

**T.R.
SAKARYA UNIVERSITY
GRADUATE SCHOOL OF BUSINESS**

**ASSESSMENT OF ACCOUNTING RECORDKEEPING
PRACTICES IN SMALL AND MEDIUM-SIZED
ENTERPRISES IN LASANOD, SOMALIA**

MASTER THESIS

Ahmed Mohamoud ALI

**Department : Business Administration
Field of Science : Accounting and Finance**

Thesis Advisor : Assist. Prof. Dr. Gökhan BARAL

MAY – 2019

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“This thesis approved by consensus of the examining committee on 23/05/2019.”

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LIST OF ABBREVIATIONS

SMEs	: Small and Medium-sized Enterprises
SBA	: Small Business Administration
IFRS	: International Financial Reporting Standards
SBS	: Small Business Service
JSBRI	: Japan Small Business Research Institute
EU	: European Commission
UK	: United Kingdom
TL	: Turkish Lira
GAAP	: Generally Accepted Accounting Principles
USA	: United States of America
AICPA	: American Institute of Certified Public Accountants
MR	: Malaysian Ringgit
DM	: Deutsche Mark
TLA	: Turkish Language Association

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Tezin Başlığı: Somali devleti, Lasanod şehrindeki Küçük ve orta Ölçekli İşletmelerde (KOBİ'ler) muhasebe kayıtlarının değerlendirilmesi.	
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<p>Bu araştırmanın asıl amacı KOBİ'lerin Lasanod'daki muhasebe kayıt tutma uygulamalarını değerlendirmektir. Çalışmanın hedef kitlesi, 250 KOBİ yöneticisi ve Lasanod belediyesine kayıtlı muhasebecilerdir. Bu 250 KOBİ yöneticisi ve muhasebecisinden yetmiş (70) tanesi bu çalışmanın bir örneklemini olarak alınmıştır. Araştırmada veri toplamak için anket yöntemi kullanılmıştır. Soruların iç tutarlılığını belirlemek için Cronbach Alpha güvenilirlik testi kullanılmış ve bu 0,82'lik bir güvenilirlik katsayısı sağlamıştır. Sakarya Üniversitesi Etik Kurulu anketimizin güvenilir olduğunu belirtti. Beş araştırma sorusu ve hipotezi, çalışma açısından 0,05 anlamlılık düzeyinde test edilmiştir. Araştırma sorularını cevaplamak için frekanslar ve yüzde oranları kullanılırken, bu beş hipotezi test etmek için t-testi kullanılmıştır. Çalışmanın ana sonuçları: Yöneticiler ve muhasebeciler bütçeleme uygulamalarının KOBİ'lerin faaliyetlerini arttırdığını kabul etmişlerdir. Katılımcılar, finansal raporlama uygulamalarının, KOBİ'lerin etkili operasyonları için gerekli olduğu ve yönetimin etkili kararlara ulaşmasına yardımcı oldukları için gerekli olduğu konusunda hemfikirler. Kredi alım işlemlerinde finansal raporlama yapılmış işletmeler için kolaylıklar sağladığı anlaşılmaktadır. Yöneticiler ve muhasebeciler, amortismanın eski ekipmanın yerine yenisini almalarında yardımcı olduğu konusunda da fikir birliğindedirler.</p> <p>Çalışmadan çıkan sonuçlara göre politika önerileri: Hükümetin KOBİ'lere ve uygun muhasebe kayıtlarına özel bir muhasebe sistemi oluşturması ve finansal tabloların hazırlanması KOBİ'ler için mevzuat yoluyla zorunlu hale getirilmelidir. Öte yandan, işletme sahibinin ve yöneticilerin etkin bir kayıt tutma sistemi sağlamaları için muhasebe mezunlarını işe almaları ve kolaylık, doğruluk ve hızı nedeniyle manuel muhasebe kullanmak yerine bilgisayarlı bir muhasebe kullanmaları önerilir.</p>	
Anahtar Kelimeler: Muhasebe kayıtları, Küçük ve orta Ölçekli İşletmelerde (KOBİ'ler)	

Title of the Thesis: Assessment of Accounting Recordkeeping Practices in Small and Medium-Sized Enterprises in Lasanod, Somalia.	
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Department: Business Administration	Field of Science: Accounting and Finance
<p>The major purpose of this research was to assess the accounting recordkeeping practices of SMEs in Lasanod. The study's target population was 250 SME managers and accountants that were registered with the Lasanod municipal office. A seventy (70) of these 250 SME managers and accountants were taken as a sample of the study. In collecting data, the study employed a questionnaire. Cronbach Alpha reliability test was used to determine the internal consistency of the instrument and this yielded a reliability coefficient of 0.82. While an independent group of experts called the Ethical Committee validated the instrument. Five research questions and hypotheses have been answered and tested at a significance level of 0.05 in respect of the study. Frequencies and percentage were employed to answer the questions of research while t-test statistic was adopted to test all the null hypotheses.</p> <p>The study's main results were: Managers and accountants have agreed that budgeting practices enhanced the operations of SMEs. The participants agreed that financial reporting practices were essential for effective operations of SMEs since they assist management to reach effective decisions. It was found that is very vital to follow the procedures for credit purchases/sales. Managers and accountants also agreed that depreciation helped replace outdated equipment.</p> <p>It was recommended that: That the government should set an accounting system that is particular to SMEs and proper accounting records and the preparation of financial statements should be made compulsory by means of legislation for SMEs. On the other hand, in order owner and managers to maintain an effective record keeping system, it is recommended them to hire accounting graduates and use a computerized based accounting instead of using manual</p>	
Keywords: Accounting Recordkeeping, Small and Medium-sized Enterprises (SMEs).	

INTRODUCTION

Small and Medium-sized Enterprises (SMEs) assume a significant job in economic improvement through job creation and revenue raising. SMEs represents Small and Medium-sized Enterprises (SMEs). They cover essentially all types of business, for example, fabricating, mining, however, what precisely an SME or small to medium enterprise relies upon who's doing the describing. contingent upon the nation, the span of the endeavor can be sorted dependent on the number of workers, yearly sales, resources, or any mix of these. It might likewise shift from industry to industry (Award, 2018).

In Somalia, SMEs are those businesses that employ up to 99 people. Most of SMEs fall within the private sector. SMEs are properly defined ventures with 5 to 19 employees are considered small, between 20 and 99 are considered medium-sized. (Survey, 2013).

In spite of the fact that there is no solid proof, some number SMEs owners told that Somalia is characterized by low capital formation, small and medium-sized enterprises are the finest choice to a tackle this problem. SMEs are more efficient in the exploitation of local resources using inexpensive technology. SMEs take a significant role in using local resources and adding value to them. Moreover, SMEs development facilitates the allocation of economic activity within the financial system and fosters a fair distribution of income. Another importance of small and medium scale businesses to the financial improvement of Somalia incorporates advancement, commitment to the development of GDP, increased employment and numerous others. Accounting recordkeeping is thus a crucial factor for Somalia's SMEs success.

Despite the substantial gains from SME growth to the Somali economy, the sub-sector faces a number of problems, one of these challenges is poor accounting record keeping, this poor recording keeping caused that the owners not to recognize whether they are making profit or loss and hindered them to take the correct decisions, because the only way in which you can test health of your business and make wise decisions is to make proper accounting records. This lack of proper accounting records also prompted SMEs not to access to finance which would enable them access credit from banks (Suraj, 2011: 14).

To overcome the obstacle of not getting finance, SMEs need to solve the problem of poor

recordkeeping. In Somalia, facilities of credit to businesses are loans given by privately owned banks, which help SMEs to get capital to finance their growth. But, a number of conditions are to be met in accessing credit facilities for these SMEs, first, most banks thoroughly evaluate the SMEs' working condition, after the evaluation is completed and accepted, the bank demands reliable collateral or guarantor who will be liable if the business fails to repay the bank, then the bank demands the financial statements of the last five years of operations which is a difficulty for most SMEs to do due to their lack of accounting recording keeping.

As many studies have shown that lack of reliable accounting records is complicated banks and other credit institutions to assess the risks and profits of small and medium scale entities. This prompted banks not to lend them. As a consequence, SMEs remain lack of finance for growth and eventually go out of business.

If recordkeeping is maintained correctly, it would give the required information that is indispensable to reach most decisions of business and it will also enable appropriate supervision of the business's financial positions. For example, an assessment of financial positions plays a major role in any decision that the proprietor makes. Without accurate accounting documentation, it will be difficult to make precise decisions that will critically affect or improve the working conditions of the SMEs. It is thus, the objective of this study to assess the accounting record keeping practices of small and medium-sized businesses (SMEs) Lasanod in Somalia.

Problem Statement

Assessing accounting practices in SMEs in Lasanod is very important for successful operation. To a large degree, the success of any business depends on the knowledge of keeping accounting records, procedures and also practicing them (Walgendbach, Handson and Diltrich, 2000).

In Lasanod, SMEs have been part of the economic practices of the people. Experience of the researcher shows that management of SMEs keep records of the business with a little knowledge they obtain in buying and selling through traditional practice. From the further interaction of the researcher with some of the SMEs managers, it's also not known whether they flow normal accounting practices with respect to maintaining adequate,

accurate and up-to-date written records of business transactions which will guide them in preparing financial statements and in decision making.

The experience of the researcher also shows that most of the SMEs managers do not realize the need to have basic knowledge of accounting principles, procedures, and practices which is indispensable for making prudent economic decisions in running their businesses. Most of the managers who are into business in Lasanod appear not efficient in small and medium-sized business accounting. It is common to see many businesses who went out of business due to lack of accounting knowledge or poor accounting practices, Therefore, there is the need to suspect a requirement for an improvement in small and medium-sized business accounting practices to enhance profit but an assessment must be carried out to determine this need, hence this study is justifiable to do.

Objectives of the Study

The major aim of the study was to assess the accounting recordkeeping practices adopted by SMEs in Lasanod, Somalia. Specifically, the study assessed:

1. Bookkeeping practices employed by SMEs in Lasanod.
2. Budgeting practices employed by SMEs in Lasanod.
3. Financial reporting practices employed by SMEs in Lasanod.
4. Auditing practices employed by SMEs in Lasanod.
5. Assets depreciation practices employed SMEs in Lasanod.

Questions of the Study

The study was guided by the following research question:

1. What are the bookkeeping practices used by SMEs in Lasanod?
2. What are the budgeting practices used by SMEs in Lasanod?
3. What are the financial reporting practices used by SMEs in Lasanod?
4. What are the auditing practices used by SMEs in Lasanod?
5. What are the asset depreciation practices by SMEs in Lasanod?

Significance of the Study

Small and medium-sized entities are the core of Somalia's economy and play a vital role in the growth of Somalia's economy by making a significant contribution to the family income. Despite their significance, past studies have revealed that majority of the SMEs do not last for long after their formation. There are many factors which are blamed for the failure of SMEs those include; lack of employer management skills, a poor commercial lending system, and effective and efficient Somali microfinance institutions (Ahmed Mohamed, 2016). A little researches have been conducted in this area. A study about the assessment of accounting recording keeping practices of small and medium-sized entities is therefore needed. In essence, it was cost-effective for this study to be conducted. It will enable owners of the SMEs to better understanding the significance of accounting and how to implement and develop a more effective bookkeeping system to aid the effective operation of their SMEs. Since this study is one the rare studies that have been conducted in this area, the findings of this research will help and become a source of data to the future researchers who are going to conduct studies in this area.

Scope of the Study

The scope of the study is to evaluate the accounting records of small and medium scale entities and how they can contribute to the growth of small and medium-sized enterprises, as well as the reasons for their failure to keep good records. in Lasanod, Sool Region of Somalia.

Layout of the Study

The study consists of three chapters. Chapter one includes definitions of accounting, basic concepts of accounting, the importance of accounting and types of accounting. Chapter two looks at recordkeeping and SMEs definitions of different countries, budgeting, financial reporting, auditing and depreciation practices of SMEs. Chapter three begins with the literature review of the topic, it also includes the research design, study population and sampling, instrument, data collection and method of analysis.

PART 1: ACCOUNTING: DEFINITION AND CONCEPTS

1.1. Definition of Accounting

The concept of accounting is so numerous as there are teachers, authors and, professional accounting bodies and technical definitions of accounting have been published by different accounting bodies, however, early accounting definitions primarily focused on the accountant's traditional recordkeeping functions. According to AICPA in “the hourjob.com” describes accounting as a process of recording, categorizing and outlining and translating its results in a meaningful way and in monetary terms, transactions and events, at least in part financially (Admin, 2017).

Actually, accounting is the method of distinguishing, measuring, and transmitting financial information so that informed judgments and decisions can be made by information users.

According to Gary and Curtis (2015: 9), accounting is the system of classifying, calculating and transmitting financial information to different users, including corporate management, shareholders, creditors, financial analysts, and government agencies. Accounting is simply referred to as the business language. In actuality, accounting is the method of distinguishing, measuring, and transmitting financial information to allow information users to make informed judgments and decisions. Each of the three activities described in this definition — identifying, measuring and communicating — requires professional trained judgment. Note that the definition refers to economic information users and their decisions.

According to Belverd, Marian, and Susan (2014:384), accounting is a process of systematic information that measures, communicates and provides business' financial information. Accountants concentrate on financial information needs, whether decision makers are within or outside a business or other business entity. They said an economic entity is an independently - existing unit, such as a hospital, business, or governmental body. They mentioned that accountants provide information necessary decision makers to make rational choices between alternative uses of scarce resources in running the business and economic activities. They further explained that accounting makes measurements about the business activities by recording data about them for future use,

storing the data until necessary and then processing it to become valuable information, communicating the information to decision makers through reports. Decision-makers take action that affects subsequent business activities based on accounting information. In other words, business data is the input into the accounting system and the output is useful information for decision-makers.

By carefully studying the definitions above, we learned that accounting is art since skills and practical conclusions are needed. It's a discipline or field of education which need many years of study. That accounting includes interconnected "levels" such as recording, classifying, summarizing and communicating. That the transactions of accounting are involved in financial or monetary terms. That the results of accounting should be understandable which means that the information in the financial statements should be understandable and interpretable otherwise it will be useless. The financial statements figures, amounts, and other information should have meanings that are useful to users.

1.2. Basic Concepts of Accounting

Accounting is considered as the language that business people understand each other and is employed to produce monetary data. So as to understand this monetary data, accounting is based on twelve basic ideas. Then these basic concepts are the roots and basis for all the accounting principles. By using these principles as the base, users of financial results and other data of accounting can easily understand what numbers mean by.

1.2.1. Business Entity Concept

The concept of the business entity is the most basic accounting principle. A business entity is a separate unit standing apart. We draw limits around each entity in order to keep their affairs separate from those of other entities. An entity, separate from its proprietors, refers to one business. The assumption of a business entity needs each organization to be separate from other companies and the owner. Accounting records are kept for the organization, not the owners or managers of the business. The financial records for the entity should be preserved distinct from those of the proprietor(s) even in sole proprietorships and partnerships (Tracie, Brenda and Ella, 2015: 32).

1.2.2. Going concern concept

Normally, the financial statements are prepared on the belief that an enterprise is an ongoing concern and will keep functioning in the coming years or distant future. Therefore, it is presumed that the entity has no plans or intentions to liquidate or significantly reduce the level of its activities; if such plans or intentions are on the table, financial statements may necessary to be prepared on a different basis (Pauline Weetman, 2013: 81).

1.2.3. Accounting Period Concept

Financial accounting gives information on an entity's economic activities for defined periods of time that are shorter than the entity's life. Time periods are usually of the same length to facilitate comparison. The time period is stated in the financial statements and normally are twelve months. There are also quarterly or semi-annual statements sometimes issued. These are considered to be interim and other than annual statements. For administrative use, statements may also be prepared that cover shorter periods such as a month or a week (Chatterjee, 2016).

1.2.4. Money Measurement

A resource will only be considered an asset and included in the balance sheet if it can be measured monetarily with a rational degree of accuracy. However, some of a company's resources do not satisfy this criterion and are therefore removed from the balance sheet. As a result, the balance sheet's scope is limited. Occasionally efforts were made to measure and report a company' resources that are usually removed from the balance sheet to have a full picture of the balance sheet. These efforts, however, commonly fail the test of reliability. Unreliable measurements produce inconsistency in reporting and create doubts in the minds of users. The credibility and trustworthiness of financial statements can, therefore, be undermined (Atrill and Eddie, 2017: 53-54).

1.2.5. Cost Concept

An asset which is something controlled and owned by the enterprise is recorded at the amount paid to purchase it into the accounting records. Since an asset's "worth" changes over time, accurate recording of the fair value for a company's assets would be impossible.

The cost concept recognizes that assets normally depreciate in worth and therefore accounting practice subtracts the amount of depreciation from the original cost, indicates the value as a net amount and documents the distinction as operating costs or depreciation expense (SCaaadmin, 2017).

1.2.6. Objective Evidence Concept

According to the concept of objective evidence, some objective evidence should support each financial entry. The purchase should be supported by bills of purchase, sale with bills of sale, the cash payment of expenses with cash memos, and payment to creditors with cash receipts and bank accounts. Likewise, the inventory should be checked by physical verification and the purchase bills should verify its value. Without these, the result of the accounting will not be trustworthy, there will be high chances of manipulation in accounting records, and no one will be able to rely on such accounts (Blogspot, 2017).

1.2.7. Consistency Concept

Once a corporation chooses one reporting method (i.e. a stock accounting method) for all subsequent events, it should maintain that method. This ensures that financial position distinctions between reporting periods result from changes in transactions and not alterations in how items are documented for (Dr. Alaettin & Dr. Sait, 2012: 24).

1.2.8. Dual aspect Concept

The concept of dual aspect emphasizes that each transaction has two parts, all of which will affect the statement of financial position. For instance, buying an automobile for cash leads to an increase in one asset (an automobile) and a fall in another (cash). Repayment of borrowing results reduction in liability (borrowing) and lower assets (cash). Recording each transaction's dual aspect guarantees that the statement of the financial position remains balanced (Atrill and Eddie, 2017: 53-54).

1.2.9. Conservatism Concept

This requires an understatement of amounts of revenue and expenditure with a level of uncertainty, rather than an overstatement. The rule is to recognize income when it is rationally certain and to recognize expenses as soon as possible rationally. In this way,

the accounting reasons are so that the financial statements do not exaggerate the company's financial position. Accounting intends to make a cautionary mistake and protect investors against overly positive or inflated results (Griff, 2014: 34).

1.2.10. Realization Concept

When earned or realized, revenues are recognized. If in return for products or services, the seller obtains cash or cash claim (receivable), a realization is assumed to take place. In that revenue is only documented when it actually takes place, not when a contract is granted, this idea is connected to conservatism. For instance, if a business were granted a contract to build a meeting room, that project's revenue would not be documented in one lump sum, however, would be divided over time depending on the actual work is done (Griff, 2014).

1.2.11. Matching Concept

The matching principle is the method of contrasting income measured by the selling prices of services and products supplied with expenses measured by the cost of service used for a precise period for which the revenue is determined. This concept underlines the costs of goods in a specified accounting period are expenses. That is, in the period of accounting in which the income associated with these costs is reported, as expenses. For instance, if some goods' sales value is reported as revenue in a year, those goods' costs would be reported as expenses in the same year (Chatterjee, 2016).

1.2.12. Materiality Concept

The concept of materiality refers to the fact of recording only events that are adequately meaningful information to decision makers. The concept simply states that only significant items or financial events should be included in the financial statements (Dr. Alaettin & Dr. Sait, 2012: 24).

1.3. Importance of Accounting

Why is on university campus accounting so prominent? Why are there so many accounting jobs openings? Why is business accounting so important? Why are accounting regulations focused on politicians and business leaders? We live in an information age where all of us are affected by this information and its reliability. Our greatest common

contact with accounting is via accounts checking, credit approvals, tax forms, and payroll. These contracts tend to relate accounting recordkeeping parts. Accounting is said to be a system of information and measurement that defines, records and communicates relevant, reliable and comparable data about the business activities of an entity. We need to select relevant transactions and events to identify business activities. We need to keep a chronological log of transactions and events measured in dollars to record business activities. Communicating business activities involves that we prepare accounts that we analyze and interpret, such as financial statements. Technology is a major component of modern business and plays an important role in accounting. Technology decreases record keeping time, effort, and cost while enhancing clerical accuracy.

As technology allows more information available to the public, accounting demand is increasing, and so too the ability to apply that information. Consultancy, planning and other financial services are now closely associated with accounting. These services require that data be sorted, their meaning interpreted, key factors identified and their implications analyzed (John, Ken, and Barbara, 2015: 4).

According to Nobles, Mattison and Matsumura (2018: 28), accounting is important because it measures activities of the business, processes the accounting information into reports, and transmits the outcomes to users. They pointed out that the language of business is accounting. They said the higher you perceive the business language, the better you'll be able to manage your business, be a valuable employee, or make wise investments. On the other hand, they stated that people tend to think of accountants as boring and dry. However, accounting is much more than simple recordkeeping or bookkeeping. Today's accountants participate in a broad range of activities such as the investigation of financial evidence, the development of computer programs to process accounting information, and the communication of financial results to interested parties. Accounting knowledge is used daily to assist make business decisions.

1.4. Types of Accounting

Types of accounting mainly include: financial accounting, managerial accounting, tax accounting, governmental accounting, forensic accounting, project accounting, and social accounting.

1.4.1. Financial Accounting

Financial accounting is the method of gathering, analyzing and transmitting financial data to assist users of this information to make better choices. This information is presented in the form of financial statements, involving the profit and loss account, cash flow statement and balance sheet, that record the firm's financial results for a given timeframe (Peter, and Eddie, 2011: 2).

1.4.2. Managerial Accounting

Managerial accounting is the process of providing managers with information — that is, individuals within an organization that directs and controls its operations. The information that managers need takes different forms: Some reports compare actual results with plans and benchmarks that focus on the performance of managers or business units. Other reports provide timely updates on major factors such as received orders, utilization of capacity, the satisfaction of customers and sales. Reports may also be prepared as necessary to help investigate specific issues, such as a decrease in a product line's profitability, or to assist determine whether to outsource some of the business operations (Ray, Theresa, Alan and Peter, 2015: 3).

1.4.3. Governmental Accounting

Governmental Accounting also referred to as federal accounting or public accounting, is a type of public sector accounting information system. It is slightly different from the private sector financial accounting system. The need for a different public sector accounting system stems due to the dissimilar goals and purposes of the privately owned institutions and publicly owned ones. Government accounting makes sure that public sector organizations' financial position and performance are reflected in the budgetary scope context as financial limitations are always a big issue of many governments. In many jurisdictions, distinct rules are followed to account for government institutions' transactions and events (Griff, 2014).

1.4.4. Tax Accounting

Tax Accounting concerns matters relating to tax accounting. It is subject to the tax rules set out in a jurisdiction's tax laws. These rules are always distinct from the rules for

preparing publicly available statements of financial. Tax accountants adjust the financial reports prepared in accordance with the principles of financial accounting to account for differences with the rules laid down in tax legislation. Tax professionals then use the information to measure a company's tax liability and for tax planning objectives (EduPristine, 2014).

1.4.5. Forensic Accounting

Forensic accounting is the measure used to recognize, record, settle, extract, classify, report and confirm past financial data or other accounting activities in order to resolve current or prospective legal disputes or to use such past financial data in order to project future financial data in order to fix legal disputes (Crumbley, Douglas and Zabihollah, 2004: 466).

1.4.6. Project Accounting

Project accounting is the method of using the accounting system to control a project's financial progress through regular financial reports. Accounting for projects is a key aspect of project management. It is a particular managerial accounting branch that focuses primarily on guaranteeing the success of business projects financially such as the release of a new product. For project-oriented firms such as building companies, project accounting could be a basis of competitive edge (Hamidur Rahman, 2018).

1.4.7. Social Accounting

Social accounting is the reporting system on the impacts of an organization's activities on the environment and social ecosystem. Social accounting is reported primarily in the type of environmental documents that accompany the firm's reports. Social accounts are now in the preliminary phases of development and are seen as an answer to increasing environmental awareness by the public (Gupta, Jai and Hemant, 2013: 43).

PART 2: RECORDKEEPING PRACTICES AND SMEs

2.1. What is SMEs?

In today's world, it is possible to see many different SME definitions. These differences are based on the SME interpretation of each country or institution. Generally, these differences are based on some qualitative and quantitative characteristics of the enterprises, such as the number of workers, annual income or total yearly balance sheets.

2.1.1. Definition of SMEs in Different Countries.

2.1.1.1. EU SME Definition.

SMEs are the basis of job creation and economic growth in the EU economy. In 2013, 21 million SMEs provided over 88.8 million jobs. In addition, 9 out of 10 initiatives are in the SME class. In order to create a standard SMEs definition and help SMEs identify themselves, EU member countries have designed its own SME definition. This definition is based on the following three requirements; the number of workers, yearly income and total yearly balance sheets. The SMEs, which employ less than 250 individuals and whose yearly income do not surpass 50 million Euro or total yearly balance sheets is up to 43 million Euro, is considered as SME (European Commission, 2015).

For the definition of a business as an SME, the EU does not just base the above criteria. SMEs can have close financial, operational and managerial relations with other firms in today's complex business environment. In fact, the business can be very small under these conditions. However, it may not be appropriate for SME status if it reaches significant additional resources (for example, it belongs to a larger enterprise, is affiliated or is a partner). The relationships that they enter with these enterprises sometimes make it hard to make a distinction among SMEs and large enterprises. Therefore, these enterprises of the EU are not considered within the SME class (European Commission, 2015).

Table 1
SME Classification in the European Union

Category	Number of Employees	Annual Turnover	Annual Balance sheet Total
Medium-sized business	< 250	≤ 50 Million Euro	≤ 43 Million Euro
Small business	< 50	≤ 10 Million Euro	≤ 10 Million Euro
Micro business	< 10	≤ 2 Million Euro	≤ 2 Million Euro

Source: European Commission (2015)

Micro Enterprise: it is defined as enterprises with fewer than 10 staff members in which the total yearly revenue or total yearly balance sheet does not surpass 2 million Euro.

Small Business: it is defined as enterprises with fewer than 50 workers and in which yearly income or total yearly balance sheet does not surpass 10 million Euro.

Medium-sized Enterprises: it is defined as enterprises with fewer than 250 staff members and whose yearly revenue does not surpass 50 million Euro or the total yearly balance sheet may not surpass 43 million Euro.

2.1.1.2. Definition of SME in Turkey

In Turkey, by a notification published in 2005 as part of the process of harmonization with the EU acquis, it has tried to unify the SME definition (Yalçıntaş, 2015: 67).

As a result of the studies carried out, it has been made an amendment to the definition, regulation, classification, and qualifications of SMEs and has been issued in the Official Gazette No. 28457 dated November 4, 2012. With this amendment, enterprises that employ less than 250 employees of which net annual sales or financial balance do not surpass 40 million Turkish Liras are classified and defined as SMEs (KOSGEB, 2015).

Table 2
SME Classification in Turkey

Category	Number of Employees	Annual Turnover	Annual Balance sheet Total
Medium-sized Business	< 250	≤ 40 Million TL	≤ 40 Million TL
Small Business	< 50	≤ 8 Million TL	≤ 8 Million TL
Micro Business	< 10	≤ 1 Million TL	≤ 1 Million TL

Source: KOSGEB (2015)

Based on the current SME definition in Turkey is classified below.

Micro Enterprises: these enterprises have less than ten employees and their annual financial balance sheet and sales revenue do not exceed one million Turkish Liras.

Small Enterprises: entities that have fewer than fifty employees and does not surpass 80 million Turkish Liras in one of its annual financial balance sheet and sales revenue.

Medium-Sized Enterprises: enterprises with less than two hundred employees and whose annual financial balance sheet and sales revenue do not exceed forty million Turkish Liras.

2.1.1.3. Definition of SME in Japan

In Japan, the number of workers and the amount of capital invested in the business are taken as the basis for defining SMEs. There is a sectoral distinction in the classification of enterprises by size. Such definitions are based on SMEs' basic laws. Capital and number of employees are higher in sectors such as manufacturing and construction (300 Million Yen and 300 Employees) and decrease in wholesale trade, services, and wholesale sectors respectively, 50 Million Yen and 50 people for the wholesale sector (JSBRI, 2008).

Table 3
Definition of SME in Japan.

Industry	Small and medium businesses. (Meets one / several of the following conditions)		Small Businesses
	Capital	Permanent Number of Employees	Number of permanent employees
Manufacturing, Construction, Transportation and Other Industries.	Up to 300 Million Yen	Up to 300	Up to 20
Wholesale	Up to 100 Million Yen	Up to 100	Up to 5
Services	Up to 50 Million Yen	Up to 100	Up to 5
Wholesale	Up to 50 Million Yen	Up to 50	Up to 5

Source: JSBRI (2008)

2.1.1.4. Definition of SME in Malaysia

In Malaysia, sales and full-time employment criteria are taken into consideration to define SMEs and separate definitions are made for the manufacturing and services sector.

Table 4
SME Definition in Malaysia

Scale/ Sector	Manufacturing	Services
	Manufacturing Related Services Agricultural Based Industry.	Main Agriculture Information Technology
Micro	Sales of less than 250,000 RM or Full-time employment less than 5.	Sales less than 200,000 RM or Full-time employment less than 5
Small	Sales of 250,000-10 Million RM or Full-time employment between 5-50	Sales between 200,000-1 Million RM or Full- time employment 5-19
Medium	Sales of 10 Million-25 Million RM or Full-time employment between 51-150	Sales between 1 Million-5 Million RM or Full-time employment 20-50

Source: SME Corp Malaysia (2019)

Malaysia is one of the countries with an intense business environment. In Malaysia, 99.2% of all enterprises are SMEs.

2.1.1.5. Definition of SMEs in the United States

There is no valid and formal definition for the SMEs in USA. According to the Small Business Law published in 1953, small business ownership and management is defined as an independent, non-dominant company in the field where it operates (Nevin and Ünsal, 2003). On the other hand, in the United States, in addition to the number of workers employed, the sales amount of the enterprise is determined as a quantitative criterion. On 1 October 2002, the Small Business Administration (SBA) decided to adopt an SME definition as a recommendation. SBA has used 500 employees for the enterprises

operating in the production and mining sector, and sales revenues of \$ 6 Million per annum as a quantitative criterion for enterprises that are not engaged in production activities and have adopted these criteria as a small business limit. The following table shows the small business limits that SBA has determined by sectors. In addition to these quantitative criteria, it was mentioned that the company had the control power in determining its small business limit.

Table 5
Small Business Limits by SBA

Sectors	Criteria
Construction	Sales Revenue of \$ 28.5 Million annually.
Production	500 Number of workers
Mining	500 Number of workers
Retail Trade	Sales Revenue of \$ 6 Million per year.
Service	Sales Revenue of \$ 6 Million per year.
Wholesale Trade	100 Workers

Source: SBA (2005)

2.1.1.6. Definition of SMEs in the UK

There is no official definition of SMEs in the UK. In the manufacturing industry, SMEs are defined by the number of employees. The qualitative criteria are based on the presence of the entity in the capital market. The following are sectoral based small business definitions made by the Small Business Research Committee:

- Less than 250 workers for the manufacturing industry
- less than 25 workers for the construction industry
- Less than 25 workers for mining
- The annual turnover for retail trade is less than 50 thousand pounds
- The annual turnover for wholesale trade is less than 200 thousand pounds

One of the most highly regarded qualitative criteria in the UK is the legal form of the enterprise. Capital companies when evaluating large businesses, they generally consider partnership companies as small enterprises. Another definition in the UK was made by

the Small Business Service (SBS). According to the definition made by this institution, the limits of SMEs are given in the table below.

Table 6
Small and Medium Business Limits of SBS

Businesses	Annual Sales	Balance Sheet Total	Number of Employees
Small business	Less than 5.6 Million Pounds	Less than 2.8 Million Pounds	Less than 50 workers
Medium-sized business	Less than 22.8 Million Pounds	Less than 11.4 Million Pounds	Less than 250 workers

Source: Service (2005)

2.1.1.7. Definition of SMEs in France

As in other countries, there is no single official definition in France. In this country, the Economic and Social Committee has put the enterprises employing 1-119 workers into small enterprises, enterprises employing 120-500 workers and also has an annual turnover of 50 million French francs into medium-sized enterprises (Nevin and Ünsal, 2003: 9). We also see that the Confederation of Small and Medium Scale Businesses in this country brings the number of personnel employed for industrial enterprises as a measuring scale. According to this, enterprises employing less than 50 workers are small enterprises, while enterprises employing 50-500 workers are considered as medium-sized enterprises (Tamer Müftüoğlu, 2002: 110).

2.1.1.8. Definition of SMEs in Germany

Although there is no official definition agreed in Germany, generally accepted criteria are used by various institutions and organizations to identify small and medium-sized enterprises. The most important qualitative criteria in Germany are as follows:

- Inability to obtain funds from the capital market.
- The responsibility of the business owner for all business functions.
- Being independent it's in activities.

In addition to the number of personnel employed in the enterprise, which is used as a quantitative criterion in the definitions made in Germany, the capital and annual turnover of the enterprise are also considered as criteria. As a generally accepted criterion, the number of employees working for the small industry is 50 persons and the annual turnover is 50 million DM (Tamer Müftüoğlu, 2002: 108-109).

2.1.1.9. Definition of SMEs by the World Bank

To define SMEs, the World Bank employs three quantitative requirements: number of staff, total property or assets in dollars and yearly sales measured in U.S. dollar. (IEG., 2008). A company must meet a number of workers' quantitative standards as well as at least one financial requirements to be classified as a small, micro or medium business.

Table 7

The definition of SMEs by standards of the World Bank

Enterprise category	Number of Employees	Total Assets	Total Annual Sales
Medium-sized	> 50 ≤ 300	> \$3,000,000; ≤ \$15,000,000;	> \$3,000,000; ≤ \$15,000,000;
Small	> 10 ≤ 50	> \$100,000; ≤ \$3,000,000;	> \$100,000; ≤ \$3,000,000;
Micro	<. 10	≤ \$100,000;	≤ \$100,000;

Source: Independent Evaluation Group (2008)

2.2. Bookkeeping Practices used by SMEs

According to Mia Lewis (2018), the main function of a bookkeeper's role is to document business transactions correctly, to assure that entries are accurate on a consistent basis, keeping a log of all events in the day books. They record and compute income and expenses, prepare purchase invoices, make bank transactions, and create sales invoices. Using a trial balance, bookkeepers also ensure that the accounts are balanced. Another major responsibility is to provide a variety of information in document formats, such as daybooks, nominal analytical reports, and aging debtor reviews. Bookkeepers should

have the knowledge and expertise to demonstrate and elucidate financial data to the proprietors of the company and clarify the meaning of these reports. There are many authors and institutions who have similar views with Mia Lewis.

SBA describe bookkeeping as an organized routine practice of keeping business records. One key responsibility of a business owner is recordkeeping which is major ingredients for business success. The success of a business lies on adopting and maintain an effective bookkeeping system be it a sole proprietorship, partnership or corporation. Records can be maintained in a form of simple filing systems to complex electronic systems. Regardless of its form, a recording system must provide adequate record storage and recovery and be easy to use.

The size, intricacy, and type of the firm and its available resources are what determines the better bookkeeping system appropriate for the business. Bookkeeping practices among businesses differ with capacity and the size of the business and its location. Thus, as Howard (2009) indicates that the bookkeeping system used to record information may vary from business to business, but the principles are the same. According to Williams, Susan, Mark & Joseph (2012: 25), recording cycle encompasses a system followed by bookkeepers and accountants in the producing of fresh financial information in the type of financial statements into output information. The process includes creating economic transactions, analyzing and recording the transactions in the journals by account name, post - transactions from journals to ledgers, determining the trial balance, make adjustments to the journal, post the journal's adjustments to the ledger, prepare the adjusted trial balance, journalize closing entries, post-closing entries to the ledger from the journal, control the balance of the trial balance and prepare financial reports.

According to Amidu, Effah & Abor (2010: 34-37), bookkeeping is a fundamental step in accounting; as a system, it serves as a way for small and medium-sized business owners and managers adapt to obtain information for use in measuring business performance and growth. As opined by Maseko & Manyani (2011: 171–181) in SMEs, bookkeeping is the lifeblood of the business as far as it appears to be a challenging task for many, it makes or breaks a business, thus, maintaining good records is in fact what helps create a profitable enterprise. This is supported by Germain (2010) who reported that most SMEs operators view bookkeeping as a chore practice that simply needs to be prepared to obtain

some much - required money back by the end of a definite time period, for instance after one year. therefore, owners and operators need up to date, timely and precise accounting data for SMEs to survive (Amidu, M & Abor 2005: 15).

According to Taylor Peter (2008: 19), the kind of records business will have to rely on a number of factors. For example: is the company big or small, how much recordkeeping the owner wants to do. What kind of business is it – sole proprietorship, partner or a corporation? What type of business is the company conducting? He said that for the size of an enterprise, there are no clearly defined categories. But, of course, large supermarket stores will have a more complex accounting system than a market - stalled local trader. The moment you need more complex records will also mainly determine the type of business. But here are some practices to get you began: when you lend money more than 15 clients, then you must think about opening a sales ledger system with a suitable sales day book. When you have more than 30 purchase invoices per month, think about starting a purchase ledger and buying day book, consider setting up a cash tracking system impartial of your bank records when you have more than 5 payments made per week.

Segun (2003) held a similar view in bookkeeping practices of small and medium-sized businesses. According to him, there are four basic types of business financial record that must be kept by a small and medium-sized business manager namely: sales records, cash receipt records, cash disbursement records, and accounts receivable records. These are accounting records needed for planning and managing the finances of the enterprise. He added that in bookkeeping practices, accounting data is generated at the point of a business transaction. This transaction tends to be supported by a source document from which accounting records are kept but these are first assembled and classified before being entered in the ledger. Such source documents, he added further include an invoice, debit note, credit note, cheque, receipt, and voucher. Segun itemized some of the activities involved in bookkeeping practices of small and medium-sized businesses such as preparation of cash book to show: cash receipts, cash payments, cash deposits into bank accounts, cash withdrawals from bank accounts, discounts received and discounts allowed. Others include raising of payment vouchers including payroll sheets, periodically reconciling bank statements, filing copies of all payment vouchers and balancing ledger accounts.

Martin Quinn (2010: 50), the original books of entry are the 'books' where transactions of the business are first documented from source documents like invoices and cheques. The term 'day books' is a rather more popular term and is used a lot. They are called day books as, in a manual book-keeping system, each type of business transaction would have a separate book where the records are written each day. He said that the most common day books are: sales day book - that documents sales of credit; purchases day book - that documents credit purchases; cash receipts book - that documents cash obtained from clients and other sources; cheque payments book - which records payments made by cheque/debit from the bank account of the business; petty cash book - that documents minor cash expenses; general journal - that records any other transaction not recorded in other daybooks. The data for each daybook come from different "source documents", such as invoices for sales, invoices for suppliers, or checkbooks.

On bookkeeping practices, Igboke (2002) asserted that transactions are not moved to the ledger until they are passed through a subsidiary book known as the journal. There are two major books of account: the journal - a subsidiary book, the ledger - the primary account book. A journal as the first book of entry is used in sorting out events in a convenient form for subsequent posting to the ledger. Igboke asserted further that for the sake of convenience, a journal is subdivided into several books when transactions are many: the cash journal or cash book for all transactions of cash; the purchases journal (purchases book) for all credit purchases; the sales journal or sales day book for all credit sales; the returns outward journal for purchases returns; the returns inward journal for sales returns and the general journal (or journal proper) for all other transactions that cannot conveniently be passed through any of the books mentioned above.

Some of the bookkeeping practices he enumerated are: balance the ledger accounts and prepare a trial balance from a list of balances from the ledger accounts and cash book. Determine the arithmetical accuracy of ledger accounts and cash book. Select items that should be entered into the income statement. Prepare income statement to get gross profit or loss and also net profit or loss of the business. Identify various items of liabilities and assets of the firm, and then prepare the statement of financial position to ascertain the owner's equity in the business.

To be a successful SME manager, according to Osuala (2004) requires well-organized

accounting records (Journals and Ledgers), regular financial reports (statements of income and balance sheets). These tools provide the SMEs with a financial strategic plan and they facilitate managers to identify issues early and take appropriate action before it's too late. The balance sheet, Osuala continued, help the owner to estimate the firm's value on a specific date. Its two main parts display what the business owns and what creditors claim against the business. The balance sheet is typically prepared at the end of the month or the firm's year-end.

In the opinion of Jerry, Paul and Donald (2014: 24), the financial position statement is based on the fundamental accounting equation: $\text{assets} + \text{liabilities} + \text{equity of the owner}$. Any change or decline that affects one part of the equation should be balanced by a same amount on the other part. The first part of the statement of financial positions, they observed, records the assets of the business and shows the total worth of all the properties of the company. Current assets comprise of cash, receivable accounts, and inventory, that will be managed to change into cash for less than a year. Plant assets are those assets that are purchased in the company for future use. Intangible category of assets involves items that have no tangible existence, such as goodwill, copyrights, and patents. They observed further that the second unit of the balance sheet displays the obligations of the firm, the claims of creditors against the firm's assets. This section of the financial position statement of financial position also displays equity of the owner, the value of the capital of the proprietor in the company.

2.3. Budgeting Practices used by SMEs

A budget is said to be a formal expression of future plans by the executive in both quantitative and monetary terms covering various business activities and intended at supporting management to achieve organizational objectives. A budget is, therefore, a benchmark for measuring the actual performance of individuals, departments, firms, etc. It is a complete plan in the company's anticipations in the future. It is a complete plan in the sense that all activities and operations are considered when it is prepared (Oluwaseun & Akande, 2014:58-64).

Budgets are important for SMEs since they provide forward-looking information that clarifies monitoring and control of firm performance (Hallsworth, 2015: 1). They do this

by highlighting areas where actual results vary from the forecasted (planned) performance so that appropriate preventive action could be taken (Akande & Oluwaseun, 2014: 62). In so doing, budgets allow for exceptional management, as decision-makers are able to identify areas of concern which need immediate attention, an approach that enables the use of problem-solving (Dima, 2013: 244).

Furthermore, budgets help organize and coordinate the various departments within a company towards common objectives by providing a broader picture of the intended objective pursued by an SME (Hill, 2015: 1). Budgets reduce uncertainty by measuring the specified objectives and create a common comprehension of the aims, thus helping to create communication. Furthermore, budgets provide a useful yardstick for appraising employee performance and for rewarding good results to motivate employees, this necessitates workers to participate in the development of budgeting, setting their goals and creating incentives to struggle for them (Jane & John, 2015: 360). Budgets thus assist the delegation of activities to colleagues by senior managers, thus freeing them to conduct further strategic roles (Dima, 2013:244).

Moreover, budgeting is more crucial in preparing a business plan (Jane & John, 2015: 360). This is especially significant for SMEs since they have to exhibit persuasive business plans when requiring capital, unlike bigger companies. Normally, SMEs often have no strong track record and are viewed by investment firms as high - risk undertakings. Without such a past record, owners of SME are needed to persuasively explain that their enterprises have a clear objective and a reasonable plan to make again. Consequently, a comprehensible and achievable budget is an essential component of the business plan of a SMEs to generate capital.

Another advantage of budgets for SMEs is that they compel decision-makers to focus on future goals instead of distracting themselves from day to day operations that might not be significant to an organization's long - term profitability and survival (Dima, 2013: 244). Budgets also facilitate profitability review by enabling SMEs' decision-makers to identify, understand and focus on the most profitable aspects/products of their businesses by optimizing on resource allocation (Hill, B., 2015: 1). Moreover, budgets permit SME decision - makers to predict their companies' performance in the future and take a constructive approach to form that future, instead of having to depend on responding to

improvements in their business context. Furthermore, they force decision-makers of SMEs to forecast better by translating their predictions into definite concrete quantified plans, as opposed to vague generalizations without commitment (Jane & John, 2015: 360).

Jae, Joel, and Allison (2012: 2), the first step in budgeting is to identify the overall business goals and strategies which are then translated into precise long-term plans, yearly budgets, and working plans. Business objectives include revenue growth, cost reduction, sales, the volume of production, return on capital, and quality of the service or product. A relevant budget consists of analyzing and studying historical data, recent trends, and industry standards. Budgets can be done for future revenue, costs, cash flow, purchases of production, net value, etc. The Budgets must cover all the main areas of the business.

According to McAlphine (2000), things to do under budgeting practices include: itemize and estimate revenue incomes from sale of goods and services; make provision for cost of transport and freight; budget for quantity and cost of merchandise to purchase; estimate cost of employees' wages and salaries; budget for revenue expenditures on sale of products and services; budget for loan repayments; replacement of office equipment and physical facilities. He further said that estimates should be made for travel expenses, advertising costs, cost of stationeries and printing, cost of utilities such as water and electricity, lighting, heating, and refrigeration; while an adequate amount of money should be set aside for miscellaneous expenses.

According to Pandy (2003), financial budgeting practice focuses on the financial effects of operating budgets- predicted cash inflows and cash outflows, financial condition, and results of operations. In his view, a comprehensive budgeting practice will generally include a budget of sales, a budget of production, a budget of purchasing, a budget of cash, and a budget of capital expenditure. Pandy argued that the main aim of cash budgeting is to organize cash in a way that the company always retains adequate cash position to fulfill its requirements and profitable use of idle cash.

Cash budgeting is the life wire of budgeting practices in SMEs. According to Jae, Joel and Allison (2012, p. 6), the cash budget involves the planning and controlling of cash. It stands for a targeted time period the projected inflow and outflow of cash. The cash

budget is what help management to maintain cash balances in a rational connection to their needs and enable to prevent idle cash and cash scarcity. Larry and Christopher, (2010: 29), agreed with Jae, Joel and Allison when they said that cash is an essential tool to the business. Without keeping a sufficient flow of cash to pay obligations as they arise, a business will quickly go out of operation or crash. Cash shortages can even face big companies due to delays in gathering receivables, capital expenditure, etc. Normally with only a little planning, these types of cash shortage challenges can be avoided. The tool needed to predict cash payments and receipts, together with intended borrowings and repayments are facilitated by the cash budget.

2.4. Financial Reporting Practices used by SMEs.

Accounting to Jane & John (2015: 15), at least two major financial reports are prepared by most firms: the balance sheet and the income statement. Business outsiders can be shown these reports, such as the financial institutions from which the company lends money and the investors of the business. The balance sheet is an overview of the financial condition of your company as of a specific date, and it demonstrates that the assets of your enterprise are exactly equivalent to the worth of your commitments and capital. While the statement of income summarizes the financial activities of your company for over a given amount of time, like a quarter, a month, or year. This statement of income begins with the sales, subtracts the sales' costs and deducts any expenses related to the business operation. The end result of the statement of income demonstrates how much your company is gaining during the period of accounting. When you have not accomplished well, the income statement shows how much you've lost.

Accounting to Carl, James and Jonathan (2016: 15), the company's main financial reports are the statement of income, the statement of retained, the statement of cash flow and the balance sheet. They pointed out that the retained earnings statement is an outline of the changes that took place in retained earnings over a particular period of time.

Among the, most important and most widely used of all accounting reports are financial statements which bid management in making decisions. One of such statements according to Igboke (2002) is the trading account. He said that the purpose of the trading account is to find out whether what was bought and sold yielded profit or loss. In other words, the

trading account is prepared with the purpose of determining the gross profit or gross loss of the business for a given period. Igboke summarized the steps involved in preparing the trading account as follows: determine stock at start; add purchases and less sales; add carriage inwards and productive wages; record cost of sales available; less stock at close to obtain cost of sales; record total amount from sales; less sales return inwards to arrive at net sales and less cost of sales to determine gross profit or loss of the business.

Catherine (2011: 34), the statement of income outlines the revenue and expenses of an organization over a time period, showing the performance of the business over the period. It provides the user information which shows how well or how badly the business is doing. He said that terminology of the statement of income consists of revenue which is the amount of goods and/or services sold, expressed in monetary terms, expenses which are the amounts incurred by the business in purchasing or manufacturing the goods sold, and other expenditure on items like rent and telephone charges, profit that is the remaining surplus when income exceeds expense and loss which is the deficit which occurs when expenditure exceeds revenue. He further said that the income statement of a trading business splits into two parts: first, the profitability of the purchasing and selling processes is shown in the trading account, in order to obtain a gross profit figure, and then all other business expenses are deducted in order to obtain a net profit.

Contributing on the issue of preparing the balance sheet of a firm, Libby, Patricia and Daniel (2011: 6) said that it is separated into three captions: assets, liabilities, and owner's equity. They identified the following sequence of activities in preparing the balance sheet: record the assets such as the cash amount in the bank accounts of the company, amounts required to pay by clients from previous sales, ready to sell ingredients and drinks, production equipment, and land. Determine the complete amount of the company's resources. In the liability section record the amount obligated to the business to pay such as financing supplied by creditors, amounts due to suppliers for previous purchases and amounts obligated to pay to banks on written borrowing contracts. In the last section, record the financing given by shareholders, capital invested by shareholders in the company and previous earnings not dispersed to stockholders. The balance sheet, Libby, Patricia and Daniel observed, shows as a rule, unexpected residue after allowing for depreciation on the original cost of the asset; ignoring any change that may have taken

place in the purchasing power of money since the asset was bought or to the amount of money the asset will now cost in the market.

Catherine (2011), the balance sheet may be known as another name which is the financial position statement and it indicates the financial condition of a business at a particular time. He asserted that the items shown in the balance sheet are normally be categorized into three elements: assets, liabilities, and capital.

According to Wood and Sangster (2015:11), the balance sheet indicates the financial position of an organization at a point in time. It is to say, on the date, it was prepared, it provides a picture of the business. They highlighted that the balance sheet is not the first report to be drawn up or first to learn how to prepare, but it is a useful place to start considering accounting.

In the opinion of Walter, Charles, William and Wendy (2016: 63), assets are useful resources that give a future benefit to a company. Liabilities are debts of the business and consist of obligations to pay or to render service either now or in the future. Stockholder's equity represents the claims of the stockholders to the firm's assets and is measured as the excess of total assets over total liabilities.

Current assets of a firm, according to Edeh (2005) are those which are cash, are expected to be converted into cash, will offset the need for cash prepaid items, or will be consumed within one year.

Birt Jacqueline (2016: 175) explained non-current assets, as assets that last for more than one operating cycle. Items such as buildings, machinery, equipment, and tools are classified as non-current assets and are recorded on the balance sheet at their cost or purchase price. Non-current assets, he explained further are depreciated, which consist of expanding the cost of an asset over its useful life. Net non-current assets are non-current assets less accumulated depreciation and represent the depreciated or book value of the assets.

Cash flow statement is yet another crucial statement that is very useful to small and medium-sized business managers for successful operation. According to John Hoggett, (2015: 753), the statement of cash flows is important to users of general purpose financial

statements because it identifies the inflows of cash and outflows of cash that result from operating, financing and investing activities of the entity that have occurred during the reporting period. He itemized the activities involved in computing cash flow statement as follows: add to your net income the depreciation expense; deduct from the total any increase in current assets; add to this figure, increases in non-interest liabilities of current like payable accounts and accrued expenses, deduct from the total figure, investments made in the period; add or minus (as the case may be) financial receipts. For example: add increases generated by the enterprise's interest-bearing debt; deduct from this total, repayments of interest-bearing debt of the enterprise; add increases generated by the owner's investment in the enterprise, and deduct withdrawals by owners (such as divided payment to owners).

2.5. Auditing Practices used by SMEs.

The auditing requirement is very vital and would arise whenever one person or group of the persons handle money or money's worth on behalf of some other person or group of persons because the beneficial owner(s) of the fund need an audit to satisfy themselves that their funds are being honestly and wisely managed. Auditing is also useful to maintain an effective internal control system which is essential for accomplishing the business goals of a company, attaining dependable financial reporting on its activities, avoiding falsification and misuse of its assets and significantly reducing its capital costs. The company's audit system is contributed by both independent auditors and internal ones.

Auditing practices, according to Jeff Clements (2018), it is crucial for a company to have an appropriate audit system since it allows to pursue and achieve its various business goals. To enable auditing and monitoring, discourage and distinguish unusual transactions, measure continuing performance, ensure adequate financial records and encourage operational efficiency, business processes require different forms of internal control. Internal auditors assess the layout of internal system controls and propose significant changes informally and record any material errors that may be enabled by management to carry out further investigations if warranted.

According to Bozkurt (2013: 57), an audit is an examination of an organization's activities

and procedures to determine whether it has been carried out in accordance with the prescribed objectives and rules. As a result of this process, the findings are obtained and the reports are written.

According to TLA (2012), auditing involves reviewing and inspecting business firms' accounts in order to determine if they comply with the laws, guidelines, and rules and whether the accounts are arranged well. According to Iffet Kesimli (2019: 2), auditing is a systematic method for acquiring and evaluating objective evidence containing claims of financial actions and events to determine the extent of similarities between these claims and the established criteria and to communicate the outcomes to users who are interesting to it.

According to Alvin, Randal, Mark and Chris (2017: 12-13), the three primary kinds of audits involve: an audit of operations, compliance audit, and auditing of financial statements. In an audit of operations, the auditor assesses the overall efficiency of every part of the operating protocols and processes of an entity. When the operational audit is completed, management normally anticipates suggestions to enhance operations. For instance, auditors may evaluate the reliability and effectiveness of payroll processing in a recently installed database system. An audit of compliance is conducted to ascertain if the enterprise follows clear guidelines, laws, and regulations established by a government body. Examples of private company compliance audits are as follows:

- Determine if the accounting staff continues to follow the company controller's specified procedures.
- Review wage rates for minimum wage legislation.
- To make sure that the business abides with the law, evaluate contractual obligations with bankers and other lenders.
- Ascertain whether a mortgage bank conforms with the government's new regulations.

A financial statements audit is carried out to ascertain if the financial information or the verified information fulfill the criteria specified. When determining if the financial statements abide by accounting standards, the auditor gathers concrete proof to decide if the statements contain inaccuracies or other errors.

Many users of the financial statements and the public are mixing up auditing and accounting. The result of this confusion is that most audits are generally related to accounting material, and several auditors have significant accounting expertise. The caption of "certified public accountant" for so many auditors exacerbates confusion.

But the distinction between accounting and auditing are briefly discussed by Alvin, Randal, Mark and Chris (2017: 6), accounting is the logical recording, categorization, and review of economic transactions for the aim of generating financial information for decision making. They said that in order accountants to provide relevant information, they must have a thorough understanding of the principles and rules that provide the basis for preparing the accounting information. In addition, accountants need to create a system to help ensure that the organization's financial events are properly documented at a low cost and in time. While auditing is the accretion and evaluation of verification of information in order to ascertain and report the extent of similarity between the data and the established criteria. According to them, auditors must concentrate on ascertaining whether recorded material appropriately represents the financial events that took place when auditing accounting information during the accounting period. Because international accounting standards include the criteria for assessing proper accounting data recording, auditors need to fully comprehend these accounting standards. Apart from understanding accounting, the auditor should have knowledge and experience in accretion and redefinition of audit evidence. This knowledge and experience are what distinguishes auditors from accountants. They draw the conclusion that in the determination of the correct audit protocols, the number and kinds of materials to be tested and the assessment of the results is exceptional to the auditor.

According to Ejembi (2004: 9-11), there are two types of auditing: external and internal. External auditing in his view is statutory and is, therefore, spelt out in while internal auditing is not statutory but an operational review established by management to examine, review, evaluate and report to management to whom it is directly accountable.

Ejembi itemized some of the doings of audit practices as follows: check wages and salaries vouchers to determine accuracy and correctness; examine the purchases day book, sales day book, returns inward and returns outward day books to confirm correct recording and posting to the ledger accounts; inspect ledger accounts to ensure correct

balancing; audit trading account to confirm correctness in form and content and examine income statement to determine that net profit for the year under review is correct.

Auditing practices in relation to SMEs, according to Ejembi is an investigation and study of the business performance of a SMEs: the income statement, balance sheet, and assessment of the sources of funds, with an intention to ascertaining if the transactions address a fair and true view of the situation of affairs within a specified time period, usually on monthly basis or at year end of the business organization.

2.6. Depreciation Practices used by SMEs.

Assets depreciation is very essential in SMEs not because of the effect of reduced taxation but it will also help to determine the useful life of an asset and when to replace it. According to Jerry, Paul and Donald (2016: 453), depreciation is the system of rationally and systematically distributing the cost of a long term asset over its useful life. They said that it is very important to perceive that depreciation is a cost allotment, not a process of asset appraisal. No effort is made to evaluate the change in a property's fair market value during its ownership. Consequently, a plant asset's book value might vary greatly from its fair value. Indeed, when is completely depreciated an asset, its book value might be zero, but it still has a fair market value.

In their view, three kinds of plant assets are subject to depreciation: land improvements, equipment, and buildings. Each asset of these kinds is considered a depreciable asset. Because of its importance to the company and revenue-generating ability of every asset will decrease over the asset's useful life. They emphasized that land is not subject to depreciation due to its value revenue generating ability remains generally unchanged over time.

Jerry, Paul and Donald stated that depreciation is generally calculated using any of the following methods: straight line, activity units, and declining balance. Straight - line - every year, companies spend the same amount of depreciation on the asset's useful life. Activity of Units- economic life is shown not as a time period, but a total production or use units expected from the asset. Declining - balance – reduces the yearly depreciation expense over the asset's useful life.

They also asserted that it is necessary to disclose the depreciation policy used in the

financial statements of an enterprise and the estimated useful lives adopted for major classes of depreciable assets.

According to Osuala (2004), assets can be tangible or intangible. Some intangible assets such as patents, copyrights, franchises, and product designs can be amortized just as tangible assets like buildings, furniture, machinery, and equipment can be depreciated. Other types of assets such as non-business property, inventory, rented property, and goodwill are not subject to depreciation under current tax laws. For a business asset to be depreciable, Osuala explained that it must meet three requirements: It must be employed in the business or used to produce income; its useful life must be determinable, and it must be longer than one year; and it must be property that wears out, decays, is used up, becomes obsolete, or loses value from natural causes.

The allocation of the costs of natural resources is called depletion. They defined natural resources as noncurrent assets acquired for the financial value that can be extracted from the land and exploited, as with ore, lumber, oil, and gas or other resources contained in the land like mines, timberland and oil and gas fields (Spiceland, James, Mark and Wayne 2016: 600).

According to Fred, Robert and Patricia (2016: 392), the simplest and most practical method of computing depreciation is the straight-line method. They said that it is the easiest to use and understand, and it does a good job of matching depreciation expense to revenues when assets are used evenly over their useful lives.

Belverd, Marian, and Susan (2014: 377) held a similar view with Fred and Patricia and stated that depreciation of straight -line is regarded as the most prevalent method for depreciation of assets. They took a study of 500 large companies and found that the overwhelming majority used the straight-line method of depreciation for financial reporting. Only about 5 percent used some type of accelerated method, and 3 percent used the production method.

For tax reasons, they observed that in the early years of the asset, some companies favor to use other ways to accelerate depreciation to lower the tax expenses. Finally, they stressed the need to check the regulations released by the government or the various public revenue authorities, for any particular depreciation guidelines and processes of

calculating depreciation for different types of assets. The review of the work of some authors above will guide the researcher in developing questionnaire items for the study.



PART 3: ASSESSMENT OF ACCOUNTING RECORD KEEPING PRACTICES IN SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs) IN LASANOD, SOMALIA.

3.1. Literature Review

The following paragraphs present some of the studies that had previously written in my research topic.

Madurapperuma, Thilakerathne and Manawadu (2016) investigated the accounting bookkeeping practices of Sri Lanka SMEs. They revealed that, due to the absence of accounting understanding and the cost of employing skilled accountants, most SMEs do not maintain proper financial records. Accounting information is also used inefficiently to support the measurement of financial performance by SMEs.

Cofie, Dodor and Tsorhe (2017) conducted a study entitled to “sound accounting bookkeeping practices and management expertise in operation of SMEs accounts in HO Municipality, Ghana”. The intention of the study is to confirm the level to which sound accounting practice is performed in Ho Municipality between SMEs and to determine how management experience influences accounts operation. The analysis showed that most respondents agree that their accounting knowledge enabled them to practice a good accounting system and that experience of managers and owner has a great effect on the operation of accounts in the different companies.

Nelson and Onias (2011) probed the accounting recordkeeping practices of Zimbabwe SMEs: An analytical study of performance measurement bookkeeping (Bindura's case study). They inspected accounting recording practices used by Zimbabwe SMEs for performance measurement. The study discovered that most businesses do not keep thorough accounting documents due to lack of knowledge of accounting and as a result, accounting information is ineffectively used in measuring financial performance.

Justice and Tetteh (2017) studied the financial accounting activities of SMEs selected from a survey of 225 owner-managers in Ho Municipality. The findings indicated that majority of the firms do not keep proper accounting books relating to their businesses.

Abubakar (2011) made an evaluation of recordkeeping practices and their significance to SMEs in new Juaben municipality in eastern Ghana. According to his results, he indicated that 80.8 percent of businesses were practicing bookkeeping and predominantly used the manual system.

Anokyewaa (2015) examined the impacts of computerized record keeping among SMEs in the Sunyani Municipality. The study showed that the Sunyani Municipality's form of record keeping by SMEs was manual. The study also found that most of the municipality's SME operators do not use computerized record keeping systems in their operations.

Adejumo (2014) conducted a survey on the impact of financial records on SMEs performance. The study was intended to undertake a critical evaluation of the effect of financial records on SMEs performance. And to examine the problems confronted by SMEs in the area of maintaining effective financial records and to suggest some possible solutions. The study confirms that keeping financial records has a major impact on SMEs performance.

Rathnasiri (2014) attempted to investigate if and to what scale Sri Lankan SMEs are adopting accounting reporting processes and how these practices are incorporated into existing information systems. As the study's target sample, the researcher selected 60 SMEs registered in the Ministry of Industry and Trade (MIT) from 2008 to 2013. Results of the study indicate that SMEs are paying more attention in preparing and monitoring three elements of financial statements of the profit and loss, statement of cash flow and the balance sheet. And that the highest emphasis is put on preparing and monitoring business's cash flows that are important to the success and existence of SMEs.

Tafa (2011) evaluated SMEs accounting practices its impact on access to finance in Addis Ababa. The study found that there is no formal accounting practice for most of the firms studied. The study also disclosed that the major funding sources available for setting up and expanding Addis Ababa SMEs are personal savings, microfinance, money from friends or relatives, and less from banks.

Rachael, ATU and Omimi (2016) have studied the financial reporting for SMEs. The aim of their article was to review existing SMEs literature on financial reporting, identify basic financial reports required by SMEs and identify the provisions of IFRS relating to

SME accounting reporting. The study concludes that with the introduction of IFRS for SMEs, the bar has been raised for SMEs financial reporting. Therefore, capacity building is urgently needed, especially for SMEs to equip them with current expectations and the skills needed for effective reporting.

Asaduzzaman (2016), this article deals with an observational study of the accounting and financial reporting practices of Bangladesh's SMEs. Employing a structured questionnaire, primary data of 100 accountants/managers were collected. This study shows that 44 percent of SMEs keep accounting records that are mainly income statement, statement of the bank, balance sheet statement of cash flow, balance sheet, etc. and the main purpose of recording is to track receivables and payables, to support access to credit/finance and to assess performance. 56 percent of SMEs failed to keep accounting records because they perceive the process as both difficult and unnecessary to maintain.

3.2. Research Methodology

3.2.1. Research Design

This study was conducted by means of survey research to assess the accounting practices used SMEs in Lasanod. According to Uma and Roger (2016: 97) defined survey research as a process for gathering information from individuals to characterize, start comparing or demonstrate their knowledge, perceptions, and behavior. Survey research is suitable for a study where the researcher wants to describe the aspect of community or region to answer questions concerning the subject of the study. The researcher will, therefore, ask questions using a questionnaire to the managers and accountants in Lasanod about their opinions on accounting recordkeeping practices.

3.2.2. Population and Sample of the study

The target population of this study was the SMEs in Lasanod town, Somalia. According to Lasanod municipality's official records (2018). The town houses a variety of SMEs that will give a reasonable number of subjects for the purpose of this study. The population was used as the respondents for this study to offer information mainly about the role bookkeeping has played in their enterprises. Since enterprises can be managed by managers and accountants employed to do so by the owners of the enterprise, they were seen as most appropriate and found to be information rich for the purpose of this study

and therefore they were targeted as respondents for the study. On the other hand, an important step in any survey research is the selection of survey participants (or sampling). A research sample is a segment or subset of a population that is selected for investigation (Alan and Emma, 2011: 176). For the aim of the research, simple random sampling techniques were used to sample the participants. the researcher decided to pick businesses that had experience of three years and beyond of their operation within Lasanod. These firms could be information rich in terms of the value of recordkeeping. According to the Lasanod Municipal office in 2018, the SMEs registered in the entire municipality was 500. But the number of the enterprises that had been operating within in three years and beyond were only estimated to be 250 businesses. The Municipal office records indicated that Gooladda street of the town housed variety of the SMEs which had been operating within three years and beyond. From this street, it was estimated that about 200 SMEs had operated for a substantial time of more years and could be “information rich. Therefore, this would be an appropriate location for the study and it was purposefully selected for the study. According to Creswell (2014: 205), an appropriate population representation and generalization of research findings is 10% or more of any population. Due to this, seventy (70) of the SMEs’ total population was randomly sampled and was subjected to the study.

3.2.3. Research Instrument

This study used a questionnaire to collect data. Since this study needs to assess the accounting practices employed by SMEs in Lasanod town, a questionnaire was appropriate to such data gathering. The questionnaire used was a closed-ended one and was developed by the researcher. This type of questionnaire enabled the research to conduct data that are relevant to the purposes of this study which answered the questions posted. Also, this type of questions can be easily analyzed using statistical software packages like SPSS. 70 copies of questionnaires were administrated to 250 SMEs in Lasanod town and all the 70 copies were returned.

3.2.4. Validity of the Instrument

Various researchers and scholars have defined validity using different terms, but a close look of these definitions brings one to the same meaning of the term validity. For example,

Donald and Pamela (2014: 257) defined validity as the extent to which a test measures what we actually wish to measure. Orodho (2005) defined validity as the degree to which empirical measure or several measures of a concept, accurately measures the concept. In consideration of this, the instrument was validated by the ethical committee of Sakarya University. This committee consists of nine members from different faculties of the University. They had come to a meeting to assess and validate the correctness of the instrument. Each member was given a copy of the questionnaire to validate. Based on their suggestions, corrections or amendments, a final copy was produced and used for the research.

3.2.5. Reliability of the Instrument

According to Sreejesh, Sanjay and Anusree (2014: 114), reliability is a measure of the degree to which a specific instrument is mistake-free and as a consequence, produce reliable results. The researcher has used Cronbach Alpha reliability test to check the reliability of the instruments. The questionnaire was distributed to 17 respondents consisted of 10 small and medium-sized business managers and 7 small and medium-sized business accountants randomly selected in Lasanod town. A reliability coefficient of 0.82 was found which showed that the internal consistency of the instrument was high. The use of Cronbach Alpha reliability coefficient was considered suitable here because it can provide information about the accuracy of different items in an instrument in measuring the common underlying phenomenon.

3.2.6. Data Analysis

After the collection of data; the data were thematically arranged and ordered as per the research study questions. They were then analyzed with the help of SPSS version 25. Codes and labeled were used to come up with themes for the analysis. Finally, the data interpretation was made and was presented in the form of tables.

3.3. Hypotheses Development

The following null hypotheses have been developed and will be tested at 0.05 significance level.

H₀₁: There is no statistically significant difference in the view of managers and accountants on the bookkeeping used by SMEs in Lasanod.

Ho₂: There is no statistically significant difference in the view of managers and accountants on budgeting practices used by SMEs in Lasanod.

Ho₃: There is no statistically significant difference in the view of managers and accountants on financial reporting practices used by SMEs in Lasanod.

Ho₄: There is no statistically significant difference in the view of managers and accountants on auditing practices used by SMEs in Lasanod.

Ho₅: There is no statistically significant difference in the view of managers and accountants on assets depreciation practices used by SMEs in Lasanod.

3.4. Presentation and Analysis of Data.

3.4.1. Research Questions

3.4.1.1. Research Question 1

What are the bookkeeping practices used by SMEs enterprises in Lasanod? To answer the above research question, items that have agreement values on bookkeeping practices used by SMEs were presented to the respondents to show the level of their agreement or disagreement. The frequencies and the percentage scores for the responses to each item were presented in the following tables.

Table 8
Position occupied

1. Position occupied:		
	Frequency	Percent
Manager	51	72.9
Accountant	19	27.1
Total	70	100.0

The results from table 3.1 above reveal that the manager population constitutes the largest with a percentage of 72.9% while that of the accountant population constitutes about 27.1%. This information is an indicates the most businesses were running by managers.

Table 9
Age of responder

2. Age of responder		
	Frequency	Percent
15-25	12	17.1
26-35	24	34.3
36- 45	19	27.1
46 and above	15	21.4
Total	70	100.0

The researcher wanted to find out the ratio of age distribution in the respondents. It shows that 17.1% of them were within the age group of 15-25, 34.3% fall within 26-35 and 27.1% within the age group of 36- 45, 21.4% constituted 46 and above. This is an indication that the majority of the youth constitute the largest in the sub-sector. However, all other age groups within the town were considerably represented.

Table 10
Legal ownership of your SMEs

3. What is the Legal ownership of your SMEs?		
	Frequency	Percent
Family business	10	14.3
Sole proprietor	27	38.6
partnership	28	40.0
Limited company	5	7.1
Total	70	100.0

The data from the above table 3.3 shows clearly that, 40.0% business entities were partnerships dominating the sector, followed by sole proprietorships with a percentage of 38.6%, and corporation with the lowest rate of 7.1%.

Table 11
Keeping the accounting records

4. How do you keep the accounting records?		
	Frequency	Percent
Manual	28	40.0
Excel	9	12.9
Accounting package	33	47.1
Total	70	100.0

The result from table 3.4 above discloses that 40.0% of respondents were keeping records manually, 12.9% of the respondents were using excel. While other respondents were using accounting package in keeping records of their daily activities. These findings demonstrated that the majority of the SMEs in Lasanod keep their records using accounting package.

Table 12
Preparation time of the financial accounting reports

5. How do you prepare your financial accounting reports?		
	Frequency	Percent
Quarterly	2	2.9
Semiannually	16	22.9
Annually	38	54.3
There is no specific time	14	20.0
Total	70	100.0

The outcome from item 5, 54.3% 2.9% of respondents were preparing accounting reports annually, 22.9% of the respondents were preparing accounting reports Semiannually. 2.9% were preparing accounting reports Quarterly. While 20.0% of the respondents had no specific time to prepare their accounting reports. These findings confirmed that the majority of the SMEs in Lasanod prepare their accounting reports annually.

Table 13

Preparation of the accounts and financial statements

6. Who Prepares the accounts and financial statements?		
	Frequency	Percent
Full time accounting officer	22	31.4
Consultant	1	1.4
Owner manager	40	57.1
Independent public accountant	7	10.0
Total	70	100.0

Item 6, shows 31.4% of the respondents said that full-time accounting officer prepares accounts and financial statements, 1.4% said Consultant, 57.1% said owner-manager and the last 10.0% of the participants said that they hire independent public accountant to prepare their accounts and financial statements. This show that most of the accounts and financial statements of the businesses were prepared by the owner-manager.

Table 14

Challenges faced the SMEs Owners/managers in Record keeping

7.Challenges faced by SMEs Owners/managers in Record keeping		
	Frequency	Percent
Lack of accounting knowledge	17	24.3
Cost and time constraints	40	57.1
Fear of discouragement in case of loss	13	18.6
Total	70	100.0

Table 3.7 discloses that a lot of SMEs (57.1%) recognized the challenges they encountered in maintaining good accounting records to cost and time constraints, 24.3% lack of accounting knowledge, of SMEs indicated lack of accounting knowledge as challenges whereas 18.6% cited discouragement and fear of loss as challenges.

Table 15

Appropriately maintenance use of all accounting documents

8. All accounting documents are appropriately maintained for use		
	Frequency	Percent
Strongly Agreed	31	44.3
Agreed	21	30.0
Undecided	1	1.4
Disagreed	8	11.4
Strongly Disagreed	9	12.9
Total	70	100.0

The data presented in Table 3.8. above indicated that of the 70 respondents, 44.3% strongly agreed, 30.0% agreed, 1.4% undecided, 11.4% disagreed and 12.9% strongly disagreed. With a percentage of 44.3% implied that most of the respondents were, in agreement that all source accounting documents were properly preserved for use in bookkeeping practices.

Table 16

Transaction recording for general purposes of record keeping

9. Each transaction is recorded for general purposes of record keeping		
	Frequency	Percent
Strongly Agreed	23	32.9
Agreed	24	34.3
Undecided	4	5.7
Disagreed	17	24.3
Strongly Disagreed	2	2.9
Total	70	100.0

Out of the 70 respondents to item 9, 32.9% strongly agreed, 34.3% agreed, 5.7% undecided, 24.3% disagreed, and 2.9% strongly disagreed. The responses produced a high percentage of 34.3%, which showed that the respondents agreed that every transaction was recorded for bookkeeping purposes.

Table 17

The business records for all purchases made

10. The business records all purchases made.		
	Frequency	Percent
Strongly agreed	26	37.1
Agreed	35	50.0
Undecided	5	7.1
Disagreed	4	5.7
Total	70	100.0

On the issue of all purchases made have to be recorded, 37.1% respondents strongly agreed, 50.0% agreed, 7.1% undecided, 5.7% disagreed while no one strongly disagreed. This yielded a percentage of 50.0%; which indicated that the respondents agreed that all purchases made were recorded.

Table 18

The business records for all sales transactions

11. The business records all sales transactions		
	Frequency	Percent
Strongly Agreed	25	35.7
Agreed	42	60.0
Undecided	2	2.9
Disagreed	1	1.4
Total	70	100.0

Item 11 on all sales transactions to be recorded, 35.7% strongly agreed, 60.0% agreed, 2.9% undecided, 1.4% disagreed, and no one strongly disagreed. With a percentage of 60.0%, it implied that the respondents agreed that all sales transactions were recorded for effective bookkeeping.

Table 19

Recording all cash receipts and payments in the cash book

12. All cash receipts and payments are recorded in the cash book		
	Frequency	Percent
Strongly Agreed	26	37.1
Agreed	36	51.4
Undecided	5	7.1
Disagreed	3	4.3
Total	70	100.0

Out of the 70 respondents to item 12, 37.1%, strongly agreed, 51.4% agreed, 7.1% undecided, 4.3% disagreed, while no one strongly disagreed on the issue of receipts of cash and disbursements being entered in the book of cash. The outcome was 51.4% which confirmed that respondents agreed that receipts of cash and disbursements were entered in the book of cash.

Table 20

Depositing all money receipts in the bank every day

13. All money receipts are deposited in the bank every day.		
	Frequency	Percent
Strongly Agreed	11	15.7
Agreed	16	22.9
Undecided	15	21.4
Disagreed	18	25.7
Strongly Disagreed	10	14.3
Total	70	100.0

The item on all receipts of money to be deposited in the bank before use produced 15.75% strongly agreed, 22.9% agreed, 21.4% undecided, 25.7% disagreed while 14.3% strongly disagreed. This item yielded a percentage of 25.7% which point out that respondents disagreed on the question of all receipts of money has to be deposited in the bank before use.

Table 21

Payment vouchers for each expenditure are prepared

14. Payment vouchers for each expenditure are prepared		
	Frequency	Percent
Strongly Agreed	7	10.0
Agreed	25	35.7
Undecided	20	28.6
Disagreed	15	21.4
Strongly Disagreed	3	4.3
Total	70	100.0

In, response to item 14, 10.0% strongly agreed, 35.7% agreed, 28.6% undecided, 21.4% disagreed and 4.3% strongly disagreed. This gave a percentage of 35.7% which revealed that respondents were agreed, on the question, of payment vouchers being raised for every expenditure.

Table 22

The book of cash is regularly reconciled with statements of bank

15. The cash book is regularly reconciled with bank statements.		
	Frequency	Percent
Strongly Agreed	5	7.1
Agreed	12	17.1
Undecided	16	22.9
Disagreed	22	31.4
Strongly Disagreed	15	21.4
Total	70	100.0

With regards to item 15, 7.1% respondents strongly agreed, 17.1% agreed, 22.9% undecided, 31.4% disagreed while 21.4% strongly disagreed. With a percentage of 31.4% shows that respondents have disagreed that cash book was reconciled with bank statements periodically.

Table 23

Preparation the trial balance from the book of cash and ledger accounts

16. The business Prepares the trial balance from the cash book and ledger accounts		
	Frequency	Percent
Strongly Agreed	10	14.3
Agreed	33	47.1
Undecided	8	11.4
Disagreed	8	11.4
Strongly Disagreed	11	15.7
Total	70	100.0

As can be seen from item 16 on table 3.16 above, 14.3% of the respondents strongly agreed, 47.1 % agreed, 11.4% undecided, 11.4% disagreed and 15.7% strongly disagreed. The item produced a percentage of 47.1% which showed that the respondents agreed that there was a need to prepare trial balance from the book of cash and ledger accounts.

Table 24

Financial statements are prepared at every financial year's end

17. Financial statements are prepared at the end of every financial year		
	Frequency	Percent
Strongly Agreed	22	31.4
Agreed	25	35.7
Undecided	3	4.3
Disagreed	8	11.4
Strongly Disagreed	12	17.1
Total	70	100.0

Of the 70 that responded to item 17, 31.4% strongly agreed, 35.7% agreed, 4.3% were undecided, 11.4% disagreed while 17.1% strongly disagreed. With a percentage of 35.7% of the respondents, confirmed that final statements were prepared at every financial year's

end.

3.4.1.2. Research Question 2

What are the budgeting practices used by SMEs in Lasaond? Section B analysis of the research questionnaire was presented in the following tables.

Table 25

Revenues are estimated as of the start in every financial year

18. Revenues are estimated at the start of each financial year		
	Frequency	Percent %
Strongly Agreed	18	25.7
Agreed	20	28.6
Undecided	3	4.3
Disagreed	19	27.1
Strongly Disagreed	10	14.3
Total	70	100.0

On the basis of data presented in table 3.18, 25.7% of the managers and accountants strongly agreed that estimate of income was made at the beginning of each financial year, 28.6% agreed, 4.3% undecided, 27.1% disagreed and 14.3% strongly disagreed. The item produced a percentage score of 28.6% which indicated that the respondents were in agreement that estimate of income was made at the beginning of each financial year.

Table 26

Loan repayment estimates are usually included in the budget

19. Loan repayment estimates are usually included in the budget		
	Frequency	Percent %
Strongly Agreed	4	5.7
Agreed	30	42.9
Undecided	5	7.1
Disagreed	26	37.1
Strongly Disagreed	5	7.1
Total	70	100.0

Out of the 70 that responded to item 19, 5.7% strongly agreed, 42.9% agreed, 7.1% undecided, 37.1% disagreed while 7.1% strongly disagreed. A percentage of 42.9% was found which implied that respondents agreed with the item statement that estimates for loan repayments was usually included in the budget of small and medium scale business organizations in Lasanod.

Table 27

Provision is usually made for employees' salaries

20. Provision is usually made for employees' salaries		
	Frequency	Percent
Strongly Agreed	17	24.3
Agreed	34	48.6
Undecided	14	20.0
Disagreed	3	4.3
Strongly Disagreed	2	2.9
Total	70	100.0

On item 20, 24.3% of the respondents strongly agreed, 48.6% agreed, 20.0% undecided, 4.3% disagreed and 2.9% strongly disagreed. This yielded a percentage of 48.6% which indicated that the respondents agreed that provision was usually made for wages\salaries of employees in SMEs in Lasanod.

Table 28
The travelling expenses on business trips

21. The travelling expenses on business trips are reflected in the budget		
	Frequency	Percent
Strongly Agreed	7	10.0
Agreed	31	44.3
Undecided	19	27.1
Disagreed	9	12.9
Strongly Disagreed	4	5.7
Total	70	100.0

Of the 70 respondents, to item 21, 10.0% strongly agreed, 44.3% agreed, 27.1% undecided, 12.9% disagreed, while 5.7% strongly disagreed that provision for travel expenses on business trips was reflected in the budget. With a percentage of 44.3% showed that majority of the respondents agreed that provision for travel expenses on business trips was reflected in the budget.

Table 29
budgeting of fixed asset to be bought.

22. Any fixed asset to be bought is usually budgeted.		
	Frequency	Percent
Strongly Agreed	12	17.1
Agreed	30	42.9
Undecided	15	21.4
Disagreed	11	15.7
Strongly Disagreed	2	2.9
Total	70	100.0

With regards to item 22, 17.1% strongly agreed, 42.9% agreed, 21.4% undecided, 15.7% disagreed and 2.9% strongly disagreed on the issue. A percentage of 42.9% confirmed that any fixed asset to be purchased was usually budgeted for.

Table 30

Estimating costs of utilities such as water, electricity and so on

23.The budget includes estimated costs of utilities such as water, electricity and so on		
	Frequency	Percent
Strongly Agreed	9	12.9
Agreed	32	45.7
Undecided	20	28.6
Disagreed	8	11.4
Strongly Disagreed	1	1.4
Total	70	100.0

The following responses in respect of item 23: 12.9% of the respondents 'strongly agreed, 45.7% agreed, 28.6% undecided, 11.4% disagreed, and 1.4% strongly disagreed that estimated cost of utilities, like water, electricity and so on were included in the budget. With a percentage of 45.7%, respondents were agreed on this item.

Table 31

Budgeting cash on a monthly basis

24. Budgeting cash is carried out on a monthly basis		
	Frequency	Percent %
Strongly Agreed	8	11.4
Agreed	19	27.1
Undecided	19	27.1
Disagreed	18	25.7
Strongly Disagreed	6	8.6
Total	70	100.0

In response to item 24, 11.4% strongly agreed, 27.1% agreed, 27.1% undecided, 25.7% disagreed, while 8.6% strongly disagreed that cash budgeting was done on a monthly basis. The realized percentage of 27.1% proved that the respondents were undecided that cash budgeting was done on a monthly basis.

3.4.1.3. Research Question 3

What are the financial reporting practices used by SMEs in Lasaond?

Section C analysis of the questionnaire was presented in the tables below:

Table 32

Preparation the income statement of the business

25. Prepare the income statement of the business at the end of each financial year		
	Frequency	Percent
Strongly Agreed	22	31.4
Agreed	29	41.4
Disagreed	10	14.3
Strongly Disagreed	9	12.9
Total	70	100.0

In consonance with the data presented in table 3.25, 31.4% strongly agreed, 41.4% agreed, no one undecided, 14.3% disagreed, while 12.9%, strongly disagreed that small and medium-sized enterprises in Lasanod town prepare income statement of the business at every financial year end. These responses gave a percentage of 41.4% which confirmed that the income statement of SMEs was prepared at the end of every financial year.

Table 33

Preparation the balance sheet of the business

26. Prepare the balance sheet of the business at the end of each financial year		
	Frequency	Percent
Strongly Agreed	22	31.4
Agreed	29	41.4
Undecided	1	1.4
Disagreed	13	18.6
Strongly Disagreed	5	7.1
Total	70	100.0

On item 26, 31.4% strongly agreed, 41.4% agreed, 1.4% undecided, 18.6% disagreed and 7.1% strongly disagreed that balance sheet of small business was prepared at the end of every financial year. The highest calculated percentage of 41.4% showed that the respondents were agreed to prepare the balance sheet at the end of every financial year.

Table 34

Calculating the cash flow statement of the business monthly

27. Calculate cash flow statement of the business monthly		
	Frequency	Percent
Strongly Agreed	11	15.7
Agreed	13	18.6
Undecided	12	17.1
Disagreed	29	41.4
Strongly Disagreed	5	7.1
Total	70	100.0

Respondents of item 27, 17.7% strongly agreed that the cash flow statement of small business was computed monthly, 18.6% agreed, 17.1% undecided, 41.4% disagreed and 7.1% strongly disagreed. This yielded a percentage of disagreement (41.4%,) confirming that the cash flow statement of small and medium-sized enterprises was not computed monthly.

Table 35

Detecting the cash flow problems during the operations of business

28. Detect cash flow problems during the operations of business		
	Frequency	Percent
Strongly Agreed	9	12.9
Agreed	20	28.6
Undecided	19	27.1
Disagreed	13	18.6
Strongly Disagreed	9	12.9
Total	70	100.0

On item 28, 12.9% strongly agreed, 28.6% agreed, 27.1% undecided, 18.6% disagreed while 12.9% strongly disagreed that cash flow problems were identified in the course of business operations. This item produced a percentage of 28.6% which showed that managers and accountants were in agreement that cash flow problems were identified in the course of business operations.

Table 36

Taking preventative measures to solve cash flow problems

29. Take preventative measures to solve cash flow problems during operations		
	Frequency	Percent
Strongly Agreed	9	12.9
Agreed	25	35.7
Undecided	12	17.1
Disagreed	14	20.0
Strongly Disagreed	10	14.3
Total	70	100.0

In response to item 29 in this section, 12.9% strongly agreed, 35.7% agreed, 17.1% were undecided, 20.0% disagreed while 14.3% strongly disagreed that corrective measures were taken to solve cash flow problems identified in the course of operations. Item 29 gave a percentage of 35.7%, which confirmed the agreement of the respondents that corrective measures were taken to solve cash, flow problems.

3.4.1.4. Research Question 4

What are the auditing practices used by SMEs in Lasaond?

Section D of the questionnaire was used to answer this research question. The analysis was as shown in the tables below:

Table 37
The business has an internal auditor

30. The business has an internal auditor		
	Frequency	Percent %
Strongly Agreed	9	12.9
Agreed	16	22.9
Undecided	7	10.0
Disagreed	23	32.9
Strongly Disagreed	15	21.4
Total	70	100.0

In line with the data presented in table 3.30, 12.9% strongly agreed, 22.9% agreed, 10.0% undecided, 32.9% disagreed while 21.4% strongly disagreed that there was an internal auditor for the business organization. The data gave a percentage of 32.9% which proved that respondents have disagreed on the matter of having an internal auditor for the small and medium business organizations.

Table 38

Auditing all account books for accuracy when appropriate

31. All account books are audited for accuracy when appropriate		
	Frequency	Percent
Strongly Agreed	5	7.1
Agreed	16	22.9
Undecided	8	11.4
Disagreed	36	51.4
Strongly Disagreed	5	7.1
Total	70	100.0

Out of 70 that responded to item 31, 7.1% strongly agreed, 22.9% agreed, 11.4% undecided, 51.4% disagreed while 7.1% strongly disagreed. With the computed percentage of 51.4%, respondents disagreed that all books of accounts were audited for correctness as and when due.

Table 39

Following all procedures for credit purchases/sales

32. All procedures for credit purchases / sales are usually followed		
	Frequency	Percent
Strongly Agreed	11	15.7
Agreed	25	35.7
Undecided	12	17.1
Disagreed	19	27.1
Strongly Disagreed	3	4.3
Total	70	100.0

With respect to item 32, 15.7% strongly agreed, 35.7% agreed, 17.1% undecided, 27.1% disagreed and 4.3% strongly disagreed that all credit purchases/sales procedures were usually followed. A percentage of 35.7% proved that respondents agreed that all credit purchases/sales procedures were followed.

Table 40

Hiring external auditors to check the account books

33. Sometimes external auditors are hired to check our account books		
	Frequency	Percent
Strongly Agreed	10	14.3
Agreed	9	12.9
Undecided	5	7.1
Disagreed	27	38.6
Strongly Disagreed	19	27.1
Total	70	100.0

On item 33, 14.3% strongly agreed, 12.9% agreed, 7.1% undecided. 38.6% disagreed and 27.1% strongly disagreed that external auditors were sometimes invited to check the books of accounts of small business. With a high percentage of 38.6%, respondents have disagreed on the issue of inviting external auditors to check their books of accounts.

Table 41

Detecting fraudulent employee practices in the course of audits

34. Fraudulent employee practices detected in the course of audits are asked accordingly		
	Frequency	Percent
Strongly Agreed	6	8.6
Agreed	9	12.9
Undecided	26	37.1
Disagreed	23	32.9
Strongly Disagreed	6	8.6
Total	70	100.0

Item 34 showed that 8.6% strongly agreed, 12.9% agreed, 37.1% undecided, 32.9% disagreed while 8.6% strongly disagreed that fraudulent staff practices detected during audits were queried accordingly. With a high percentage of 37.1%, respondents were

undecided on the issue of detecting fraudulent staff practices during audits were queried accordingly.

Table 42
Checking books of accounts regularly by the State officials

35. State officials check our books of accounts regularly		
	Frequency	Percent
Strongly Agreed	1	1.4
Agreed	2	2.9
Disagreed	18	25.7
Strongly Disagreed	49	70.0
Total	70	100.0

In response to the issue of government officials checking the books of accounts regularly, 1.4% strongly agreed, 2.9% agreed, no one undecided, 25.7% disagreed and 70.0% strongly disagreed. With a high percentage of strongly disagreement (70.0%), confirmed that government officials did not check the books of accounts of small and medium-sized business organizations in Lasanod.

Table 43
Sending audit reports are to management

36. For appropriate decisions, audit reports are normally sent to management		
	Frequency	Percent
Strongly Agreed	4	5.7
Agreed	14	20.0
Undecided	11	15.7
Disagreed	15	21.4
Strongly Disagreed	26	37.1
Total	70	100.0

Responses to item 36 gave the following results: 5.7% strongly agreed, 20.0% agreed, 15.7% undecided, 21.4% disagreed while 37.1% strongly disagreed with the item. It produced a high percentage of 37.1% of strongly disagreement, which confirmed that

audit reports of SMEs were not usually sent to the management for appropriate decision.

3.4.1.5. Research Question 5

What are the assets depreciation practices used by SMEs in Lasaond? The data used in answering the above question were presented in the tables below:

Table 44
Disposing scraps assets after their lifetime

37. Scraps are usually disposed of after the lifetime of the assets		
	Frequency	Percent
Strongly Agreed	19	27.1
Agreed	17	24.3
Undecided	6	8.6
Disagreed	17	24.3
Strongly Disagreed	11	15.7
Total	70	100.0

The above table 44, revealed that 27.1% strongly agreed that scraps were normally disposed of after the assets life span, 24.3% agreed, 8.6% undecided, 24.3% disagreed, and 15.7% strongly disagreed. The computed percentage of 27.1% proved that scraps were normally disposed of after the assets' life time by small and medium businesses.

Table 45
Depreciating assets at the end of each financial year

38. At the end of each financial year, assets are depreciated		
	Frequency	Percent
Strongly Agreed	12	17.1
Agreed	34	48.6
Undecided	8	11.4
Disagreed	14	20.0
Strongly Disagreed	2	2.9
Total	70	100.0

To item 38, 17.1% strongly agreed, 48.6% agreed, 11.4% undecided, 20.0% disagreed while 2.9% strongly disagreed. This gave a percentage of 48.6% which confirmed that assets were depreciated at the end of every financial year by small and medium businesses.

Table 46
Replacement of the company's outdated equipment

39. The company's outdated equipment is replaced if necessary		
	Frequency	Percent
Strongly Agreed	13	18.6
Agreed	31	44.3
Undecided	10	14.3
Disagreed	5	7.1
Strongly Disagreed	11	15.7
Total	70	100.0

Out of 70 responses to item 39, 18.6% strongly agreed that obsolete equipment in the business was replaced when necessary, 44.3% agreed, 14.3% undecided, 7.1% disagreed whereas 15.7% strongly disagreed. A percentage of 44.3% was produced which revealed that obsolete equipment in the business was replaced when necessary.

Table 47
Using straight-line method to depreciate assets

40.To depreciate assets, straight-line method is used.		
	Frequency	Percent
Strongly Agreed	16	22.9
Agreed	22	31.4
Undecided	4	5.7
Disagreed	11	15.7
Strongly Disagreed	17	24.3
Total	70	100.0

With regards to item 40, 22.9% strongly agreed, 31.4% agreed, 5.7% undecided, 15.7%

disagreed and 24.3% strongly disagreed. This resulted in a percentage of 31.4% which confirmed that the majority of the respondents agreed that the straight-line method was used to depreciate assets by small and medium-sized business organizations in Lasanod.

Table 48

Using double-declining method to depreciate assets

41. To depreciate assets, a double-declining method is used		
	Frequency	Percent
Agreed	4	5.7
Undecided	15	21.4
Disagreed	30	42.9
Strongly Disagreed	21	30.0
Total	70	100.0

To item 41, 0% respondents strongly agreed, 5.7% agreed, 21.4% undecided, 42.9% disagreed while 30.0% strongly disagreed. The outcome was a percentage of 42.9% which confirmed that the majority of respondents have disagreed on the issue of using double- declining method to depreciate assets.

Table 49

Using no special method for depreciation of assets

42. There is no special method of depreciation of assets		
	Frequency	Percent
Strongly Agreed	19	27.1
Agreed	6	8.6
Undecided	9	12.9
Disagreed	16	22.9
Strongly Disagreed	20	28.6
Total	70	100.0

The last item, in the questionnaire, was on, no special method was used to depreciate assets. While 27.1% strongly agreed, 8.6% agreed, 12.9% undecided, 22.9% disagreed and 28.6% strongly disagreed. The outcome was a percentage of 28.6% which implied

that majority of the respondents had strongly disagreed on the issue of no special method was used to depreciate assets by small and medium scale business organizations in Lasanod.

3.4.2. Hypotheses

The five null hypotheses were analyzed using t-test statistic and testing at 0.05 level of significance.

\bar{X}_m = mean SMEs managers

\bar{X}_a = mean SMEs accountants

L.O.S. = level of significance.

P. V. = P. Value

3.4.2.1. Hypotheses 1

There is no great difference in the view of managers and accountants on bookkeeping practices used by SMEs in Lasanod.

1. All accounting documents are appropriately maintained for use.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.002 at 0.05 L.O.S.	2.50	1.32	P < 0.05

The t-test analysis in item 1, revealed that the p-value calculated was less than the level of significance in the item. By comparing the mean scores of managers and accountants, the mean score of managers was higher than the mean score of the accountants, this implies that there was a great difference between the opinion of managers and accountants about the item of, all accounting documents are appropriately maintained for use, therefore, the null hypothesis was rejected in the item.

2. Each transaction is recorded for general purposes of record keeping.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.002 at 0.05 L.O.S.	2.57	1.58	P < 0.05

The t-test analysis in item 2, revealed that the p-value calculated was less than the level of significance in the item. By comparing the mean scores of managers and accountants, the mean score of managers was higher than the mean score of the accountants, this implies that there was a great difference between the opinion of managers and accountants about the item of, each transaction is recorded for general purposes of record keeping, therefore, the null hypothesis was rejected in the item.

3. The business records all purchases made.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.004 at 0.05 L.O.S.	1.99	1.37	P < 0.05

The t-test analysis in item 3, revealed that the p-value calculated was less than the level of significance in the item. By comparing the mean scores of managers and accountants, the mean score of managers was higher than the mean score of the accountants, this implies that there was a great difference between the opinion of managers and accountants about the item of, the business records all purchases made, therefore, the null hypothesis was rejected in the item.

4. The business records all sales transactions	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.016 at 0.05 L.O.S.	1.80	1.43	P < 0.05

The t-test analysis in item 4, revealed that the p-value calculated was less than the level of significance in the item. By comparing the mean scores of managers and accountants, the mean score of managers was higher than the mean score of the accountants, this implies that there was a great difference between the opinion of managers and accountants about the item of, the business records all sales transactions, therefore, the null hypothesis

was rejected in the item.

5. All cash receipts and payments are recorded in the cash book.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.303 at 0.05 L.O.S.	1.85	1.64	P > 0.05

The t-test analysis in item 5, revealed that the p-value calculated was higher than the 0.05 level of significance. By comparing the mean scores of managers and accountants, the mean score of managers was slightly higher than the mean score of the accountants, this implies that there was no great difference between the opinion of managers and accountants about the item of, all cash receipts and payments are recorded in the cash book, therefore, the null hypothesis was accepted in the item.

6. All money receipts are deposited in the bank every day.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.064 at 0.05 L.O.S.	3.18	2.53	P > 0.05

The t-test analysis in item 6, revealed that the p-value calculated was higher than the 0.05 level of significance. By comparing the mean scores of managers and accountants, the mean score of managers was slightly higher than the mean score of the accountants, this implies that there was no great difference between the opinion of managers and accountants about the item of, all money receipts are deposited in the bank every day, therefore, the null hypothesis was accepted in the item.

7. Payment vouchers for each expenditure are prepared.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.008 at 0.05 L.O.S.	2.95	2.22	P < 0.05

The t-test analysis in item 7, revealed that the p-value calculated was less than the level of significance in the item. By comparing the mean scores of managers and accountants, the mean score of managers was higher than the mean score of the accountants, this

implies that there was a great difference between the opinion of managers and accountants about the item of, payment vouchers for each expenditure are prepared, therefore, the null hypothesis was rejected in the item.

8. The cash book is regularly reconciled with bank statements.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.070 at 0.05 L.O.S.	3.59	3	P > 0.05

The t-test analysis in item 8, revealed that the p-value calculated was higher than the 0.05 level of significance. By comparing the mean scores of managers and accountants, the mean score of managers was slightly higher than the mean score of the accountants, this implies that there was no great difference between the opinion of managers and accountants about the item of, the cash book is regularly reconciled with bank statements, therefore, the null hypothesis was accepted in the item.

9. The business prepares the trial balance from the cash book and ledger accounts.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.000 at 0.05 L.O.S.	3.02	1.74	P < 0.05

The t-test analysis in item 9, revealed that the p-value calculated was less than the level of significance in the item. By comparing the mean scores of managers and accountants, the mean score of managers was higher than the mean score of the accountants, this implies that there was a great difference between the opinion of managers and accountants about the item of, the business prepares the trial balance from the cash book and ledger accounts, therefore, the null hypothesis was rejected in the item.

10. Financial statements are prepared at the end of every financial year.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.001 at 0.05 L.O.S.	2.83	1.53	P < 0.05

The t-test analysis in item 10, revealed that the p-value calculated was less than the level

of significance in the item. By comparing the mean scores of managers and accountants, the mean score of managers was higher than the mean score of the accountants, this implies that there was a great difference between the opinion of managers and accountants about the item of, financial statements are prepared at the end of every financial year, therefore, the null hypothesis was rejected in the item.

Based on the t-test findings of hypothesis 1, items of 1, 2, 3,4,7,9 and 10, indicated there were great differences between the opinion of managers and accountants on bookkeeping practices used by SMEs in Lasanod. On the other hand, items of 5, 6 and 8 shows that there are no great differences between the opinion of managers and accountants, therefore, the first hypothesis is mostly rejected.

3.4.2.2. Hypotheses 2

There is no great difference in the view of managers and accountants on budgeting practices used by small and medium-sized enterprises in Lasanod.

Data for testing the hypothesis were presented in the tables below:

11. Revenues are estimated at the start of each financial year.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.084 at 0.05 L.O.S.	2.95	2.27	P > 0.05

The t-test analysis in item 11, revealed that the p-value calculated was higher than the 0.05 level of significance. By comparing the mean scores of managers and accountants, the mean score of managers was slightly higher than the mean score of the accountants, this implies that there was no great difference between the opinion of managers and accountants about the item of, revenues are estimated at the start of each financial year, therefore, the null hypothesis was accepted in the item.

12. Loan repayment estimates are usually included in the budget.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.206 at 0.05 L.O.S.	3.07	2.69	P > 0.05

The t-test analysis in item 12, revealed that the p-value calculated was higher than the 0.05 level of significance. By comparing the mean scores of managers and accountants, the mean score of managers was slightly higher than the mean score of the accountants, this implies that there was no great difference between the opinion of managers and accountants about the item of, loan repayment estimates are usually included in the budget, therefore, the null hypothesis was accepted in the item.

13. Provision is usually made for employees' salaries.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.031 at 0.05 L.O.S.	2.28	1.74	P < 0.05

The t-test analysis in item 13, revealed that the p-value calculated was less than the level of significance in the item. By comparing the mean scores of managers and accountants, the mean score of managers was higher than the mean score of the accountants, this implies that there was a great difference between the opinion of managers and accountants about the item of, provision is usually made for employees' salaries, therefore, the null hypothesis was rejected in the item.

14. The travelling expenses on business trips are reflected in the budget.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.253 at 0.05 L.O.S.	2.687	2.369	P > 0.05

The t-test analysis in item 14, revealed that the p-value calculated was higher than the 0.05 level of significance. By comparing the mean scores of managers and accountants, the mean score of managers was slightly higher than the mean score of the accountants, this implies that there was no great difference between the opinion of managers and accountants about the item of, the travelling expenses on business trips are reflected in

the budget, therefore, the null hypothesis was accepted in the item.

15. Any fixed asset to be bought is usually budgeted.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.056 at 0.05 L.O.S.	2.589	2.053	P > 0.05

The t-test analysis in item 15, revealed that the p-value calculated was higher than the 0.05 level of significance. By comparing the mean scores of managers and accountants, the mean score of managers was slightly higher than the mean score of the accountants, this implies that there was no great difference between the opinion of managers and accountants about the item of, any fixed asset to be bought is usually budgeted, therefore, the null hypothesis was accepted in the item.

16. The budget includes estimated costs of utilities such as water, electricity and so on.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.357 at 0.05 L.O.S.	2.491	2.27	P > 0.05

The t-test analysis in item 16, revealed that the p-value calculated was higher than the 0.05 level of significance. By comparing the mean scores of managers and accountants, the mean score of managers was slightly higher than the mean score of the accountants, this implies that there was no great difference between the opinion of managers and accountants about the item of, the budget includes estimated costs of utilities such as water, electricity and so on, therefore, the null hypothesis was accepted in the item.

17. Budgeting cash is carried out on a monthly basis.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.044 at 0.05 L.O.S.	3.098	2.48	P < 0.05

The t-test analysis in item 17, revealed that the p-value calculated was less than the level of significance in the item. By comparing the mean scores of managers and accountants, the mean score of managers was higher than the mean score of the accountants, this implies that there was a great difference between the opinion of managers and accountants

about the item of budgeting cash is carried out on a monthly basis, therefore, the null hypothesis was rejected in the item.

Based on the t-test findings of hypothesis 2, only items of 13 and 17, indicated that there were great differences between the opinion of managers and accountants on budgeting practices used by SMEs in Lasanod. On the other hand, items of 11, 12, 14, 15 and 16, showed that there were no great differences between the opinion of managers and accountants, therefore, the second hypothesis is mostly accepted.

3.4.2.3. Hypotheses 3

There is no great difference in the view of managers and accountants on financial reporting practices used by small and medium-sized enterprises in Lasanod.

The t- test for mean responses on the financial reporting practices are exhibited in the following tables:

18. Prepare the income statement of the business at the end of each financial year.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.004 at 0.05 L.O.S.	2.65	1.58	P < 0.05

The t-test analysis in item 18, revealed that the p-value calculated was less than the level of significance in the item. By comparing the mean scores of managers and accountants, the mean score of managers was higher than the mean score of the accountants, this implies that there was a great difference between the opinion of managers and accountants about the item of, prepare the income statement of the business at the end of each financial year, therefore, the null hypothesis was rejected in the item.

19. Prepare the balance sheet of the business at the end of each financial year.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.001 at 0.05 L.O.S.	2.59	1.48	P < 0.05

The t-test analysis in item 19, revealed that the p-value calculated was less than the level

of significance in the item. By comparing the mean scores of managers and accountants, the mean score of managers was higher than the mean score of the accountants, this implies that there was a great difference between the opinion of managers and accountants about the item of, prepare the balance sheet of the business at the end of each financial year, therefore, the null hypothesis was rejected in the item.

20. Calculate cash flow statement of the business monthly.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.002 at 0.05 L.O.S.	3.34	2.32	P < 0.05

The t-test analysis in item 20, revealed that the p-value calculated was less than the level of significance in the item. By comparing the mean scores of managers and accountants, the mean score of managers was higher than the mean score of the accountants, this implies that there was a great difference between the opinion of managers and accountants about the item of, calculate cash flow statement of the business monthly, therefore, the null hypothesis was rejected in the item.

21. Detect cash flow problems during the operations of business.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.014 at 0.05 L.O.S.	3.12	2.32	P < 0.05

The t-test analysis in item 21, revealed that the p-value calculated was less than the level of significance in the item. By comparing the mean scores of managers and accountants, the mean score of managers was higher than the mean score of the accountants, this implies that there was a great difference between the opinion of managers and accountants about the item of, detect cash flow problems during the operations of business, therefore, the null hypothesis was rejected in the item.

22. Take preventative measures to solve cash flow problems during operations.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.004 at 0.05 L.O.S.	3.14	2.16	P < 0.05

The t-test analysis in item 22, revealed that the p-value calculated was less than the level of significance in the item. By comparing the mean scores of managers and accountants, the mean score of managers was higher than the mean score of the accountants, this implies that there was a great difference between the opinion of managers and accountants about the item of, take preventative measures to solve cash flow problems during operations, therefore, the null hypothesis was rejected in the item.

Based on the t-test findings of hypothesis 3, all the items indicated that there were great differences between the opinion of managers and accountants on financial reporting practices used by SMEs in Lasanod. therefore, the third hypothesis was rejected in all the items.

3.4.2.4. Hypotheses 4

There is no great difference in the view of managers and accountants on auditing practices used by small and medium sized enterprises in Lasanod.

Data for testing the hypothesis were presented in the tables below:

23. The business has an internal auditor.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.000 at 0.05 L.O.S.	3.77	1.95	P < 0.05

The t-test analysis in item 23, revealed that the p-value calculated was less than the level of significance in the item. By comparing the mean scores of managers and accountants, the mean score of managers was higher than the mean score of the accountants, this implies that there was a great difference between the opinion of managers and accountants about the item of, the business has an internal auditor, therefore, the null hypothesis was rejected in the item.

24. All account books are audited for accuracy when appropriate.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.000 at 0.05 L.O.S.	3.75	2.053	P < 0.05

The t-test analysis in item 24, revealed that the p-value calculated was less than the level of significance in the item. By comparing the mean scores of managers and accountants, the mean score of managers was higher than the mean score of the accountants, this implies that there was a great difference between the opinion of managers and accountants about the item of, all account books are audited for accuracy when appropriate, therefore, the null hypothesis was rejected in the item.

25. All procedures for credit purchases / sales are usually followed.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.000 at 0.05 L.O.S.	2.980	1.89	P < 0.05

The t-test analysis in item 25, revealed that the p-value calculated was less than the level of significance in the item. By comparing the mean scores of managers and accountants, the mean score of managers was higher than the mean score of the accountants, this implies that there was a great difference between the opinion of managers and accountants about the item of, all procedures for credit purchases/sales are usually followed, therefore, the null hypothesis was rejected in the item.

26. Sometimes external auditors are hired to check our account books.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.000 at 0.05 L.O.S.	3.89	2.53	P < 0.05

The t-test analysis in item 26, revealed that the p-value calculated was less than the level of significance in the item. By comparing the mean scores of managers and accountants, the mean score of managers was higher than the mean score of the accountants, this implies that there was a great difference between the opinion of managers and accountants about the item of, sometimes external auditors are hired to check our account books,

therefore, the null hypothesis was rejected in the item.

27. Fraudulent employee practices detected in the course of audits are asked accordingly.	\bar{X}_m	\bar{X}_a	Remarks
P.V.= 0.047 at 0.05 L.O.S.	3.35	2.79	P < 0.05

The t-test analysis in item 27, revealed that the p-value calculated was less than the level of significance in the item. By comparing the mean scores of managers and accountants, the mean score of managers was higher than the mean score of the accountants, this implies that there was a great difference between the opinion of managers and accountants about the item of, fraudulent employee practices detected in the course of audits are asked accordingly, therefore, the null hypothesis was rejected in the item.

28. State officials check our books of accounts regularly.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.009 at 0.05 L.O.S.	4.74	4.21	P < 0.05

The t-test analysis in item 28, revealed that the p-value calculated was less than the level of significance in the item. By comparing the mean scores of managers and accountants, the mean score of managers was higher than the mean score of the accountants, this implies that there was a great difference between the opinion of managers and accountants about the item of, state officials check our books of accounts regularly, therefore, the null hypothesis was rejected in the item.

29. For appropriate decisions, audit reports are normally sent to management.	\bar{X}_m	\bar{X}_a	Remarks
P. V. = 0.000 at 0.05 L.O.S.	4.01	2.64	P < 0.05

The t-test analysis in item 29, revealed that the p-value calculated was less than the level of significance in the item. By comparing the mean scores of managers and accountants,

the mean score of managers was higher than the mean score of the accountants, this implies that there was a great difference between the opinion of managers and accountants about the item of, for appropriate decisions, audit reports are normally sent to management, therefore, the null hypothesis was rejected in the item.

Based on the t-test findings of hypothesis 4, all the items indicated that there were great differences between the opinion of managers and accountants on auditing practices used by SMEs in Lasanod. therefore, the fourth hypothesis was rejected in all the items.

3.4.2.5. Hypotheses 5

There is no great difference in the view of managers and accountants on assets depreciation practices used by small and medium-sized enterprises in Lasanod.

The t-test for mean responses on the assets depreciation practices used by small and medium-sized enterprises in Lasanod are displayed in the tables below:

30. Scraps are usually disposed of after the lifetime of the assets.	\bar{X}_m	\bar{X}_a	Remarks
P.V. = 0.951 at 0.05 L.O.S.	2.77	2.79	P > 0.05

The t-test analysis in item 30, revealed that the p-value calculated was higher than the 0.05 level of significance. By comparing the mean scores of managers and accountants, the mean score of accountants was slightly higher than the mean score of the managers, this implies that there was no great difference between the opinion of managers and accountants about the item of, scraps are usually disposed of after the lifetime of the assets., therefore, the null hypothesis was accepted in the item.

31. At the end of each financial year, assets are depreciate.	\bar{X}_m	\bar{X}_a	Remarks
P.V. = 0.043 at 0.05 L.O.S.	2.59	2	P < 0.05

The t-test analysis in item 31, revealed that the p-value calculated was less than the level

of significance in the item. By comparing the mean scores of managers and accountants, the mean score of managers was higher than the mean score of the accountants, this implies that there was a great difference between the opinion of managers and accountants about the item of, at the end of each financial year, assets are depreciated, therefore, the null hypothesis was rejected in the item.

32. The company's outdated equipment is replaced if necessary.	\bar{X}_m	\bar{X}_a	Remarks
P.V. = 0.109 at 0.05 L.O.S.	2.73	2.158	P > 0.05

The t-test analysis in item 32, revealed that the p-value calculated was higher than the 0.05 level of significance. By comparing the mean scores of managers and accountants, the mean score of managers was slightly higher than the mean score of the accountants, this implies that there was no great difference between the opinion of managers and accountants about the item of, the company's outdated equipment is replaced if necessary, therefore, the null hypothesis was accepted in the item.

33. To depreciate assets, straight-line method is used.	\bar{X}_m	\bar{X}_a	Remarks
P.V. = 0.006 at 0.05 L.O.S.	3.18	2.053	P < 0.05

The t-test analysis in item 33, revealed that the p-value calculated was less than the level of significance in the item. By comparing the mean scores of managers and accountants, the mean score of managers was higher than the mean score of the accountants, this implies that there was a great difference between the opinion of managers and accountants about the item of, to depreciate assets, straight-line method is used, therefore, the null hypothesis was rejected in the item.

34. To depreciate assets, a double - declining method is used.	\bar{X}_m	\bar{X}_a	Remarks
P.V. = 0.451 at 0.05 L.O.S.	4.01	3.85	P > 0.05

The t-test analysis in item 34, revealed that the p-value calculated was higher than the 0.05 level of significance. By comparing the mean scores of managers and accountants, the mean score of managers was slightly higher than the mean score of the accountants, this implies that there was no great difference between the opinion of managers and accountants about the item of, to depreciate assets, a double -declining method is used, therefore, the null hypothesis was accepted in the item.

35. There is no special method of depreciation of assets	\bar{X}_m	\bar{X}_a	Remarks
P.V. = 0.047 at 0.05 L.O.S.	2.95	3.79	P < 0.05

The t-test analysis in item 35, revealed that the p-value calculated was less than the level of significance in the item. By comparing the mean scores of managers and accountants, the mean score of accountants was higher than the mean score of the managers, this implies that there was a great difference between the opinion of managers and accountants about the item of, there is no special method of depreciation of assets, therefore, the null hypothesis was rejected in the item.

Based on the t-test finding of hypothesis 5, items of 31, 33, and 35 indicated that there were great differences between the opinion of managers and accountants on assets depreciation practices used by SMEs in Lasanod. On the other hand, items of 30, 32 and 34, showed that there were no great differences between the opinion of managers and accountants, therefore, the fifth hypothesis is partially accepted.

3.4.3. Results of the Study

The following results originated from the study based on the research questions and hypotheses tested.

Research Questions

Bookkeeping Practices used by SMEs

The participants agreed that success in SMEs required the following bookkeeping practices:

- A. That all accounting documents are appropriately maintained for use.
- B. Each transaction is recorded for general purposes of record keeping.
- C. That all receipts of cash and payments are recorded in the cash book.
- D. Trial balance and financial statements were prepared as and when due.

Respondents, however, were undecided on the following items:

- A. That all receipts money is deposited in the bank every day.
- B. That the cash book is regularly reconciled with bank statements.

Budgeting Practices used by SMEs

The participants of this research question agreed that the following budgeting practices enhanced the operations of SMEs:

- A. That to estimate revenues at the start of each financial year.
- B. Loan repayment estimates are usually included in the budget.
- C. Provision is usually made for employees' salaries and traveling expenses on business trips were reflected in the budget.
- D. That any fixed asset to be bought is usually budgeted.
- E. That costs of utilities such as water, electricity and so on are included in the budget.

Financial Reporting Practices used by SMEs

The respondents fully agreed that the following financial reporting practices were essential for effective operations of SMEs:

- A. The income statement of the business was prepared at the end of each financial year.
- B. The balance sheet of the business was prepared at the end of each financial year.
- C. Detecting problems of cash flow during the operations of the firm and take preventative measures to solve cash flow problems during business operations.

However, the respondents had no opinion on the issue of computing cash flow statement of the business on a monthly basis.

Auditing Practices used by SMEs

In response to this question, the participants only agreed that is very important to follow the procedures for credit purchases/sales. But the respondents had no any opinion about the importance of the following auditing practices of small and medium-sized enterprises.

- A. That all account books are audited for accuracy when appropriate
- B. That Fraudulent employee practices detected in the course of audits are asked accordingly
- C. That audit reports were sent to management for appropriate decisions.
- D. That the business to have an internal auditor.
- E. That the business sometimes to hire external auditors to check their books of accounts.
- F. That the state officials checked their books of accounts regularly.

Assets depreciation Practices used by SMEs

To the last research question, the participants were in agreement that the following assets depreciation practices were vital for success in and medium-sized enterprises:

- A. That scraps were usually disposed of after the lifetime of the assets
- B. Depreciation of assets at the end of each financial year.
- C. Replacing the outdated equipment of the company if necessary.
- D. That the assets were depreciated using the straight-line method.
- E. To depreciate assets, a double-declining method is used

The respondents were, however, undecided on the issues of adopting double-declining and special methods to depreciate assets.

Hypotheses

1. There were no substantial differences in the mean responses of managers and accountants related to the following items; all cash receipts and payments are recorded in the cash book; depositing all money receipts in the bank every day; to

regularly reconcile the cash book with bank statements. However, there were substantial variances in the mean answers of managers and accountants on the issue of maintaining all accounting documents for appropriate use; recording each transaction for general purposes of record keeping; that the business records all purchases made and all sales transactions; preparing payment vouchers for each expenditure; preparing the trial balance from the cash book and ledger accounts; preparing financial statements at the end of every financial year.

2. Results pertaining to hypothesis 2 proved that there were no substantial differences in the mean answers of managers and accountants on the budgeting practices used by SMEs in Lasanod. But only two items indicated that there were substantial differences in the mean responses of managers and accountants.
3. On the financial reporting practices used by SMEs in Lasanod., there were no substantial differences in the mean answers of managers and the accountants.
4. There were substantial variances in the mean answers of managers and the accountants on the issues of all account books are audited for accuracy when appropriate; all procedures for credit purchases/sales are usually followed; sometimes external auditors are hired to check our account books; for appropriate decisions, audit reports are normally sent to management.
5. There were no substantial differences in the mean answers of managers and the accountants on scraps being disposed of after the lifetime of the assets; outdated equipment in the business were replaced when necessary; double-declining method was used to depreciate assets and that there is no special method of depreciation of assets whereas there were significant differences on the issues of straight-line method and depreciating assets at the end of every financial year.

RESULTS, CONCLUSION AND RECOMMENDATIONS

This study is conducted in order to assess the accounting recordkeeping practice of SMEs in Lasanod by using a structured questionnaire to obtain information from a study sample of 70 managers and accountants who were drawn from the small medium-sized businesses that were registered with the Lasanod municipality office.

Results

Based on data collected and analyzed, the following findings were summarized below:

That success in SMEs required effective recordkeeping practices such as; that all accounting documents are appropriately maintained for use; each transaction is recorded for general purposes of record keeping; that all disbursements and receipts of cash are documented in the book of cash and trial balance and financial statements were prepared at each financial year's end.

On the other hand, the study also revealed that a large number of businesses were using a manual system in their recordkeeping practices. The participants, however, were undecided on the following items; that all receipts of money are deposited in the bank every day and that the cash book is regularly reconciled with bank statements.

It was found that managers and accountants agreed that budgeting practices improved the operations of small and medium-sized businesses. These included; to estimate revenues at the start of each financial year; to usually included loan repayment estimates in the budget; to usually made provision for employees 'salaries and to reflected travelling expenses on business trips in the budget; to included costs of utilities such as water, electricity and so on in the budget and to be budgeted for any fixed asset to be bought.

The participants agreed that financial reporting practices were essential for effective operations of small and medium-sized businesses. These practices included: preparation of income statement of the business at the end of each financial year; preparation of balance sheet of the business at the end of every financial year; detecting of cash flow problems and taking preventative measures. However, the respondents had no opinion on the issue of monthly computation of cash flow statements.

The participants only agreed that it is very important to follow the procedures for credit purchases/sales. However, the respondents had no opinion on the importance of the following auditing practices of small and medium-sized enterprises; that all account books are audited for accuracy when appropriate; that fraudulent employee practices detected in the course of audits are asked accordingly; that audit reports were sent to management for appropriate decisions and that the business should have an internal auditor.

The study exhibited that; assets were depreciated at the end of every financial year and that assets were depreciated using the straight-line method; that the scraps were usually disposed of after the lifetime of the assets and to replace the outdated equipment of the company if necessary. The respondents were, however, undecided on the issues of adopting double-declining.

Conclusion

The following key conclusions were drawn on the basis of the results of this study:

Managers and accountants of small and medium-sized enterprises appreciated the fact that effective accounting practices are the safest way of their enterprises' success and survival. Despite the fact that SMEs have relied on accounting practices that have improved their operations, the study disclosed that a significant number of SMEs do not maintain full business records due to lack of accounting expertise and time and cost constraints. As a result, accounting information is ineffectively used to support SMEs' financial performance measurement. There is the need to recover on these accounting challenges of SMEs and the government of Somalia should set an accounting system for SMEs. The adoption of an effective accounting system and practice for SMEs would provide unemployed accounting graduates with employment opportunities. An effective accounting practice would decrease the rate of failures in SMEs.

Recommendations

The following suggestions were made on the basis of the research results and conclusions:

The government should set an accounting system that is particular to SMEs and proper accounting records and the preparation of financial statements should be made compulsory by means of legislation for SMEs.

The government through the ministry of commerce should organize workshops and seminars on small and medium-sized business accounting practices. Such workshops should be decentralized to cover the whole country. This would enable small and medium-sized business managers/owners to attend with minimum cost.

Accounting and auditing firms operating in Lasanod should extend their professional services to cover every corner of the country. This is not only bringing that SMEs do provide jobs for the unemployed, but it will also enhance the growth of the nation's economy.

Students of universities and colleges who are majoring in accountancy, marketing and business should be encouraged to undertake and run their accounting firms in order to help SMEs to overcome their accounting challenges.

On the other hand; Owners and managers of small and medium-sized enterprises should hire accounting graduates in order to help them maintain an effective record keeping system. This would allow them to obtain loans from banks, government institutions or other financial institutions.

Accountants and manager were recommended to use computerized accounting instead of using manual accounting, due to its accuracy, convenience, and speed.

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APPENDICES

Appendix 1

QUESTIONNAIRE

SAKARYA UNIVERSITY GRADUATE SCHOOL OF BUSINESS

Dear Sir\Madam,

REQUEST TO RESPOND TO QUESTIONNAIRE

I am a master student at Sakarya University in the field of Accounting and Finance. I am currently undertaking a research project entitled: Assessment of Accounting Recordkeeping Practices used by Small and Medium-sized Entities in Lasanod Somalia. The attached questionnaire schedule is designed to elicit the necessary information for the study. You are please requested to respond to the questionnaire items as objectively as possible The information supplied will be used strictly for the study and will be treated confidentially.

PROJECT TOPIC: ASSESSMENT OF ACCOUNTING RECORDKEEPING PRACTICES IN SMALL AND MEDIUM-SIZED ENTERPRISES IN LASANOD SOMALIA.

Title of the position occupied: Manager.	[]	Accountant	[]
Age: 15 -25			[]
26 -35			[]
36- 45			[]
46 and above,			[]

PART ONE: GENERAL INFORMATION

Please complete the information below as appropriate

Name of Business.....

Address of Business

Type of the Business

PART TWO

Section A: **Record keeping practices used by small and medium-sized enterprises in Lasanod District.**

Response options: Strongly Agreed

Agreed

Undecided

Disagreed

Strongly disagreed

Please 'tick' to indicate your level of agreement or disagreement with the following items:

1. What is the Legal ownership of your SMEs?

Family business () Sole proprietor () partnership () Limited company ()

2. How do you keep the accounting records?

Manual () Excel () Accounting package () No any records ()

3. How do you prepare your financial accounting reports;

Quarterly () Semiannually () Annually () There is no specific time ()

4. Who Preparers the accounts and financial statements.

Full time accounting officer () Consultant () Owner manager () Independent public accountant ()

5. Challenges faced by SMEs Owners/managers in Record keeping

Lack of accounting knowledge () Cost and time constraints ()

Fear of discouragement in case of loss ()

S\N	items	SA	A	U	D	SD
6	All accounting documents are appropriately maintained for use					
7	Each transaction is recorded for general purposes of record keeping					
8	The business records all purchases made.					
9	The business records all sales transactions.					
10	All cash receipts and payments are recorded in the cash book					
11	All money receipts are deposited in the bank every day.					
12	Payment vouchers for each expenditure are prepared					
13	The cash book is regularly reconciled with bank statements.					
14	The business Prepares the trial balance from the cash book and ledger accounts					
15	Financial statements are prepared at the end of every financial year					

Section B: Budgeting practices used by small and medium-sized enterprises in Lasanod District.

S\N	items	SA	A	U	D	SD
16	Revenues are estimated at the start of each financial year					
17	Loan repayment estimates are usually included in the budget					
18	Provision is usually made for employees ' salaries					
19	The travelling expenses on business trips are reflected in the budget					
20	Any fixed asset to be bought is usually budgeted.					
21	The budget includes estimated costs of utilities such as water, electricity and so on					
22	Budgeting cash is carried out on a monthly basis					

Section C: Financial reporting practices used by small and medium-sized enterprises in Lasanod District.

S\N	items	SA	A	U	D	SD
23	Prepare the income statement of the business at the end of each financial year					
24	Prepare the balance sheet of the business at the end of each financial year					
25	Calculate cash flow statement of the business monthly					
26	Detect cash flow problems during the operations of business					
27	Take preventative measures to solve cash flow problems during operations					

Section D: Auditing practices used by small and medium-sized enterprises in Lasanod District.

S\N	items	SA	A	U	D	SD
28	The business has an internal auditor					
29	All account books are audited for accuracy when appropriate					
30	All procedures for credit purchases/sales are usually followed					
31	Sometimes external auditors are hired to check our account books					
32	Fraudulent employee practices detected in the course of audits are asked accordingly					
33	State officials check our books of accounts regularly					
34	For appropriate decisions, audit reports are normally sent to management					

Section E: assets depreciation practices used by small and medium-sized enterprises in Lasanod District.

S\N	items	SA	A	U	D	SD
35	Scraps are usually disposed of after the lifetime of the assets					
36	At the end of each financial year, assets are depreciated					
37	The company's outdated equipment is replaced if necessary					
38	To depreciate assets, straight-line method is used					
39	To depreciate assets, a double-declining method is used					
40	There is no special method of depreciation of assets					

Appendix 2

CURRICULUM VITAE

Ahmed Mohamoud ALI was born in Lasanod-Somalia in 1986. He graduated from Bosaso Public Secondary School in Bosaso-Somalia and received Bachelor of Business Administration from the Faculty Business and Public Administration at Amoud University in Borame-Somalia. He is currently a Master student at Sakarya University in the field of Accounting and Finance.

