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Abstract

Many business firms have benefited from the use of research keeping and accounting. This is true especially when we consider such firm that required by law to publish the result of their business dealings annually. Such firm cannot fulfill this legal obligation without employing the accounting professional skills. They also utilize accounting skills in making borrowing and investment decision as well as planning of their growth and expansion. Problems militating against small scale firms that are incorporated in Nigeria are many. They include lack inadequate education backbone of majority of firm owners, inability to recognize the need for accounting skills in business firm thereby employing the cheap labour of unskilled accounting staff, non " adherence that are not based on accounting information. The forgoing has been found to be true.

The research methodology used in this project work include., the questionnaire, observation and interview but mainly the questionnaire was used. The problem as enumerated in the preceding paragraph were found to be true, the inferential statistic of chi " square was used to test the null hypothesis (HO) which where all rejected in favor of the alternative.

CHAPTER ONE

INTRODUCTION

Background of the study

The Small and medium scale enterprises sector has been recognized worldwide for its role in economic advancement through ways various like; wealth generation, employment creation, and poverty reduction (Kithae, Gakure, & Munyao, 2012). Small and medium scale enterprises are a fundamental part of the economic fabric in most developing countries, and they play a very important role in furthering growth, innovation and prosperity. Although smaller in size, they are the most important enterprises in the economy due to the fact that when all the individual effects are aggregated, they surpass that of the larger companies. The social and economic

advantages of small and medium scale enterprises cannot be overstated. SMEs are defined as non- subsidiary, independent firms which employ less than a given number of employees, this number varies across national systems, other parameters other than the number of employees are used in categorizing businesses as SMEs. As per the time of the new millennium SMES accounted for 95% of firms and 60-70% of employment creation in majority countries in the world (OECD, 2000). Small and Medium Scale Enterprises are mostly found in the service sector of various economies which in most countries account for two-thirds of employment levels. Being highly innovative, they lead to the utilization of our natural resources which in turn translates to increasing the country's wealth through higher productivity. Small and medium scale enterprises have undoubtedly improved the standard of living of so many people especially those in the rural areas (Ariyo, 2005). Accounting professional skills serves as a critical tool for recording, analyzing, monitoring and evaluating the financial condition of organizations, preparation of documents necessary for tax purposes, providing information support to many other organizational functions, (Amidu et al., 2011). In the context of SMEs, accounting professional skill is important as it can help the firms manage their short-term problems in critical areas like costing, expenditure and cash flow, by providing information to support monitoring and control. Many small business owners are daunted by the mere idea of accounting professional skill and bookkeeping. But in reality, both are pretty simple. Keep in mind that bookkeeping and accounting professional skill shares two basic goals: to keep track of income and expenses, which improves chances of making a profit, and to collect the financial information necessary for filing various tax returns. There is no requirement that records be kept in any particular way. As long as records accurately reflect the business's income and expenses, there is a requirement, however, that some businesses use a certain techniques of crediting their accounts: the cash method or accrual method. Depending on the size of the business and amount of sales, one can create own ledgers and reports, or rely on accounting (Williams et al 1999). Elements

of financial position, including property, money received, or money spent, are assigned to one of the primary groups, that is, assets, liabilities, and equity. Within these primary groups each distinctive asset, liability, income and expense is represented by respective "account". An account is simply a record of financial inflows and outflows in relation to the respective asset, liability, income or expense. Income and expense accounts are considered temporary accounts, since they represent only the inflows and outflows absorbed in the financial-position elements on completion of the time period. Furthermore, nurturing of the small to medium size enterprises (SMEs) is being hailed for their pivotal role in promoting grassroots economic growth and equitable sustainable development, this nurturing has resulted in increased entrepreneur activities in the SMEs sector in developing countries (OECD, 2000). SMEs play a key role in transition and developing countries These firms, constitute a major source of employment and generate significant domestic and export earnings, thus SME development emerges as a key instrument in poverty reduction efforts and their advancement is key to sustained economic growth, for they are an integral part of a country's economic fabric and their success affects the well being of the society as engines of job creation, economic growth and innovation. However, the mortality rate of these small firms is very high. According to the Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN) Nigeria, 80% of SMEs die before their 5th anniversary, another smaller percentage goes into extinction between the sixth and tenth year thus only about five to ten percent of young SMEs survive, thrive and grow to maturity. This implies that, the survival rate of SMEs in Nigeria is less than 5% in the first five years of existence. This also suggests that, SMEs in Nigeria have not been able to contribute to development. Among the factors responsible for these untimely close-ups are poor accounting professional skill, lack of concrete record keeping, inadequate accounting information and procedures, lack of finance, weak institutional capacity, lack of managerial skills and training of small-scale enterprises, and tax related issues. Against the backdrop, maintenance of

proper accounting records and professional skill is a pre-requisite for the success of every business or enterprise, this involves documenting all transactions of business entities includes assets, liabilities and capital (liquidity). In other to solve limitations such as lack of finance, weak institutional capacity, lack of managerial skills and training of small-scale enterprises, there is need for relevant business and management expertise to manage properly the finance, purchasing, selling, production, and human resources aspect of the business. According to Jones (2012), accounting is important in that, it allow businesses or organizations to understand their financial perspective, and moreso, in order to develop the small business enterprises properly; there is the need for them to adopt proper accounting techniques. SMEs are also require adequate and also sophisticated accounting professional skill and systems to better manage scarce resources and enhance customer and owner/manager values, assist them in controlling costs, measuring and improving productivity and thus ensure the achievement of the business goals.

1.2 STATEMENT OF THE PROBLEM

Most of the existing research literature on accounting in Nigeria SMEs tends to be more biased toward the use of financial accounting professional skill and methods by small business owners, information technology adoption as well as research in credit accessibility for SMEs, more so only remote exists in regard of the adoption of modern accounting techniques by SMEs in Nigeria. Nandan (2010) argued that like larger firms SMEs also require adequate and sophisticated accounting professional skill and systems to better manage scare resources and enhance the firm's values. Although SMEs may have some constraints in utilizing fully accounting techniques/practices due to their relatively small size and limited resources, like larger firms SMEs face similar forms of complexities, uncertainties and are more prone to failures. A number of Small Scale Enterprises have not given much attention to accounting professional skill in relation to their business transaction, despite its importance in the success of businesses. This could be lack of sound knowledge in accounting practices by owners

or respective managers. Also, there was difficulty in ascertaining whether comprehensive accounting methods that satisfied the laws under which it was incorporation had been kept. It was hard to determine to what extent no adherence to laid down accounting procedure and constituted in the wheel of implementation of good accounting system. Difficult exist in ascertaining how far non recognition of the necessity of accounting professional skill to continued existence and growth of this small scale business, low educational background of owners and the employment of unskilled accounting staff had affected the production of unreliable accounting or financial statement. In addition, the pace of adoption of modern accounting professional skills has been slow by many organizations, mostly Small business enterprises; this has led to the diminishing relevance of major accounting professional skill and methods as a vital aid to managerial decision-making. This gap is commonly referred to as „relevance lost” where organization’s accountants have not entirely abandoned concepts of conventional management accounting despite advancements in the business environment, thereby leading to lack of managerial accounting skills for decision making and lack of technical skills are as much obstacles to developing a small business as is the inability to access credit, which in turn diminish the rate of performances for mostly growing Small and medium scale business enterprises. According to Goltz (2011), poor accounting techniques are one of the top ten reasons why small-scale businesses fail. i.e. you cannot be in control of a business if you do not know what is going on. With bad numbers, or no numbers, a firm’s is flying blind, and it happens all of the time, this affect the operations and performance of SMEs in Nigeria especially this issue of lack of adoption of good accounting techniques/method which is a worm eating deeply and the large chunk of revenues generated by these SMEs for their growth and survival. These have led to increase in record of dearth of Small and Medium Scale Enterprise (SMEs).

1.3 OBJECTIVE OF THE STUDY

The major objective aim is to examine the effect of accounting techniques on small

scale business performance.

Other specific objectives aimed to be achieved are:

Investigate the influence of accounting professional skills on SMEs performance.

Determine the influence of accounting professional skills and practices on financial decision-making by Managers/ operators of SMEs.

Determine the factors hindering and/or enhancing accounting professional skills in small business enterprises.

Examine the relationship between Accounting professional skills and SMEs operations and survival.

evaluate challenges of accounting professional skills among small business owners

Suggest possible solution to the challenges confronted by various small scale business

1.4 RESEARCH HYPOTHESES

For the successful completion of the study, the following research hypotheses were formulated by the researcher;

H₀: there is no influence of accounting professional skills on SMEs performance

H₁: there is influence of accounting professional skills on SMEs performance.

H₀₂: there are no challenges of accounting professional skills among small business owners

H₂: there are challenges of accounting professional skills among small business owners

1.5 SIGNIFICANCE OF THE STUDY

Though, this study was initiated to evaluate the importance of accounting professional skill in small and medium scale business, no gain saying that, accounting professional skill plays a positive role in the integrity of the decisions as well as the success of the small scale business. The significance of this study was to create through documentation, an awareness of the importance of accounting professional skill and basic accounting procedures to small-scale enterprises. It will therefore equally be of

immense help to the Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN), in evaluating the success of its activities with specific reference to the problem of poor accounting professional skills initialization and basic accounting procedures in such industries. It would also assist the Agency in determining or formulating their future plans. In addition it will be a source of knowledge to small-scale enterprises (SSE) on how to maintain proper accounting records and standards. The result will greatly facilitate the work of the Internal Revenue Service's and the Value Added Tax officials in developing strategies to extend the tax net to cover such enterprises which form significant proportion of the Nigerian business community. Finally, It will also be of use to the student, researchers for further research study, the existing and prospective entrepreneur as well as any interested party. It will assist students in their knowledge build-up and appreciation of the practical accounting situation of the small scale business.

1.6 SCOPE AND LIMITATION OF THE STUDY

The scope of the study covers utilization of accounting professional skills in small scale firms. The researcher encounters some constrain which limited the scope of the study;

a) AVAILABILITY OF RESEARCH MATERIAL: The research material available to the researcher is insufficient, thereby limiting the study

b) TIME: The time frame allocated to the study does not enhance wider coverage as the researcher has to combine other academic activities and examinations with the study.

c) Organizational privacy: Limited Access to the selected auditing firm makes it difficult to get all the necessary and required information concerning the activities

1.7 DEFINITION OF TERMS

Accountant: An accountant is any person who possesses a professional license to practice accountancy from a recognized professional body and has legal capacity and authority to carry out the duties of accountants in taxation and audit practice.

SMALL SCALE BUSINESS

It is defined as any business undertaken, owned, managed and controlled by not more than two entrepreneurs, has no more than twenty employees, has no definite organizational structure (i.e all employees report to the owners) and has relatively small shares of its market.

Management accounting

Management accounting or managerial accounting is concerned with the provisions and use of accounting information to managers within organizations, to provide them with the basis to make informed business decisions that will allow them to be better equipped in their management and control functions.

Balance Sheet (Statement of Financial Position) :A snapshot of the financial status or position of an organization at a point in time.

Accrual Basis: A process of accounting that recognizes the impact of transactions on the financial statements in the time periods when revenues and expenses occur instead of when the company pays or receives cash.

Cash Basis: A process of accounting where revenue and expense recognition occur when the company receives and pays out cash.

Accounting: Accounting is defined as the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by the users of the information.

Financial Measures of performance: financial measures of performance can be referred to as the results of a company's operations in monetary terms. Financial measures of performance are derived from the accounts of a company or can be found in the company's profit and loss statement or the balance sheet.

1.8 ORGANIZATION OF THE STUDY

This research work is organized in five chapters, for easy understanding, as follows Chapter one is concern with the introduction, which consist of the (overview, of the study), historical background, statement of problem, objectives of the study, research

hypotheses, significance of the study, scope and limitation of the study, definition of terms and historical background of the study. Chapter two highlights the theoretical framework on which the study is based, thus the review of related literature. Chapter three deals on the research design and methodology adopted in the study. Chapter four concentrate on the data collection and analysis and presentation of finding. Chapter five gives summary, conclusion, and recommendations made of the study

UTILIZATION OF ACCOUNTING PROFESSIONAL SKILLS IN SMALL SCALE FIRMS

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