

WHY MOST PETTY TRADERS DO NOT KEEP PROPER BOOKS OF ACCOUNTS?

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MAY, 2008

Investigation report submitted to the Business Administration Department of Christian Service University College in partial fulfillment of the requirements for the degree of Bachelor of Business administration.

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ABSTRACT

The project explores petty traders and why most of them do not keep proper book of accounts, and do they know anything about bookkeeping and do they record their day to day transactions. The project highlighted the usefulness and the need to record transactions. It also highlighted the kind of measures that need to be taken to enhance their effectiveness and completeness.

It began with an introduction to the report which talks about the background, statement of problem, objectives of the study, research questions and organization of chapters.

The cluster sampling method was used with a sample size of 200. Out of the 200 questionnaires given out, 158 responses were been received. Both primary and secondary data were used. The findings were being analysed and interpreted of the responses from the questionnaires and interviews.

The study showed that most of the traders do not record the day to day events and know nothing about proper bookkeeping. And those who know do not record them appropriately. The traders who record do it manually and it becomes tedious with cancellations here and there. Finally, the manual works become bulky.

Recommendations were also made as to how they should go about the proper way of keeping books of accounts.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Every business need to keep proper books of account so as to ascertain at all times how the business is progressing. That is to say if the business is doing well or not. This will help the trader take proper measures whether to maintain the pace of the business or improve upon it. The success of a business to a large extent depends on how well it manages its accounts. It helps to keep track of what goes on in the business and the necessary measures to be taken.

Again, it will help the Internal Revenue Service as well as the VAT service to ascertain how much these businesses earn. In so doing they can deduct the right tax on income earned. In case the trader wants some loan to expand the business it will be easier for him and the lender as well. So that the time frame for the loan collection would not be prolonged.

Petty trading is a term used for a small size business. In actual fact, we use petty trading to describe a certain type of business or an enterprise and how they are run. Petty traders have certain characteristics and management issues in common. Its definition is a fundamental issue facing those who wish to understand more about it. It is difficult to define precisely on paper, but most are easy to recognize once they are seen in operation. It is so widespread in Ghana and commonly seen in the market centres and road sides. It is present in virtually every where in the cities, towns and villages. Petty trading is a very common type of trading or business. It is operated or can be operated by people of all categories and race: rich and less rich, rural and urban, male or female and a whole lot. There is also extreme variation with regards to efficiency, methods of operation, the nature of the market served and the size of the resources employed. Thus, a manufacturing business employing 200 people has very little in common with a petty

trade owned and run by an individual or partners. The petty trading does not go near such a business. It's mostly seen as a small business with a small profit. Honestly, most of them do not keep books of accounts of the events happening in and around the business. To me, it is not a good practice as long as operating a business is concern.

Book keeping is a vital activity in the operation of a business or for the betterment of that particular business's progress. It's a practice of keeping records of financial transactions and analyzing them if required. It may be done manually or with the aid of a computer program. It is the record of the transactions made for each day and been recorded in its proper book of account. For instance if you make a purchase with cash, you must have a cash account and a purchases account. Then the transaction must be recorded in the cash and purchases accounts. The transaction should not be recorded in the fixtures and fittings and sales account. Hence there should be a double-entry system which is the back bone of accounting. It is based on the principle of duality. This means that all events of economic importance must have two aspects as to the effect, reward, sacrifice and benefit, services and uses that offset or balance each other. Each transaction must be recorded twice, meaning it must have a debit and credit balances.

The research is basically to help petty traders as well as stakeholders to design, implement and see to the proper use of books of account. The study will go a long way to help them put in place the proper measures needed for book keeping and effective ways of accounting for them. With this, it is important for me to explore why they don't keep proper books of account and to recommend to them the usefulness of proper book-keeping of accounts. This topic will serve as a guide for people who would want to go into petty trading. In the sence that, when they read this report, they would know of its importance.

1.2 Statement of problem

The problem associated with this study is a major factor of the report and it highlights more on what has been introduced above. The existence of not keeping proper books of accounts or neglecting the use of recording day to day events is an issue that petty traders need to manage if they are to remain a profitable going concern. This is because proper book keeping impacts on performance. It sort of highlights how the business is doing and what strategic measures to adopt for the performance of the business.

1.3 Objectives of the study

Broadly, the study is made to explore why most petty traders do not keep proper books of accounts and the impact it has on their businesses. Besides this broad objective, the study specifically has the following objectives.

- 1 To explore the issues of proper book-keeping among petty traders.
- 2 To discover the different approaches taken by the traders under the study to manage this book-keeping.
- 3 To make recommendations to the traders to help them survive.

1.4 Research questions

The research work is to find answers to the following questions

- What does proper book-keeping entails?
- What principles can traders adopt in managing books of accounts?
- How relevant is proper book-keeping?

1.5 Organization of chapters

The research is divided into five chapters. Chapter one gives the introduction, objectives and significance of the study. Chapter two examines relevant literature review. Chapter three looks at the methodology adopted for the study. Chapter four deals with the analysis and interpretation of findings. Chapter five concludes the study with summary, conclusions, recommendations and suggestions for the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Background of review

In economic terms, petty trading has a relatively small share of the market. It is independent in the sense that it does not form part of a larger enterprise and its ownership is relatively free from outside control in its principal decisions.

Petty trading was defined by more specific quantitative measurements. These definitions have formed the basis of subsequent research in the UK. Petty trading is a seedbed from which tomorrow's larger companies will grow. They are also entry points for entrepreneurial talent who will become the industrialist of the future.

It was believed that the health of petty trading requires the birth of keeping track of events of the business's transactions. And this can be used as a check on the progress of the trade or business. Book-keeping can challenge them to move forward. That is if they want it so, because as you use the book-keeping records it can prompt you of stock that is doing well and that which is not doing well. Based on this, one can have an idea of what measures to use.

2.2 What a business entails

A business is the exchange of goods or services on an arm's length basis. That is fair trade between unrelated parties that results in mutual benefit for both parties involved. A person engages in business because he or she believes that the rewards (possible future benefits) are greater than the risks (possible future sacrifices). A business is designed to provide needed goods or services at a price that customers are willing to pay and to provide a return to its owners. That is, it sells its product and services at a price that is greater than the cost of the goods or services. This excess is used to pay its creditors (people and entities that loan it money) and provide a return (a profit or gain on an

investment) to people and entities that are owners of the business. For a business to be successful, it must have capable employees empowered to do their jobs. Employees perform five basic functions for a business, marketing, human resources, production and operations, finance and accounting and information system. All these functions require accounting and information to some extent.

2.3 Business functions

The marketing function determines the wants and needs of consumers and devices a system for distributing the goods and services customer demand. Marketing is customer focused and is concerned with issues such as customer satisfaction. Marketing uses accounting information to help determine selling prices, to evaluate alternative distribution channels, and evaluate marketing success, among other things.

Human resources function is responsible for ensuring that capable employees are given opportunities to succeed in a safe environment.

Production and operation function is responsible for planning, organizing, directing and controlling the operations of the business. Productions and operations management is concerned with issues such as efficiency and timeliness. It uses accounting information to determine the goals of operating activities and to evaluate the success or failure of those activities.

Finance function is responsible for managing the financial resources of the business.

Most petty traders operate for operating sake and do not record transactions which are made during concerned with issues such as when and how to raise capital as well as where to invest that capital. Finance uses accounting information to evaluate investment proposals and to determine the costs of alternative financing strategies.

Accounting information system function is responsible for providing useful information

to the other functional areas and external parties. It must ensure that users receive the information they need, when they need it, in a form that is appropriate to their needs. Accounting and information system are the backbone of the business.

From the above, you could see that every aspect of the progress of every trading depends on accounting and how you record its transactions.

2.4 Summary and analysis of findings

Table A

Do the petty traders account for transactions?

Response rate	Respondents	Percentage (%)
Yes	15	14.3
No	90	85.7

Table B

Do petty traders know of the importance of book-keeping?

Response rate	Respondents	Percentage (%)
Yes	4	3.8
No	101	96.2

Table C

Ages of traders who do not keep books of accounts.

Ages	Respondents	Percentage (%)
25 – 30	3	2.9
31 – 36	7	6.7
37 – 42	13	12.4
43 and above	82	78

From table A it was realized that 15 of the respondents which constitute 14.3% accounted for their transactions. And 90 respondents which constitute 85.7% do not account for their transactions. In the sense that those who do not do it are more than those who do it.

From table B also, only 4 respondents have an idea of the importance of book-keeping. And the remaining 101 have no idea of it.

From table C, it was realized that 3 respondents from the ages of 25-30, 7 of the ages of 31-36, 13 respondents from 37-42 and 43 and above do not keep books of account. one could realize that the number keeps increasing as the age increases. And I believe this is due to old age or the elderly don't really care.

2.5 Conclusions

Most petty traders do not record the day to day events that is buying and selling. Those who do the recording do not give the event the proper treatment. That is to say they do not record them properly and that if an item or a transaction is to be treated as an expense it is treated as revenue and vice versa. Some of them are just ignorant about it. Some pay no heed to such things as book-keeping or proper books of accounts. One can decide whether to keep records or not. If you do and when the need arises you can prepare financial statement and use it. Most of them operate because they want to earn something in their pocket and nothing else. In that, proper book keeping is a secondary matter to such people. Also, some product when bought today can be sold tomorrow and you order for some the same day or next day. In this case there is no need in keeping records.

Petty trade is managed by its owner or owners in a personalized way. The owners manage it in the way that will suit them and how they want it to go. Generally, it has no parameters with regards to trading. That is to say that the traders operate or work out their business in a way that suits them.

CHAPTER THREE

METHODOLOGY

3.1 Population and sampling size

The population chosen for this study covered petty traders as well as their employees in Asafo market. The sample size I used was 200. And a number of questionnaires were being given to those who could read and write to fill. An interview was conducted for those who cannot read and write. Out of the 200 I had 158 responses.

Cluster sampling method was used. Since, the traders were many and scattered around and I wouldn't have been able to distribute questionnaires to each and every one of them. Neither could I have interviewed every one. The market has rows of buildings in a linear form and I devised them into groups. I took each row to be a cluster. From this, I chose 200 traders for the interview.

3.2 Sources of data

Both primary and secondary sources of information were gathered. I had the primary source from my own research. The data collecting instrument used for the secondary source includes; reference books, internet search, and documentaries.

3.3 Research design

The study was designed in a way that suited my effort and finances. So I decided to study Asafo market for the research. I did that because I believed that I could get readily available information from them. Also, I did a little research at Odenho Kwadaso with some petty traders I know personally. It made it possible for me to get the relevant

information I needed.

3.4 Data collection instrument

The tools for the data collection I used were interviews, questionnaires and documentary analysis. I used both open and closed questions for questionnaires. The interviews were both semi-structured and unstructured which I presented with an interview guide. I carefully examine the books of those who were able to present me with documentary proof of records. With the aim of obtaining the relevant information.

3.5 Data analysis

The data or response related to each research questions was categorized and presented with appropriate statistical tools. The results of the questionnaires were presented in an appropriate statistical tool such as tables, figures and percentages.

Each of them was carefully processed as well as other relevant materials which I discovered.

3.6 Limitations

A lot of problems were encountered in the collection of data for the study. Some of the problems encountered were difficulties in conducting interviews. This is because most of the respondents were illiterates. The respondents had their individual time schedule for the interview. This became a problem for me because I had to forgo lectures sometimes to suit their individual time schedule. There were also financial matters which came as a result of the respondents tossing me up and down to meet their time schedules. Again, some were just not ready for me.

3.7 Scope of the study

For the analysis to be clearer, simplified and limited to the topic, the research will be

limited to purchases day book, sales day book, records of day to day events, problems associated with book-keeping, proper records of books of account and measures used in controlling the problems associated with book-keeping.

CHAPTER FOUR

RESULTS AND ANALYSIS OF THE STUDY

4.1 Introduction

This chapter is concern with the results of the study as well as analysis and interpretation of the responses from the questionnaires and interviews.

The research questions were:

- What does proper book-keeping entails?
- What principles can traders adopt in managing books of accounts?
- How relevant is proper book-keeping?

4.2 What do petty traders know about book-keeping?

From the information I gathered, I found out that most of the traders do not have any knowledge at all about proper book-keeping. Few people work with book-keeping. The table below shows the response rate for research question one.

Table 1

Do petty traders know about proper book-keeping?

Response	Respondents	Percentage (%)
Yes	25	16
No	133	84

From the table above, the findings indicated that 25 respondents said yes to the question been asked for the research question one and the fact that they know something about book-keeping. The 25 respondents represent 16% of the total number of 158 respondents.

133 respondents said no to the research question one. And looking at the number which said no, one could say that it is very high. They represent 84% of the total number of 158 respondents. The number of respondents which said no is more than the number that said yes. This means that most petty traders' knowledge about proper book-keeping is very low.

One might ask, what constitute that huge difference? I found out that petty trading has no parameters as to how they should be operated. So long as one has the money to set up that kind of business you just operate it in the way that will suit you. No one will ask you of anything. You work on things that you think can be of benefit and please you. In this case, recording of events and book-keeping will mean nothing to you. The funny thing is that about 90% of those that said they know of proper book-keeping are not doing it the right way. They are also doing it in the way that pleases them. The point is, they are not obliged to operate their business with proper book-keeping so they tend to ignore it.

4.3 How do petty traders record their day to day transactions?

What some of them do is write something like say I sold this number of goods for an amount today. Some writes the date down and put an amount of what they had for the day besides it. Some don't do it at all. They take whatever they had for that particular day home without putting them in their right book of account. They open no account or let say record the event or transactions properly. The table below shows the response rate for the research question two.

Table 2
Do petty traders record their day to day transactions?

Response	Respondents	Percentage (%)
Yes	70	44
No	88	56

From the above, you could see that the percentage of respondents who said yes are less than that of the respondents that said no. The yes responses constitute 44% of the total number of respondents and that of the no response rate constitute 56%. This means that those who do not record are more than those who do.

4.4 What problems do they find in recording transactions?

With this research I found out from those who record their transactions that, the problem they face here is limited. They feel lazy sometimes in picking up a records book to record. In this case they forget to do it sometimes. Also they tend to misuse the records book after it has served its purpose. The records become bulky and mistakes here and there which make them cancel and cross some of the records. They lack computers with accounting package software.

It is obvious that those who do not do the recording have no problems associated with recording.

Table 3

Do they find problems in recording transactions?

Response	Respondents	Percentage (%)
Yes	5	3.2
No	143	90.5

From table 3 the number of people who said yes was 5 and this represent the small number who do record but have problems with recording. This yes responses from the 5 respondents constitute about 3.2% of the total number of respondents. The number of respondents who chose no for an answer was 143 which constitute about 90.5% of the total respondents. They are the traders who do not record at all. And the remaining 10 respondents indicated that they do record transactions but have no problem with it. This was because some did it their way. That is in a way that suits them and to remind them of

what went on that day. And that, they are not interested in proper book-keeping so far as their business is concern. All they want is to make good sales to enrich their pocket. Also, to get quality goods at affordable prices to buy and sell. In order not to make losses during sales. Else they would have to sell them the same price as they bought them less cost incurred before they could get them to their respective selling places.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS.

5.1 Summary

Why most petty traders do not keep proper books of account cannot be looked down upon. Since proper bookkeeping leads to the smooth operation of the business. In that, it can direct you to the right measures needed for internal controls. and can also serve as mechanism to check on how the business is doing. The study was done to ascertain why they don't keep proper records. And to recommend to them the need to do it.

The research is divided into five chapters. Chapter one deals with the introduction of the report. Chapter two deals with the literature review. Chapter three presents the methodology adopted for the study. Chapter four deals with the results and discussions. Chapter five presents the summary, conclusions, recommendations and suggestions for the study.

I used a sample size of 200 and had 158 feedback. Asafo market was used for the research and the tools used for data collection were interviews, questionnaires and documentary analysis.

The study showed that most of the traders do not record the day to day events and know nothing about proper bookkeeping. And those who know do not record them appropriately. The traders who record do it manually and it becomes tedious with cancellations here and there. Finally, the manual works become bulky.

5.2 Conclusions

The study made me realize that most petty traders are making mistakes by not keeping proper books of accounts. Books of accounts are held to ascertain the financial position of the business at any time. If you neglect it, it becomes difficult to know if you are running at lost or gaining. It is better to keep records of financial transactions and analyse them if required. It can be done manually or by computer aid. In view of this there is the need to ensure efficient and effective book-keeping.

5.3 Recommendations

From the findings of the study the recommendations are been outline as follows:

1. Petty traders should be educated on the need to keep records.
2. Create and maintain proper accounting records book.
3. NGO's can organize workshops and seminars periodically for them to boost their recording abilities.
4. Adopt proper controls over books of accounts and its right posting.
5. Issues of receipt must be properly authorized and documented.
6. They should seek professional advice for the proper measures to be done.
7. They can employ someone preferably an accounting technician to do if necessary.
8. They should check on the records to find out how the business is doing at regular intervals.

5.4 Suggestions

I suggest that intensive studies should be conducted to cover the whole of Kumasi to find out the possible solution to this problem in the region as a whole.

Reference

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2. John G. 1982, Dictionary Of International Accounting Terms, Financial World Publishing, United States Of America

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Appendix

1. Age of respondent a) 15 - 25 b) 26 - 36 c) 37- 47 d) 48 - 58
2. Sex a) male b) female
3. Marital status a) single b) married
4. What are the commodities you trade with?.....
.....
5. What mode of payment do customers use? a) cash b) credit c) cheque
6. How do you record payments received?
.....
7. Do you have purchases day book? a) Yes b) No
8. Do you have sales day book? a) Yes b) No
9. Do you know books of account? a) Yes b) No
10. Do you record the day to day transaction? a) Yes b) No
11. How do you do it?
.....
12. Do you encounter problems in recording? a) Yes b) No
13. Who is/are your supplier(s)?

14. What is the mode of payment to suppliers? a) cash b) credit c) cheque

15. How do you finance your business?.....