmed by:

Supervisor's Name

Dr. Solomon Arhin   Signature: ………………...   Date:………………...

Head of Department:

Dr. Solomon Arhin   Signature: ………………...   Date:………………...

DECLARATION

We hereby declare that this is our own research toward the award of a degree in bachelor of business administration and it contains no material formally published by neither any other persons or any material which has been accepted for the award of any other degree of the university except where suitable accepted acknowledge has been made in the text.

DEDICATION

This piece of academic work is dedicated to the almighty God for his guidance and protection throughout the undertaken of this project work. We also dedicated this work to all our loved ones especially our parents, lecturers and spouses for their prayers, guidance and financial support.

We are again most grateful to all our friends who in one way or the other have supported our education and this project to reach this far.

ABSTRACT

Small and medium scale enterprises contribute over 22% of the employment opportunities and 15.5% of GDP in Ghana. Despite their significance, recent studies show that 60 % of the SMEs fail within the first few months of operation. The general objective of this study was to explore the reasons why small and medium scale enterprises (SME's) are not keeping proper accounting records in the Kumasi municipality. The study employed a cross-sectional survey research design to get more details from the respondents so that the results from the sample can be inferred to the larger population. Purposive, cluster and simple random sampling techniques were used in the study. Structured questionnaire was self- administered to collect quantitative data from primary sources.

The study shows that most of the traders do not observe proper and adequate accounting records in their businesses. The analyzed data were presented using statistical tables and graphs. The research findings can provide knowledge to owners of SMEs to use in maintaining proper bookkeeping so as to improve their performance and help generate employment in the Ghanaian economy. The research work can also be used by academicians, researchers and management consultants as a source of knowledge and reference.

Finally recommendations have also been made as to how they should go about in preparing and keeping adequate accounting records.

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This piece of academic work is dedicated to the almighty God for his guidance and protection throughout the undertaken of this project work. We also dedicated this work to all our loved ones especially our parents, lecturers and spouses for their prayers, guidance and financial support.

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We are again most grateful to all our friends who in one way or the other have supported our education and this project to reach this far.

GOD RICHLY BLESSES YOU ALL!

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CHAPTER ONE

INTRODUCTION

1.0   BACKGROUND TO THE STUDY

Every business must keep proper books of accounts so as to ascertain at all times how the business is progressing. This will help the owner or the businessman to assess the returns of his/her investment employed. It facilitates the preparation of financial statements, make identification of transactions easier, and help keep track of deductible expenses and the preparation of tax returns. The success of a business to a large extent depends on how well it effectively and efficiently manages its resources and for that matter accounting records.

Internal Revenue Service as well as VAT will have no difficulty of assessing the tax for the business. Financial institutions and other investors can easily know the strength of the business and take a decision on how much to invest at a particular period.

Small Scale enterprises have been variously defined, but the most commonly criterion is the number of employees of the enterprise. In applying this definition, Confusion often arises in respect of the arbitrariness and cut off points used by the various official sources. Steel and Webster (1990), Osei et al (1993) in defining Small Scale Enterprises in Ghana used an employment cut off point of 30 employees to indicate Small Scale Enterprises.

The latter however dis-aggregated small scale enterprises into 3 Categories:

Micro - employing less than 6 people; **very small**, those employing 6-9 people **small** - between 10 and 29 employees.

World Bank since 1976 also define small and medium scale Enterprises as firms with fixed assets (excluding land) less than US$ 250,000 in value.

Grindle et al (1989:9-10) define Small scale enterprises as firms with less than or equal to25 permanent members and with fixed assets (excluding land) worth up to US$ 50,000.USAID in the 1990s also explain SME, s as firms with less than 50 employees and at least half of its output sold (also refer to Mead, 1994).

UNIDO's definitions for Developing Countries explain Large Enterprises as firms with 100 or more workers.

Medium Enterprises as firms with 20 - 99 workers and Small Enterprises as those between 5 to 19 workers as well as Micro with less than 5 workers.

The dynamic role of small and medium scale enterprises in developing countries as engine through which the growth objectives of developing countries can be achieved has long been recognized .It is estimated that SME's employ 22% of the adult population in development countries(Gallagher& Robson, 1995).The sector employs about 15.5% of the labors force in Ghana (Parker et.al 1994) and has experienced a higher employment growth .The sector's output as a percentage of GDP accounted for 6% in 1998.

However, small and medium scale enterprises faces lot of challenges on record keeping even though much efforts have been made by most NGO's and other professional bodies in organizing training facilities for these traders in Kumasi.

Any organization irrespective of its size has certain amount of resources and obligations which are influenced by a large number of transactions undertaking to achieve its set goals. It is difficult for a person or a group of persons to remember all the occurrences of these events and their impact on business. These records need to be analyzed, interpreted and communicated to the interested parties who use the information as a basis for their decision - making.

The question is, do these business ventures keep effective and efficient accounting records? Do they make use of the information they give to enable them function properly?

The study is therefore meant to examine the reasons why small and medium scale enterprises(SME,s) are not keeping adequate Accounting records, the need to keep them and recommend to management to appreciate the internal and external advantages for recording and keeping adequate and accurate records to inform effective and efficient decision making and smooth administration of businesses. This will prevent many businesses from collapsing few years of their establishment and erase the erroneous perception of superstition as evil behind business failure.

1.1   RESEARCH PROBLEMS

Organizations in the SME's sector have for some time now been described by business experts as a sector with lack of good book keeping records. The tax authorities continue to emphasis on this issue likewise credit providers.

In view of this, it is often difficult for government to plan adequately to embrace this sector. Credit extension to this sector is also difficult to be assessed by financial institutions. Budgeting or financial planning for the business in this sector is quite a difficult task because of lack of good Book keeping practices of the business in this sector.

To be able to curb this problem, this study was initiated to assist owners of SME's policy makers and practitioners' to understand the need for SME's to be mandated to keep proper and adequate accounting records.

1.2   OBJECTIVES OF THE STUDY

The objectives of this research are

⌐ To assess the kind of accounting records which are kept by business in this particular sector.

⌐ Ascertain some of the reasons why SME's are not keeping proper accounting/book keeping records.

⌐ The need for a good book keeping practices

⌐ Offer recommendation on how SME can keep simple proper books of account

1.3   RESEARCH QUESTIONS

The above objectives served as the research questions to guide the study;

⌐ What sort of accounting records kept by many businesses?

⌐ What is the adequacy of book keeping by SME's?

⌐ What are the challenges faced by these enterprises in keeping records?

⌐ To what extend can accounting records helps increase the profitability and ease the pressures associated with small scale enterprises?

1.4   SIGNIFICANCE OF THE STUDY

The Research would be of immense help to:

1.4.1   Small scale enterprises

To seek for financial assistance and other credit facilities easily.

To keep track of their total sales and purchases for the business

To make an effective budget and assess the profitable areas of the business

To prevent many businesses from collapsing few years after their establishment.

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1.4.2   The research team

The study will help us to come out with problems associated with keeping adequate accounting records, identify why many businesses collapsed few years after their establishment and the practical safeguards to curtail such problems for effective business growth.

1.4.3   The general public and the government

Interested parties such as stakeholders, investors, individuals and suppliers can easily have some information for their informed decisions. The government budget allocation to the private sector and tax planning can be effectively allied and assessed.

1.5   LIMITATIONS OF THE STUDY

The research was halted by a number of constraints. Some of these included Managerial Constraints. Input Constraints, Finance, Equipment & Technology, Domestic Demand, Regulatory Constraints, Legal and beucratic procedures of some institutions. These can be classified into Data, time and financial constraints Data constraints.

Some of the respondents were unwilling to answer questions asked on things they consider secret. This put some of the data collected into doubt. Some of the questions also were not properly answered because they cannot remember nor have no records on them as a result of their low education. Time constraints - Most owners and managers wasted a lot of our time before some information was given. Some shops were so busy that it became difficult to have a discussion with the owners or managers.

Financial constraints - There were not much funds to enable us move around for more information from targeted Enterprises. This research is therefore restricted to some enterprises at Kumasi.

1.6   SCOPE OF THE STUDY

For the analysis to be clearer, simplified and limited to the topic the research will be limited to purchase and sales day books, records of day to day events, statements of Comprehensive income, the statement of the financial position and problems associated with keeping proper and adequate records of account as well as measures to control them.

1.7   ORGANIZATION OF THE STUDY

The research is divided into five chapters.

Chapter One: This includes the introduction, background study, aims and objectives, and statement of problems.

Chapter Two: Comprises of Reviews of relevant literature and the subject matter.

Chapter Three: The research methodology adopted for the study

Chapter Four: Results and discussions

Chapter Five: This will also include summary, conclusions and recommendations of the research.

CHARTER TWO

LITERATURE REVIEW

2.0   INTRODUCTION

This chapter seeks to provide an in depth analysis of the definition of SME's and its related readings and studies, citation, journals and articles. Conceptual framework (snapshot or overview of the project and definition of key terms of accounting records. Its form and types function as well as processes and SME's and proper book of accounts. It identifies users of accounting records, concepts and standards and significance of accounting records.

2.1   DEFINITION OF TERMS

Small and Medium Scale Enterprises

SME's sometimes also SMB's are business who personnel's numbers fall below certain limits. The abbreviation SME's is used in the European Union and by international organisations. Such as World Bank (WB), United Nations (UN) and the World Trade Organisations (WTO). Small enterprises outnumber large companies by a large margin and also employ many more people.

SME's are set to be responsible for driving innovation and competition in many economic sectors.

The European Union (EU) definition of SME's follows the categories of micro, small and medium sized enterprises. SME's is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50million euro and an annual balance sheet not exceeding 53 million euro.

Definition of SME's by Tom Gibson and H.J. Vander Vaart, an SME is a formal enterprise with an annual turnover in us dollar terms of between 10 to 1000 times the mean per capita gross national income at purchasing power parity of the country in which it operates.

Definition of SME's by Flora Richards-Gustafson, explains SME's as a business that employs a small number of workers and does not have a higher volume of sales. Such enterprises are generally privately own and operated sole proprietorships. The legal definition of SME's varies industry by industry and country by country. In Canada, the industry's definition of SME's as one with fewer than 100 paid employees and a medium sized business as one with at least 100 and fewer than 500 employees. The United States small business administration sets small business criteria based on industry ownership structure, revenue and number of employees which in some circumstances maybe as higher as 1500, although the cap is typically 500. In the UK, sections 382 and 465 of the companies Act 2006 an SME's for the purpose of accounting requirement, according to this a small enterprise is one that has a turnover of not more than 6.5m a balance sheet of not more than 3.26m and not more than 50 employees. A medium sized enterprise has a turnover of not more than 25.9m, a balance sheet of not more than 12.9m and not more than 250 employees. With New Zealand the official definition of and SME's is one with 19 or fewer employees. Australians defines SME's as enterprises which has 199 or fewer employees for the sector.

In Africa, the central bank of Nigeria defines SME's in Nigeria according to assets based and number of staffed employed. The criteria are on asset based between N5m and N500m and staff strength of 20 and 300 employees. In Egypt, most businesses are small sized with 97% employing less 10 workers. According to census data released SME's with 10 to 50 employees account for 0.4% of all enterprises national wide.

2.2   RELATED STUDIES AND READINGS

The contribution of small and medium enterprises (SMEs) to the economic development of most developing countries is overwhelming providing employment for almost two thirds of the countries working population contributing to the government revenue generation through

the payment of income tax, or will as providing income in terms of profit, dividends and wages to households just to mention a few, has been the ultimate hallmark of SMEs to a developing countries of which Ghana is no exception.

As Prasad et al (2011) contend, growing SMEs will also contribute to expanding the size of the directly productive sector in the economy; generation to revenue for government and all in all, facilitating poverty reduction through fiscal transfer and income from employment and firm ownership.

Comparatively, most SMEs are not registered as corporate bodies but as sole proprietorship this makes registration procedures quite simple and a bit easier than the other forms of business registration partly due to this phenomenon. SME's has outnumbered all the other forms of business and be found almost everywhere across the country. In spite of their numbers, and significance; recent studies statics flow 60% of the SMEs fail within the first five years of operation (Boachie et al, 2005). Studies also show that it is hard for SMEs to access finances from the financial institutions since they lack proper financial records as a requirement (William 2008). The SMEs inability, many times to live beyond their few months of existences has been attributed partly to lack of finance. To become successful and be able to contribute meaningfully to the Ghanaian economy, SMEs must attract and significance all by themselves.

Providers of finance more often than not rely on information before making, the final decision to either invest or not to invest in a given business.

Banks for examples will need to know whether the SME seeking finance will be able to pay the principal amount as well as the interest before going ahead to grant the facility. This is particularly true of financial accounting information for whatever proposes. It is recommended that SMEs keep detailed accounting records and audit their financial statement on an annual basis. This will enable the banks to make a proper evaluation of SMEs, which

should improve their accessibility to credit (Olujunso et al, 2010). Unfortunately because most SMEs are managed by owner, they sometimes believe they love less need for financial accounting information because of their personal investment in the day – to – day operation. This assertion may not be entirely true especially when it has to do with looking for finance. To enable seekers of finance and providers of finance makes an informed economic decision; there is the need to have reliable accounting information which has been generated through an adequate accounting system that requires that proper books of accounts are kept. An inadequate accounting system is a primary factor in Small business failure. Quality of SME records keeping different investors to invest and for financial institution to provide finance (Tagoe et al, 2001).

For most developing countries including Ghana, achieving low employment, improving income levels and rendering poverty which eventually lead to economic success largely depends on whether one SME is doing well or not. For the SMEs also to do well there is the need for them to attract and secure finance. Providers of finance will not invest and provide funds unless they are assure themselves with financial accounting information generated form an inadequate accounting system in order to reduce risk.

The question now is, do the SMEs have in place books of accounts to generate the much needed accounting information that providers of finance and other business partners require? The answer to the above question makes it imperative for the researcher to work at financial accounting practices of SMEs in Ghana.

The study is relevant in the Ghanaian context given the important role SMEs play in the economic development. There is the need to examine the accounting practices of SMEs in Ghana and to ascertain whether they are able to meet expectation of finance providers. This will improve SMEs access to funds and improve the practices of SMEs.

A review of the existing body of research reveals that the importance of keeping accounting records, the reasons for keeping accounting records, the extents of records keeping and the nature of accounting systems maintained by SMEs is documented though limited. Due to the qualitative nature of the studies, questionnaires and interviews, methodologies have been employed by most of such studies. A strand of the literature looks at the basis of its application in assessing the performance of business by all stakeholders alimental 2004) argues that accounting information users in SMEs is on the increase. Another aspect of the studies claims that in the process of planning for profit. Financial information is assembling in a way that can help make informed judgement and fake decisions concerning the organisation. (Copeland and Dascher 1978).

An Accounting system is one of the most effective decision making tool of management.

It provides an orderly method of gathering and organising information about various business transactions so that it may be used as an aid to management operating the business.

An emphasis is laid on the significance of keeping proper books of accounts by biryobarema (1998) because it enables small enterprises or businesses to have accurate information on which to base decision. SMEs project purchases and sales, determines breakeven point and make a wide range of other financial analysis based on accounting information.

The study contends that, lack of proper accounting records has seen the closure of some businesses and makes it a significant issue for business success.

Other study asserts that the high incidents of failure of SMEs could be attributed to the poor accounting system used by these enterprises (ofonagoro1983). Those studies recount that since accounting systems play a key role in determining business. There is the need to evaluate the accounting systems used by SMEs.

This important because for optimum business growth. SMEs must make use of the system of accounting which will enable them determine the volume of profit (loss), asset and liabilities at a given time.

According to lybaert (1998), the quality of accounting information utilized within the SME has positive relationship with an entity's performance and survival. Similarly, it has been emphasized that there is the need for financial information for small and micro business units due to the volatility normally associated with their situation such as unstable cash and profit positions and reliance on short term borrowing (Mcmahon&holme1991, Dodge, Fullerton&robbins1994).

Kinny (2001) posits that accounting is one of the important types of information for decision making both within and outside the organisation. He further states that the quality of information gauged by its relevance and its reliability for a particular decision is equally important.

In the words of osuala (1993) may enterprises record their transactions randomly without adhere to any established system of accounting: hence making it difficult in keeping of cash flow in the enterprise. Mitchel et al (2000) argued that accounting information could help SMEs manage short term problems in such areas as costing, expenditure and cash flow by providing information to support monitoring and control knowledge of cash flow according to pandy (1991) is very important because cash flows are inseparable parts of business operation of firms. Furthermore, there is some evidence to suggest that small firms are aware of importance of accounting information (International Federation of Accounting 2006).

In spite of this awareness most owners of small entities in Ghana are not keen to use standard accounting system to run day-to-day activities of their enterprises. The high rate of failure of small enterprises in developing countries like Ghana has generally been traced to

management and accounting system employed by these enterprises (ofonagoro 1983). There seems to be some consensus on the significance of financial system to business success. Some researchers assert that the quality of financial accounting information employed within the SMEs sector as a positive relationship of the entity. (lybeart 1998, nayak and greenfields 1994, holmes and Nicholas 1989,Raymond and magnenat-thalman 1982).

In spite of the considerable amount of studies conducting in accounting over the last few decades, there has been a little effort on investigating the accounting system by the SMEs and their effectiveness (McChlery et al 2005). For instance, Mitchell, reid and smith 1999 and marriot 2002) observed that in the united kingdom only recently had research been directed towards the financial system that operate within small sized enterprise.

To date, limited research has been carried out into the accounting system in used within small firms. Financial management systems have been analyzed for micro-business of less than ten employees'. (Nayak and greenfields 1994) of less than twenty employees (holmes and Nicholas 1989) whiles mictell et al 1999 focused their accounting routines developed within small business focussing on growth-oriented organisation. Obviously there is a need to research the small business community across a spectrum of sectors including newly formed and establish firms (McChlery et al 2005). Poor record keeping is also cited as a course for start up business failure. In most cases, this is not due to the low priority attach to it, but also a lack of the basic management and skills.

Most business operators thereafter, end up losing track of transactions and find it difficult to account for their expenses at the end of their operations. According to Wichman 1983 accounting is the major challenge to management of SMEs. The study recommends that SMEs managers and owners need to learn proper accounting or engage to the services of accounting expects for accounting reporting purposes.

The importance of maintaining proper books of accounts and sound accounting practices has been emphasized in ensuring proper financial management in SMEs. In this study, we investigate the record keeping strategies utilized by SMEs through data based on responses to a structured questionnaire from 210SMEs in Kumasi.

We report that majority of SMEs fail to maintain complete accounting records as they think there is no need to keep accounting records and that it exposes their financial position.
It is recommended that training programmes must be organized to sensitize owners/managers on the need to maintain proper books of accounts. The government should also come out with the necessary legal instruments to make the preparation of proper books of accounts mandatory in order to improve SMEs practice of accounting in Ghana.

The incessant poor performance of small and medium scale entities can be attributed to hosts of factors of which poor accounting record keeping cannot be over emphasized. This study therefore explores the accounting practices of SMEs in Ghana using Kumasi metropolis as a case study. The study uses stratified sampling and snow balling techniques to gather data from SME owner/managers of various sectors in the municipality. The research findings are based on a survey of the accounting record practices of one hundred and four SMEs in the Municipality.

The study revealed that a majority of SMEs do not keep complete accounting records as a result of numerous factors such as lack of book keeping skills on the part of owners/managers and the high cost involved in adopting a good accounting system. Several recommendations have been outlined by this paper amongst which includes periodic training on proper accounting records keeping by regulatory bodies and educational institutions in the municipality and Ghana as a whole.

The most important qualitative specifications of small and medium sized enterprises are that the entrepreneurship, management and ownership of these enterprises have been collected by the same person. That person is the business owner and these specifications of those businesses have collected together the most important problem of SMEs. It is not right to expect that the person having required financial possibilities must be good entrepreneur and manager (Müftüo lu, 2007).In this direction, it is possible to review the problems under the headlines such as managerial problems, problems to meet financial requirements that SMEs have faced with and problems that SMEs have faced in domestic and international markets.

SMEs, by number dominate the world business stage. Although precise, up-to-date data are difficult to obtain, estimates suggest that more than 95% of enterprises across the world are SMEs, accounting for approximately 60% of private sector employment (Ayyagari et al. 2011). Japan has the highest proportion of SMEs among the industrialized countries, accounting for more than 99% of total enterprises (EIU 2010). India, according to its Ministry of Micro, Small and Medium Enterprises, had 13 million SMEs in 2008, equivalent to 80% of all the country's businesses (Ghatak 2010). In South Africa, it is estimated that 91% of the formal business entities are SMEs (Abor and Quartey 2010).

Estimated data for the 27 countries in the European Union (the EU-27) for 2012 also illustrate the importance of SMEs. They account for 99.8% of all enterprises, employ 67% of all workers and contribute 58% of gross value added (GVA) – defined as the value of their outputs less the value of intermediate consumption and an important factor in GDP. The contribution made by SMEs does vary widely between countries and regions. Nevertheless, although they play particularly key roles in high-income countries, SMEs are also important to low-income countries, making significant contributions to both GDP and employment

(Dahlberg 2011). They are also major contributors to innovation in economies, partly through collaboration with the larger corporate sector.

SMEs that become embedded in the supply chains of larger businesses can be spurred on to improve their own human and technological capital (ACCA 2010), thus improving their own productivity and performance. When combining the data for those countries for which reasonably good data are available, SMEs account for 52% of private sector value added, which provides a reasonable estimate for the sector's global economic contribution (ACCA 2010)? The contribution of SMEs to economic fundamentals nonetheless varies substantially across countries: from 16% of GDP in low-income countries (where the sector is typically large but informal) to 51% of GDP in high-income countries.

Facts and figures illustrate the contribution of the SME sector to GDP, including both the formal sector and estimates of the informal sector, which is disproportionately large in low-income countries. History and legal tradition can also play a very important role. For instance, former Soviet countries tend to have disproportionately small SME sectors, even when controlling for per capita income (Ayyagari et al. 2003).

2.3   CONCEPTUAL FRAMEWORK
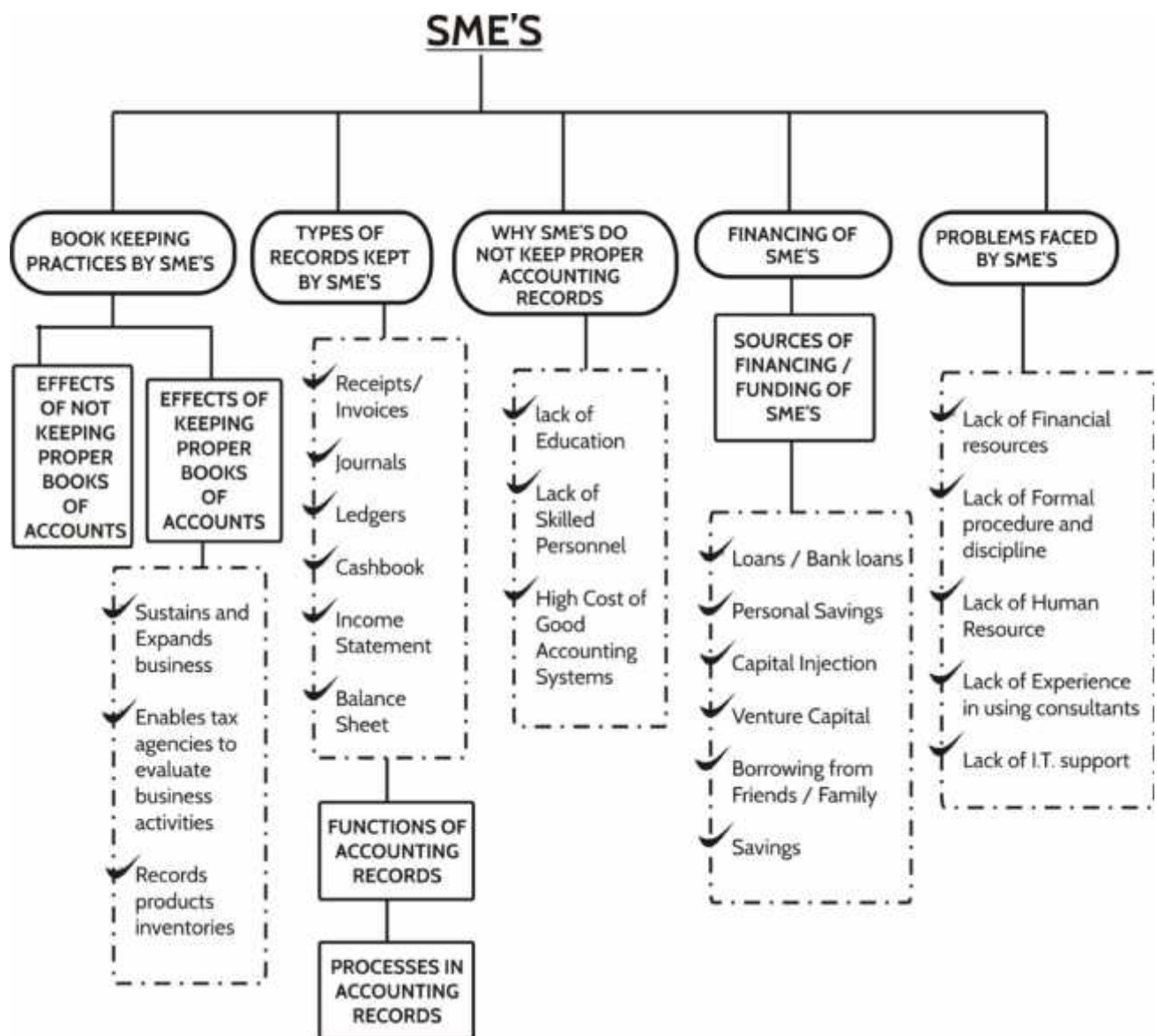
2.4   DEFINITION OF KEY TERMS

SME's and Proper Books of Accounts

Small and medium scale enterprises use the same type of records as large businesses do. However, keeping the records in small businesses is much easier. Small businesses have fewer transactions to record and few employees, but there is still important accounting information that applies to all businesses.

There is a fact that, no business can succeed in the long term without knowing exactly where its profits come from, what its expenses are and how much it is making at each operation. However, many small and medium scale enterprises do not pay much attention to these proper books believing that such records are needed most by large businesses. Decisions and daily activities are based on guesses and not on facts from information on the records.

Accounting information, according to Obrien, should be viewed as "data that have been converted into a meaningful and useful context for specific end users subject to valued-added process where its forms is aggregated, manipulated and organized, analyzed and evaluated for a definite outcome for use by interested parties.''

Information contained in a business records, according to Accountants of Manager of university of Leicester, provides important guidance for management decisions. The use of accounts for making decision requires an understanding of where the information in the enterprise or business originate. Analyses of accounting records require technique that will enable managers to draw correct inferences from a set of accounts. Example, Management should know how to use accounting information to analyses the cost of production to make a precise decision to judge the profitability or performance of the enterprise.

Users of Accounting Records

Many users have the need for accounting records in order to make important decisions. These users include; Investors, Management, Shareholders, Government agencies, Labors unions and Financial institutions.

Accounting Concept and Standards

Attempting to eliminate subjectivity and to achieve comparability, Accounting records are prepared using a number of accounting concepts and conventions provided by the company's private partnership (Act 163). Almost all of these concepts state that it is the responsibility of the management to prepare books of accounts which shows true and fair view of the enterprise result for the period and its financial position at the end of the period. Some of the concepts include;

The going concern concept

The prudence concept

The accruals and the matching concept

The consistency concept

The business entity and materiality concept as well as

The historical cost concept, objectivity and realization concept. Other methods of valuing stock include; FIFO, LIFO, and Sum of the year's digit methods are also considered in accounting records.

Significance of Accounting Records

Business financial analysis is based on its accounting records. Accurate accounting records are the key in the success of every business and it assists an organization to answer some important questions like;

Is the business making profit or losing?

Is expenditure increasing or decreasing?

Is the business standing on a sound financial ground?

`Which products yield higher returns?

Is the enterprise adopting proper accounting records to track all its information?

Are taxes paid appropriately?

An accurate accounting records act as a function where all these valuable financial information can be constructed. Therefore timely financial information produced helps to mitigate future occurrences.

The significance of accounting records is therefore summarized below;

Assist in monitoring business operations.

Providing the necessary financial information for decision making by its users.

Assist in budgeting.

Assist in obtaining other source of capital.

Assist in meeting its social responsibilities like tax obligation, social infrastructure, and other sponsorships undertaking by the business.

The findings of this research paper are significant because the analysis of these findings will reveal whether the systems of book keeping by small traders in their current form reflect Accounting principles and practices adopted by the formally organized institutions. The findings will also explain how small and medium scale enterprises define business success in monetary terms and how a relevant accounting record is to traders in small and micro enterprises in Ghana.

CHAPTER THREE

METHODOLOGY

3.0 INTRODUCTION

This is chapter deals with the mythology adopted in conducting this research. The chapter is outlined as fellows. Background of the study, study type being used, study design, source of the data collected, population/ sample size/ sampling technique and methods, Data collection methods, Data Analysis method and Ethical consideration.

3.1 BACKGROUND OF STUDY

This research was conducted in and around the Kumasi metropolis with selected SME's within Adum and its surrounding areas. The population of this study involves Two hundred and sixty SME's in the Kumasi metropolis. The population chosen ranges from people who trade in all categories of commodities and services. These sections of SME were purposely selected bearing in mind that, they adopt proper accounting records and observe book keeping practices in the course of their business operations so that they can generate the requisite information and documentation to help mitigate the numerous business challenges such as financial assistance from bank and other financial institution, using the information gathered to make adequate internal strategic decision, Attracting investors, engaging in expansion works and taking advantage of the opportunities that are geared toward business growth.

3.2 SOURCES OF DATA

This study was conducted in the Ashanti region specifically Kumasi metropolis.

The data gathered was sourced from the number of SME's who responded to our call and participated fully in the study. From management of the SME's through to the department leads, branch managers, middle level manager down to supervisors, and customers or clients.

This enabled the research team gain availability and accessibility of information and also ensures a more detailed investigation which would yield more valid and reliable results. The staff of the SME's together with their various customers constituted the population.

3.3   STUDY DESIGN

The research was based on examining reason why SME's do not keep proper accounting records. (A case study of Kumasi Metropolis). The design used for this study was descriptive study, which used both qualitative and quantitative tools to determine why proper records are not kept by SME's within Kumasi Metropolis to the development on the Ghanaian economy. The study was based on the use of questionnaires and interviews. These approaches were considered appropriate because it is the certified tools for collecting data for the sample population to examine the reasons why records kept by SME's are not proper

3.4.   POPULATION, SAMPLE SIZE AND SAMPLING TECNIQUES AND PROCEDURES

The population of this study comprised of Four Hundred and Fifty-Eight small scale enterprises in the Kumasi metropolis. The population chosen is the people who trade in all categories of commodities and second hand goods.

These sections of small scale enterprises were purposely selected with the view that they would put in place proper Accounting records of their operations to generate the require information to solve business problems such as financial help from financial institutions, internal strategic decisions, investors and many more for business growth. Out of the population of Four hundred and fifty-eight (458), one hundred were targeted whiles seventy-five (75) SME's participated in this research. We employed a combination of different sampling techniques such as random, cluster and purposive sampling .Cluster sampling was used most since most of the businesses were scattered.

Those market areas in rows were group into a cluster whiles non rows were randomly selected .Questionnaires were given to those who could read and write whiles interview was conducted for those who cannot read and write. It was envisage that these sampling techniques were the most convenient and appropriate to achieve the objective of the research.

3.5   DATA COLLECTION METHODS

The study applies descriptive quantitative survey method. This method entails gathering of data from primary source aimed at achieving the objective of the research. The sampled population comprised two hundred and fifty (458) SMEs in the Kumasi metropolitan assembly of Ghana, of which seventy five (75) participated.

We based on the objectives to develop the questionnaire for the survey and possible responses. Data for the study was gathered from Managers and owners of SMEs through self designed questionnaires covering various variables identified in the literature. The questionnaires had three major sections. The first part covered the demographic profile of the respondents followed by the profile of business entity. The next section covered the question that sought to categorise respondents into whether proper books of accounts is maintained or not.

Finally, after the categorisation, respondents were asked to give reasons why they maintain or do not maintain accounting records. The questionnaires were distributed to the sampled respondents to know how they comprehend records keeping in the conduct of their business. Though it took some time for all questionnaires interviews and discussion to be completed, the researcher handed the questionnaires to those who could read and write earlier, so that they can be afforded time to study the pattern of the questionnaires and give the appropriate response without being rushed.

3.6   DATA ANALYSIS

The data was organised into figures and charts based on the questionnaires given and the data. The result was subsequently computed into percentages. Diagrammatic representations of the statistical summaries of the result were presented in the form of pie chart, bar charts and graphs. Computer Data analysis such as SPSS and other relevant software were the main tools employed to analysis that data in order to help interpret results. The statically programme for social scientist (SPSS) was also used to analyze the pre coded questions. Ms Excel was used to draw the graphs for the computed data. This was used by the researchers because of the ease it affords for this purpose over the other software.

The other questions that were open-ended were analyzed by listing all the vital response given by the respondents. They were then considered based on their relevance to the research. Both primary and secondary data were analysed to give meaning to responses collected through the questionnaires which were skilfully designed and self explanatory to yield the desired information and interviews that were conducted to find more about how these SMEs recognise the essence of records keeping. Percentages were calculated as well as bar charts and pie charts to give a graphical presentation to the information gathered.

3.7   ETHICAL CONSIDERATION

A clear understanding of accounting terms, concepts and language that are commonly used to express concerns enabled as to identify normally relevant or significant in this research.

Although avoiding ethical language in some circumstances served to reduce the defensiveness of those whose actions and policies are being questioned. It inhibits the understanding of ethical situations and problems that commonly occurred and the possibility of resolving those problems. The research is not intended to establish whether some act, motive or character trait is ethical and professionally acceptable or otherwise but to provide solutions to improper books of accounts.

CHAPTER FOUR

RESULTS AND ANALYSIS OF THE STUDY

4.0   INTRODUCTION

This chapter is about the result of the study as well as the analysis and interpretation of the responses from the questionnaires and interviews.

The research question sort to ask questions pertaining to proper book keeping by SMEs. Some of the questions were;

- ➢ What sorts of accounting records are kept by SMEs in Ghana?

- ➢ What is the adequacy of book keeping by SMEs?

- ➢ What are the challenges facing this SMEs in keeping records

- ➢ To what extent will this record help the SMEs?

The information gathered from the research revealed that most of the businesses under the SMEs sector do not have any knowledge at all about keeping proper accounting records.

They have all the information in their small note books. Few businesses who understand the need to keep records hardly engage people for fear of knowing their business secrets or embezzling their funds. Those who have engage an accountant not prepared the books of account but only records of the receipt and payments 0f the business transactions of the entity.

4.1 PERSONAL DETAILS

Personal details such as age, sex, marital status, and educational background of our respondents were obtained. The findings related to these questions are presented below.

Table 4.1   **Personal Details**

Questions	Valid	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Age	20-25	8	15.7	15.7	15.7
	26-30	17	33.3	33.3	49.0
	31- 40	19	37.3	37.3	86.3
	41-	7	13.7	13.7	100.0
	Total	51	100.0	100.0	
Sex	Male	35	68.6	68.6	68.6
	Female	16	31.4	31.4	100.0
	Total	51	100.0	100.0	
Marital Status	Yes	23	45.1	45.1	45.1
	No	28	54.9	54.9	100.0
	Total	**51**	**100.0**	**100.0**	
Educational Background	JHS	4	7.8	7.8	7.8
	SHS	11	21.6	21.6	29.4
	Tertiary	36	70.6	70.6	100.0
	Total	**51**	**100.0**	**100.0**	

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(Table 4.1 – Personal Details, Field survey May, 2015)

From the table, the findings indicated that 8 people were between the ages of 20 – 25 which represent 15.7%, 17 peoples fall within the ages of 26 – 30 representing 33.3%, 19 people between the ages of 31 – 40 representing 37.3% and 7 people from 40 years and above also representing 13.3% of the total number of respondents. Below is the frequency diagram with the various percentages. That, 35 out of 51 respondents are males which represent 68.6% and females representing 31.4%.

According to the study as indicated in the table above, 23respondents are married representing 45.1% whilst 28 are single also representing 54.9% of the total number of respondents. While, the educational background of the respondents in the study conducted. Four (4) respondents out of 51 respondents are JHS graduate representing 7.8%, 11 are SHS graduate representing 21.6% and 36 have had tertiary education which representing of the total number of respondents.

4.2   NATURE OF BUSINESS

On the question of **"the nature of business"** 24 respondents are into the service industry accounting of 47.1%. 18 are in both manufacturing and service industry which represent 36.3%. 8 respondents are in the manufacturing industry. 1 person indicated a specific business activity either than manufacturing or productions and services also representing 2.0% of the total of number respondent.

Table 4.2   Nature of Business

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Service	24	47.1	47.1	47.1
Production & Service	18	35.3	35.3	82.4
Production	8	15.7	15.7	98.0
other Specify	1	2.0	2.0	100.0
Total	**51**	**100.0**	**100.0**	

(Table 4.2 – Nature of Business, Field survey May, 2015)

4.3   WHAT FORM OF BUSINESS ENTITY DO YOU OPERATE?

"What form of business entity do you operate?" 32 respondents operates the sole proprietorship business representing 62.7%, 12 respondents own company limited by guarantee representing 23.5%, 6 are into partnership business representing 11.6%, 1 indicated other specification which represents 2% of the total number of respondents.

Table 4.3   What Form Of Business Entity Do You Operate?

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Sole Proprietorship	32	62.7	62.7	62.7
Company Limited by Guaranteed	12	23.5	23.5	86.3
Partnership	6	11.8	11.8	98.0
Other Specify	1	2.0	2.0	100.0
Total	**51**	**100.0**	**100.0**	

(Table 4.3 – What form of business entity do you operate, Field survey May, 2015)

4.4   BUSINESS INFORMATION AND HISTORY

Table 4.4   Business Information And History

Questions	Valid	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Has the entity been registered	Yes	41	80.4	80.4	80.4
	No	10	19.6	19.6	100.0
	Total	**51**	**100.0**	**100.0**	
How was the business funded	Owner's capital	31	60.8	60.8	60.8
	Bank loan	13	25.5	25.5	86.3
	Family Contribution	7	13.7	13.7	100.0
	Total	**51**	**100.0**	**100.0**	
How many years has your business been operating	1-5	26	51.0	51.0	51.0
	6-10	18	35.3	35.3	86.3
	11-15	6	11.8	11.8	98.0
	50	1	2.0	2.0	100.0
	Total	**51**	**100.0**	**100.0**	
How many employees do you have	1-5	25	49.0	49.0	49.0
	6-10	8	15.7	15.7	64.7
	11-15	7	13.7	13.7	78.4
	16-20	10	19.6	19.6	98.0
	over 40	1	2.0	2.0	100.0
	Total	**51**	**100.0**	**100.0**	

(Table 4.4 – Business information and history, Field survey May, 2015)

On the question of the whether the business entity is registered or not. 41 respondents indicated YES representing 80.4% and 10 respondents also accounting for 19.6% of the total respondent.

"How was the business funded". Out of 51 respondents 31 indicated that they started the business in their own capital which represents 60.8%, 13 facilitated their business through bank loans representing 23.5%, 7 respondents used family contribution to start their business representing 13.7% of the total number of respondent.

"How many years has your business been operating"? On this question, the study indicated that 26 businesses that has been operating for 5 years represents which represent 51.0% 18 businesses have existed from 6 to 10 years also representing 35.3 %, 6 businesses 1 have lasted for 11-15 years representing 11.8% and 1 company have existed for 50 years and above which represents 2% of the total number of respondents.

25 businesses had 1-5 employees which represents 49%, 8 had 6-10 workers which represents 15.7%,7 respondents also had 11-15 employees which represents 13.7%,
10 respondents had 16-20 which represents 19.6% and 1 enterprise had over 40 employees.
"Does your business or enterprise have other branches?" 19 respondents said YES that they have other branches which represents 37%, 32 respondents said no which also represents 62.7% of the total number of respondents.

4.4.1 Does your business or enterprise have other branches?

"Does your business or enterprise have other branches"? 19 respondents said YES that they have other branches which represents 37%, 32 respondents said no which also represents 62.7% of the total number of respondents.

Does your business or enterprise have other branches

- YES
- NO

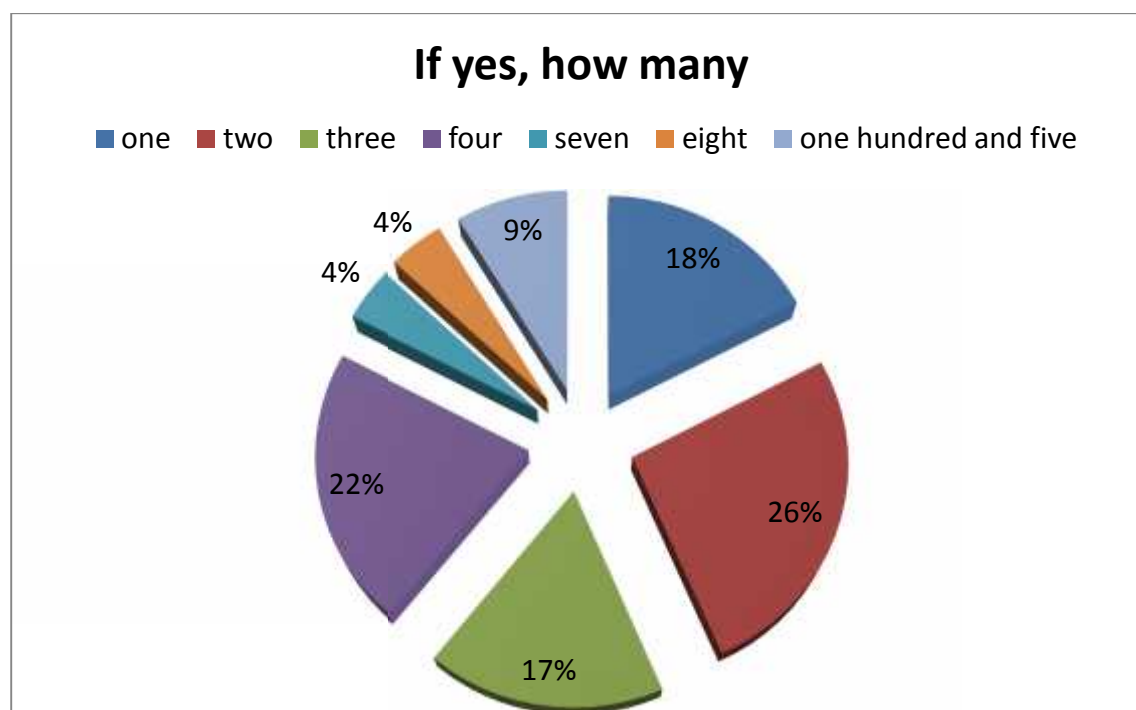**(Figure 4.4.1 - Field survey May, 2015)**

4.4.2   If yes, how many branches?

If yes, how many

- one
- two
- three
- four
- seven
- eight
- one hundred and five

4%

4%

9%

18%

22%

26%

17%

(Figure 4.4.2 - Field survey May, 2015)

31

4.5   What is the purpose of establishing the business? And do you keep records of your business transaction? If no why

"what is the purpose of establishing the business" 44 respondents   indicated that their business is a profit making venture representing 86.3% whilst 7 respondents said their business is the non-profit making venture also representing 13.7% of the total number of the respondents.

"Do you keep records of your business transaction"? 42 respondent said YES to this question represents 82.4% whilst 9 respondents said NO also representing 17.6% of the total number of the total respondents.

Table 4.5   What is the purpose of establishing the business? And do you keep records of your business transaction? If no why

Questions	Valid	Frequency	Percentage	Valid Percentage	Cumulative Percentage
What is the purpose of establishing the business?	Profit	44	86.3	86.3	86.3
	Non profit	7	13.7	13.7	100.0
	Total	**51**	**100.0**	**100.0**	
Do you keep records of your business transaction?	Yes	42	82.4	82.4	82.4
	No	9	17.6	17.6	100.0
	Total	**51**	**100.0**	**100.0**	

(Table 4.5 - Field survey May, 2015)

If no, why

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Lack of personnel	3	5.9	30.0	30.0
	lack of knowledge	2	3.9	20.0	50.0
	Does not see the need	4	7.8	40.0	90.0
	lack of proper managerial framework	1	2.0	10.0	100.0
	Total	**10**	**19.6**	**100.0**	
Missing	System	41	80.4		
Total		**51**	**100.0**		

4.6 WHAT TYPE OF ACCOUNTING RECORDS DO YOU KEEP, WHY DO YOU KEEP ACCOUNTING RECORD OF BUSINESS TRANSACTION, WHAT FORM OF ACCOUNTING RECORDS DO YOU KEEP, DO YOU PREFER MANUAL BOOK KEEPING TO MODERN COMPUTERIZED BOOKKEEPING AND DOES PROPER RECORD KEEPING MAXIMIZE PROFIT?

Table 4.6

What type of accounting records do you keep?				
Valid	**Frequency**	**Percentage**	**Valid Percentage**	**Cumulative Percentage**
Single Entry	20	39.2	39.2	39.2
Double Entry	21	41.2	41.2	80.4
None	10	19.6	19.6	100.0
Total	**51**	**100.0**	**100.0**	

Why do you keep accounting record of business transaction?				
To know your profit or loss	29	56.9	58.0	58.0
To assess loans from banks	3	5.9	6.0	64.0
To make business decisions	18	35.3	36.0	100.0
Total	**51**	**100**	**100.0**	**Total**
What form of accounting records do you keep?				
Traditional / manual Booking	30	58.8	60.0	60.0
Modern computerized Booking	20	39.2	40.0	100.0
Missing System	1	2.0		
Total	**51**	**100.0**	**100.0**	
Do you prefer manual book keeping to modern computerized book keeping?				
Yes	27	52.9	54.0	54.0
No	23	45.1	46.0	100.0
Missing System	1	2.0		
Total	**51**	**100.0**	**100.0**	
In case of electronic or modern computerized book keeping, do you have backups for missing records?				
Yes	24	47.1	49.0	49.0
No	25	49.0	51.0	100.0
Missing System	2	3.9		
Total	**51**	**100.0**	**100.0**	
Does proper record keeping maximise profit?				
Yes	43	84.3	84.3	84.3
No	8	15.7	15.7	100.0
Total	**51**	**100.0**	**100.0**	

(Table 4.6 - Field survey May, 2015)

"what type of accounting records do you keep" 20 respondents said they operate single entry account for their business representing 39.2%, 21 respondents said they operate a double entry system of account representing 41.2% and 10 respondent said they operate none of these accounts representing 19.6% of a total number of respondents.

On the question of "why do you keep accounting records of the business transactions", out of the SI respondents 29 responds indicated that the keep records to know the profit and loss statues of their business representing 56.9%, 3 respondents keep records to assess loans from the bank which is representing by 5.99%, 18 respondents keep records to make business decision representing 36.3%. The study shown that the records kept by business are not into detail is not kept in proper books. "what form of accounting records do you keep" On this question, 30 respondents indicated their interest in the traditional / manual form of book keeping representing 58.8%, whilst 20 prepared modern computerized book keeping also representing of the total number of respondent.

"In case of electronic or modern computerized book keeping, do you have backups for missing records"? On this question YES was the responds given by 24 respondents representing 47.1% whilst indicated NO, meaning no backups are available for missing records which represents 49.0% of the total number of respondents.

With references to the question, Does proper records keeping maximize 'profit' 43 respondents said Yes representing 84.3% whiles 8 respondents said No also representing 15.7% of the total number of respondents. This data suggest most SMEs accept that proper record keeping maximizes profit.

4.7 **WHAT PROBLEMS DO YOU ENCOUNTER IN RECORD KEEPING?, DO YOU FOLLOW PROPER ACCOUNTING PROCEDURES IN RECORD KEEPING, DO YOU KEEP YOUR MONEY IN THE BANK, AT WHAT INTERVAL DO YOU KEEP YOUR RECORDS, DO YOU HAVE ANY MECHANISM TO CHECK FRAUD IN YOUR RECORDS KEEPING AND IN YOUR OWN OPINION IS IT NECESSARY TO KEEP PROPER ACCOUNTING RECORDS FOR YOUR BUSINESS.**

Table 4.7

What problems do you encounter in record keeping?				
Valid	**Frequency**	**Percentage**	**Valid Percentage**	**Cumulative Percentage**
lack of knowledge and skill in book – keeping	21	41.2	42.0	42.0
ignorance	18	35.3	36.0	78.0
time constraints	7	13.7	14.0	92.0
lack of control over cash	2	3.9	4.0	96.0
feel lazy to keep records	2	3.9	4.0	100.0
Missing system	1	2.0		
Total	**51**	**100.0**	**100.0**	
Do you follow proper accounting procedures in record keeping?				
Yes	29	56.9	56.9	56.9
No	22	43.1	43.1	100.0
Total	**51**	**100.0**	**100.0**	
Do you keep your money in the Bank?				
Yes	47	92.2	92.2	92.2
No	4	7.8	7.8	100.0
Total	**51**	**100.0**	**100.0**	

At what interval do you keep your records				
Daily	19	37.3	37.3	37.3
Weekly	22	43.1	43.1	80.4
Monthly	10	19.6	19.6	100.0
Total	51	100.0	100.0	
Do you have any mechanism to check fraud in your records				
Yes	26	51.0	51.0	51.0
No	25	49.0	49.0	100.0
Total	51	100.0	100.0	
In your own opinion is it necessary to keep proper accounting records for your business				
Yes	46	90.2	90.2	90.2
No	5	9.8	9.8	100.0
Total	51	100.0	100.0	

(Table 4.7 - Field survey May, 2015)

Concerning the question "what problem do you encounter during record keeping"? 21 respondents said the lack knowledge and skills in book keeping representing 41.2%. 8 indicated ignorance which represent 35.3%, 7 said time constraints represent 13.7%, 2 said lack of control over cash representing 3.9%, 2 also said they lazy to keep records representing 3.9% of the total number of respondents. On the question "Do you follow proper accounting procedure in records keeping". 29 respondents said Yes, that the absence proper accounting procedures which account for 56% whilst 22 indicated No also account for 43.1% of the total number of respondents.

"Do you keep your money in the bank" on this question, 47 respondents said Yes representing 92.2% whilst 4 indicate No to the question also accounting for 78% of the total respondents.

From the data given, 19 respondents indicated daily, on the question at what interval do you keep your records which represents 37.3%, 22 said weekly, representing 43.1% and 10 indicated monthly also representing 19.6% of the total respondents.

On the question, "Do you have mechanism to check fraud in your records keeping" 26 said Yes, that there is a way to monitor malpractices and the likes in their record keeping which represents 51% whilst 25 said No, there is not such mechanism which also represents 49% of the total respondents.

On the opinion on whether it is necessary to keep accounting records of business activities. 46 respondents indicated Yes, that proper records keeping is important for every business entity (SMEs) which represent 90.2% whiles 5 said No representing 9.8% of the total respondents.

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CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1   SUMMARY

As it has been discussed earlier, accounting records is "keeping records of what is bought, sold, owned and owed; what money comes in, what goes out, and what is left". It is the financial transaction of any event that involves money. In effect, it has so many importance to traders in their trading activities. Some of which are:

- Assists in monitoring the success or failure of business

- Provides necessary financial information

- Assists in obtaining bank financing

- Assists in obtaining other sources of capital

The method used in collecting data for the study was both the primary and the secondary source. The primary source of data included the use of questionnaire in administering the chosen population where traders were selected using the simple random sampling technique. Under the secondary source of data, the internet and other bulletins were used to source for information. The data collected were analyzed put into writing, discussed and illustrated with tables and charts. The conclusions and recommendations are further discussed here in this chapter.

5.2   CONCLUSIONS

The study found out that accounting records is a great challenge among many SMEs in Kumasi Municipality. The greatest challenge was seen in little knowledge in accounting records and collapse of some businesses which amounted to 66.6%. The research also discovered that 45% of the SMEs showed inadequate book keeping practices.

Further, the study found out that 54% of the financial performance of SMEs was deteriorating and failing as of not keeping proper accounting records.

There is the need to put up proper management to ensure that records are kept to generate the needed information for the business and their stakeholders for proper decision making. One such element of skills capable of making SME's activities effective and efficient is management's ability to keep records of purchases, sales and expenditure of all other transactions.

Unfortunately few SME's in the municipality keep records of their sales. Various reasons were given by these small and medium scale enterprises why they are not keeping proper records of their sales. Some of these reasons are that many SME's do not have the knowledge and understanding in book - keeping. Others also say that they do not have time of keeping records especially when their customers are queuing for goods. There were also those who even said that they feel lazy to document their purchases, sales and expenditures every day. There may be other reasons for SME's in Kumasi metropolis for not keeping records of their business transactions. This research has not found all the reasons why SME's are not keeping proper records but is just a pace - setting for future research to advance on the little we have delved into.

5.3   STUDY RECOMMENDATIONS

We recommend that the government in conjunction with GRA and ICA Ghana should work out a comprehensive strategy to sort out the problems associated with keeping proper accounting records by sensitizing the owners and managers of small and medium scale enterprises through exposure drafts, or discussion papers.

Enough time should be given to all interested parties. Symposiums, conferences, and open forums can also be used to sensitize the operations of SME's.

One of the findings of the study was that some owners and managers of the SMEs have little knowledge in accounting records. Our study would recommend for further sensitization programmers to equip the owners and managers of the SMEs with proper knowledge in accounting records.

The research activities conducted in small and medium scale enterprises in Kumasi Metropolis identify some factors that affect proper book keeping activities of some businesses as lack of relationship between proper book keeping and their financial performance. As a result of some limitations imposed on this study to achieve our objectives, some areas that are relevant to this study were not covered. We suggested for further research into the entire relevant operations of the SMEs sector to make the study complete.

Further study could also be done to establish the effect of e-book keeping on proper management practices of small and medium scale enterprises. Again, further study could be done on the effect of financial accounting information on financial performance of small and medium scale enterprises.

Lastly, the following recommendations are made if small and medium scale enterprises want to make a considerable improvement in their businesses operations.

We recommend that SME's who are ignorant of accounting records should be encouraged by regulatory agencies to improve their operations.

It is further advised that SME's who are reluctant in keeping records of their business activities must be given public education about the significance of accounting records. This should prompt the SME'S that the absence of accounting records in all business activities could lead to the collapse of that business and not on any superstition of evil behind business failure.

Finally, government agencies like GRA in the Metropolis should from time to time be given public lecture to these SME'S on the skills and steps in keeping records.

Basic book keeping procedures should be incorporated into the educational curriculum at the Junior High School Levels.

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QUESTIONNAIRE TO SMEs

I am a student of Christian service University College working on the research topic 'a study

A CASE STUDY OF SMEs IN KUMASI

I would be very much grateful if you could provide answers to the questions below.

Please **tick** where applicable. This study is purely an academic exercise and all information

provided including your personal views would be treated confidential.

1. Age   20-25 [   ]   26-30[   ]   31-40 [   ]   41-Above [   ]

2. Sex   Male [   ]   Female [   ]

3. Are you married?   Yes [   ]   No [   ]

4. Educational background   JHS [   ]   SHS [   ]   Tertiary [   ]

5. Nature of Business   Service [   ]   Production & Service [   ]

                             Production [   ]   Other Specify…………………

6. What form of business entity do you operate?

      Sole Proprietorship [   ]   company Limited by Guaranteed [   ]

      Partnership [   ]   Others Specify……………………..

7. Has the entity been registered?   Yes [   ]   No [   ]

8. How is the business funded?   Owner's Capital [   ] Bank loan [   ]

                   Family Contribution [   ]   Borrowing from friends [   ]

9. How many years has your business been operating?

      1 -5yrs   [   ]   6 – 10yrs [   ]   11 – 15yrs [   ]

10. How many employees do you have?

      1 -5yrs [   ]   6 – 10yrs [   ]   11 – 15yrs [   ]   16 – 20 [   ]

11. Does your business/ enterprise has other branches?   Yes [   ]   No [   ]

12. If Yes, How Many ………………………………………….

13. What is the purpose of establishing the business?   Profit [   ]   Non – Profit [   ]

14. Do you keep records of your business transactions?   Yes   [   ]   No [   ]

15 If No, why?

Lack of personnel [   ]   lack of knowledge [   ]   doesn't see the need [   ]   lack of

proper managerial framework [   ]

16. What type of accounting records do you keep?

      Single Entry [   ]   Double Entry [   ]   None [   ]

17. Why do you keep accounting record of Business transaction?

      To know your profit or loss   [   ]

      To assess loans from banks   [   ]

      To make business decisions   [   ]

      For tax purposes   [   ]

18. What form of accounting records do you keep?

      Traditional/manual Bookkeeping   [   ]

      Modern computerized Bookkeeping [   ]

19. Do you prefer manual book keeping to modern computerized book

Keeping?   Yes [   ]   No [   ]

20. In case of electronic or modern computerized bookkeeping, do you have backups for

missing records?

               Yes [   ]   No [   ]

21. Does proper record keeping maximize profit?

               Yes [   ]   No [   ]

22. What problems do you encounter in record keeping?

        Lack of knowledge and still in book- keeping   [   ]

        Ignorance   [   ]

        Time constraints   [   ]

        Lack of control over cash   [   ]

        Feel Lazy to keep records   [   ]

23. Do you follow proper accounting procedures in record keeping?

        Yes [   ]   No [   ]

24. Do you keep your money in the Bank?

        Yes [   ]   No [   ]

25. At what interval do you keep your records?

      Daily [   ]   Weekly [   ] Monthly [   ]

26. Do you have any mechanism to check fraud in your records keeping?

Yes [   ]   No   [   ]

27. In your own opinion is it necessary to keep accounting records for your business?

        Yes [   ]   No [   ]