

# PDF - EVALUATION OF THE ACCOUNTING SYSTEMS USED BY SMALL SCALE ENTERPRISES IN NIGERIA A CASE STUDY OF P. A. TABLE WATER UGHELLI - researchcub.info

## ABSTRACT

The study evaluated the accounting systems in use by small scale enterprises operating in Enugu south east of Nigeria. The study was necessitated due to high rate of small scale enterprises failure. The population of the study consists of 242 accounting officers and proprietors of small scale enterprises operating in Enugu. 148 respondents were selected through simple random sampling techniques. The instrument employed for the study was a structured questionnaire four research questions and one null hypothesis tested at 0.05 level of significance guided the study. Data were analyzed using mean and standard deviation and t-test summary of the results revealed that seven accounting systems were available for use to small scale enterprises use the single entry system of accounting and that keeping of proper accounting records enhance profitability. It was concluded that there was correlation between proper records keeping and profitability of small scale enterprises. It was recommended among other things that the ministry of commerce and industry should help the small business owners to avail themselves the opportunity to the use accounting system that are relevant for the day to day reporting of their business transaction.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

There is no accurate account when accounting started. However, available information showed that, the system of record keeping can be traced back to the early civilization of the body. In ancient times, everybody has the method of keeping record by making the warehouse, store papyrus and was tables. Papyrus paper as we know was the paper used, in Egypt to start the art of financial record keeping was primitive in 1494, an Italian Monk and monk metical know as Luca Pacioli introduced the double entry book keeping system in terms of accounting records to mean that all entities must have a debtors and a creditor. At this time, records were only prepared for business in statement form and not for the owners, the yearly was still not in place. After the development by the double entry system by Luca Pacioli, the profit and loss account was advocated by a detachment which should be prepared on a yearly interval, the emerging civilization and technological development of the recent day modern accounting method during the industrial revolution which brought about industrial innovation, more sophisticated or complex accounting methods were introduced hence the information of the professional accountancy bodies, for example; Institute of chartered accountants of Scotland formed in 1854.

Institute of chartered accountants of England and Wales was formed in 1880.

Association of certificated public accountants in use was formed in 1887 as new method of accounting were development ownership was separated from management since, the discovery of the double entry system. In Nigeria findings of records was made by kingdoms, empire, individual, etc. in all. The art of modern record keeping came to being with the advent of the Royal Niger Company, the Nigeria accounting record keeping favoured the same with the establishment of the institute of the chartered accountants of Nigeria of chartered accountants of Nigeria is responsible for the Nigeria regulation of produced and parties of nationwide accountants of Nigeria was signed, at the time of writing a bill is before the passage of another accounting body known as certificate public accountant (P.A) of Nigeria.

Accounting to Erthie (2005), described accounting as "the proper recording classifying, analyzing reporting of information for measuring and controlling the finance of the business of the end users" Agawan (2006) also

outline that the accounting is a discipline concerned with the recording, analyzing, summarizing, measuring. For closing and reporting of income and wealth of business organization and other related entities.

## 1.2 Statement of the Problems

Accounting as an effective tool for managerial decision making is a significant nature but some business organization have been traced with some problems which resulted to their wilding – up recording and assessment of profit or loss made at any giving times.

No provision for the value of assets and liabilities records.

Lack of recording the value expenses.

Lack of distribution of fund.

## 1.3 Objective of the Study

In view of the problems highlighted above, the objectives of the research are;

To know how effective accounting is to managerial decision making.

To create understanding on the relevance of accounting in an organization.

To determine the extent to which accounting can help managers to have access to desired information.

To find solutions to the problems identified.

## 1.4 Research Questions

In this study the research question;

In what ways can accounting records improve your organization for decision making?

Has the task or recording of value of assets and liabilities has any effects in decision making in an organization?

Does lack of expenses has any effect on managerial decision making?

How can managerial decision making be related to accounting?

## 1.5 Significance of the Study

The research will help many business which are concern on how to run a profit making organization and make accounting record neat, this research work is expected to attain the following;

It help the organization to know the strength of their organization in financed status.

It will help management to know the financial strength of the organization in decision making.

It will help the managers to know the day growth in the organization,.

It will also help the organization to know the resent and feature problem that the organization is going through or has encounter.

## 1.6 Scope of the Study

This research was carried out with a critical investigation under a manufacturing drinking water company (P.A Water) Ughelli, Delta State.

## 1.7 Limitation of the Study

Owing to the lack of time. Finance, material, transport facilities, the research study is limited. Also, the negative and non –challent attitude of the respondents to give relevant information as a result of fear of exposing their organization's secret also contributed to the limitation.

## 1.8 Definition of Technical Terms

The definition terms were used in this research work and it important to know so as to facilitate the readers thought.

Accounting: This is the process of recording, classifying selecting measuring, interpreting

and communicating and keeping all financial data in an organization to enable users make assessment and decision.

Book – keeping: This is the actual systematic way of recording the daily transaction in the appropriate book.

Asset: These are the financial resources of a business enterprise represented in properties, trade –debtors, stock, cash in hand and bank etc.

Profit: This is the actual amount gain from a business transaction on a daily business.

Cash book: This is a book that is used to record all cash and cheque transaction.

Return outwards book: This is used to record detail of goods sent back to the supplies as a result of spoilt or damages.

Return inwards book: This book is used to record all returns made by the seller of the goods.

Liabilities: This is an amount own by the enterprise to outsiders.

Organization: This is a process whereby group of people come together to achieve a common goal.

Net profit: This is the profit arrived at after the deduction of all expenses incurred in a period.

Ledger: Is a summary of all entries of transaction in an account for a period of time usually a month, posted from the books of original entry.

Gross profit: This is the excess of sale revenue over the cost of goods sold in a particular period.

The balance sheet is a summary of account which shows the financial position of a business organization at a particular date.

The trial balances: Is the list of balances extracted from the ledger test arithmetical accounting of the posting in the ledger.

Profit: Is the reward which become due to owners of a business as a result of a successful reload of trading.

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