



Assessing the effectiveness of record keeping on profitability: A case of a sole proprietor

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Abstract

The importance of maintaining proper books of accounts and sound accounting practices has been emphasized in ensuring proper financial management in Small and Medium scale Enterprises (SMEs). Therefore, the study, investigated the record keeping strategies utilized by a sole proprietress in Kantamanto, Accra (Ghana) based on the responses of a structured interview. The study used the qualitative method of data collection to determine the types of records the proprietress keeps of her business and to find out the challenges faced by the proprietress in recordkeeping. The target population of the study was the proprietress of Aggie's Entertainment Field in Kantamanto. The study found that the proprietress does not keep accurate accounting records due to her low level of accounting literacy and formal education, the perceived high cost of hiring professional accountants and the start-up capital factor. As a result, there is poor use of accounting information to support financial performance measurement by the proprietress. Due to this, the study recommended that the government and the Musicians Union of Ghana (MUSIGA) should come up with efficient and effective training programs and workshops for training the SME entrepreneurs and proprietors like her in the industry and in the country as a whole to sensitize them on the need to maintain proper books of accounts and also educate them on the basic accounting principles that can help the layman to manage their businesses, solve management problems that come up and also teach them to appreciate the essence of record keeping and the benefits associated with it.

Keywords: business, requirements, university, accounting

1. Introduction

The Musicians Union of Ghana (MUSIGA) is an umbrella body that brings together all musicians and music personalities in Ghana, irrespective of their music genre. This body has other sub-bodies under it such as Ghana Music Rights Organization (GHAMRO), Ghana Association of Audio and Audio-visual Distributors (GAAAD) and others. It is currently directed by Mr. Bice Osei Kufuor. He was elected on August 18, 2011. GAAAD, a sub-body under MUSIGA which controls the affairs of the distributors of music and its accessories is regulated by Mr. Peter Wilson Okyere, who owns a distributing establishment named Vineyard Music Productions. This association has a lot of members including Aggie's Entertainment Field. Aggie's Entertainment Field was established by Madam Agnes Adu-Gyamfi in July 2000, when the first debut of Nakorex was released. Till date, she sells music and its accessories at Kantamanto, a large market in Accra. She deals in the distribution of compact disc (CDs), DVDs, video CDs, DVD players and other accessories. Hence she is an audio and audiovisual distributor. Although she has been in this business for the past twenty years and counting, she has no accurate records of the capital she started with, debts she owes, the stock she has currently in the establishment and even what she gains from what she vends. This business has been destroyed severally by fire outbreaks and heavy down pours throughout the years since establishment.

Since her business is a sole proprietorship, it can be classified as an SME. The contribution of Small and Medium scale

Enterprises (SMEs) to the economic development of most developing countries is overwhelming. Providing employment for almost two-thirds of the country's working population, contributing to the revenue generated by government from income tax, as well as providing income in terms of profits and wages to households, just to mention a few, has been the ultimate hallmark of SMEs to these developing countries of which Ghana is no exception (Amoako, 2013).

Comparatively, most SMEs are not registered as corporate bodies but as sole proprietorships and this makes registration procedures simpler and a bit easier than the other forms of business registration. Partly due to this, SMEs have outnumbered all the other forms of businesses and could be found almost everywhere across the country. In spite of their numbers, and significance, recent studies show that 60% of the SMEs fail within the first five years of operation (Boachie *et al.*, 2005) [6]. Studies also show that it is hard for the SMEs to gain access to financial assistance from the financial institutions since they lack proper financial records as a requirement (William, 2008) [23]. The SMEs inability, to live beyond their first few months of existence has been attributed partly to lack of finance. To become successful and be able to contribute meaningfully to the Ghanaian economy, SMEs must attract and secure finance all by themselves. Providers of financial assistance more often than not, rely on the financial records and information of a business before making the final decision to either invest or not to invest in that business. Banks for example, will need to know whether the SME seeking finance will be able to pay the principal amount as well as the interest before going ahead to grant the facility. This is particularly true of financial accounting information about a firm's operations. An adequate accounting system will generate the needed financial accounting information for whatever purpose. It is recommended that SMEs keep detailed accounting records and audit their financial statements on an annual basis. This will enable the banks to make a proper evaluation of SMEs, which should improve their accessibility to credit (Olufunso *et al.*, 2010) [20]. Unfortunately, because most SMEs in Ghana are managed by their owners, they sometimes believe they have less need for financial accounting information because of their personal involvement in the day-to-day operations. Record keeping is essential to business management. Record keeping encompasses the identification, classification, storage and protection, receipt and transmission, retention and disposal of records for preparation of financial statements. It is also included that in record keeping, policies, systems, procedures, operations and personnel are required to administer the records. Record keeping plays a key role in management of Knowledge necessary for good business performance. The importance of record keeping cannot be over looked. Poor finance management has been posted as the main cause of failure on the SMEs (Longenecker *et al.*, 2006) [18]. Bowen (2009) [7], observes that there is a strong relationship between business performance and the level of training in the business management especially in business finance record keeping and also business management entails keeping proper records of business transactions.

Knowledge and skills in bookkeeping is especially one major factor that impacts positively on sustainability and growth of small enterprises. Failure to record business financial transactions leads to low profitability and hence leads to collapsing of the business within few months of its

establishment (Germaain, 2009). According to Williams *et al.* (1999) [23] record keeping enables business to keep track of income and expenses, which improves chances of making a profit.

Profitability is referred to as the ability to make profits steadily over a long period of time (Augustine, 2014). Profitability is the primary goal of literally all business ventures. So measuring current and past profitability and projecting future profitability is very important.

The impact of accounting is a function of the benefit that are derived by the members of the society who had bind themselves into the social organization of their survival and want satisfaction quest (Anyigbo, 1999) [4]. Most small scale firm owners prefer to recruit unskilled personnel especially clerical and accounting staff. The product of these unskilled accounting (clerical staff) has only succeeded in helping the small scale firms to stagnate; some firms have even wound up. This was because unskilled accounting staff could not keep reliable accounting records that would stand the test of time statutorily; such staff could not correctly determine the profit or loss of the firm by preparing a profit and loss account. This study was therefore conducted to examine the effectiveness of recordkeeping on profitability of Aggie's Entertainment Field.

1.1 Statement of the problem

Record keeping has become the foundation on which the totality of modern business depends. This is because without it, it will be impossible to ascertain the level of profitability and the level of business propensity to fraud. It is important for any business, to function effectively (Ademola *et al.* 2012) [1].

The study considered the audio and audiovisual industry for a simple reason which is because of their contribution to national development in terms of revenue generation and as such, from the creative arts department. Proper record keeping increases a firm's profitability yet majority of audio visual distributors do not give much importance to it despite its relative benefits. This is due to lack of accounting knowledge and low educational background of the distributors. "Also, engaging the services of an accountant in recent times is very much expensive for which many distributors cannot afford", said the proprietress. She also added that, "the startup capital for the business is normally not huge, hence they do not find it necessary to keep proper records of the stock they have". Businesses with poor financial record keeping experience low profitability. The SMEs play a great role in the Ghanaian economy. Despite their significance, majority of the SMEs do not stay in business for long after their establishment. One major factor that has been attributed to the failure of the SMEs is poor and or lack of knowledge in business management by the entrepreneurs (Germaain, 2010) [15]. Very few researches have been conducted in this area. The industry is a fast growing one which helps in national growth in terms of employment and generation of revenue for citizens and government. The study was therefore to examine and seek information concerning the effectiveness of recordkeeping on profitability of Aggie's Entertainment Field.

1.2 Aim of the Study

The aim of the study was to find out, the extent to which recordkeeping skills of the proprietress improves the profitability of her business. This helps for growth in the

industry and to create more jobs and generate revenue.

1.3 Objectives of the study

The specific objectives of the study are;

- 1) To determine types of records the proprietress keeps of her business.
- 2) To find out the challenges faced by the proprietress in recordkeeping.

1.4 Research Questions

The study endeavored to provide answers to the following questions:

- 1) How does the proprietress measure the profitability of the business?
- 2) What is the nature of records kept by the proprietress?
- 3) Which challenges does the proprietress face in keeping the records?

1.5 Relevance of the Study

The findings of this study should provide a more comprehensive picture of the current status of the establishment in terms of purpose of recordkeeping to the distributors, GAAAD, MUSIGA and government. This comprehensive picture, in turn will lead to a better understanding of this phenomenon and thereby the development of more effective strategies to aid effective operation of the establishment. Based on the findings of the study, we are ready to offer any form of assistance as accounting students to any of the music bodies involved and to the distributors by giving them some education on recordkeeping, basic bookkeeping practices, accounting for profitability in the simplest ways that is easily understandable to them and any practice that we know will help them manage their businesses effectively.

1.6 Scope of the Study

The study focused on the impact of record keeping on the profitability of the business operations of the proprietress. It targeted a sole proprietorship which can be classified as an SME. The study's locality was selected because of its diverse traders. The proprietress serves both urban and rural traders and both wholesalers and retailers. This is important due to the fact that the study would have diverse and a significant number of angles to address.

1.7 Organization of the study

The study is organized into five interconnected chapters. Chapter one presents the introduction of the study. This comprises of the background of the study, problem statement, research questions, objectives, significance of the study, scope of the study and the organization of the study. Chapter two presents relevant literature in the study. Chapter three is devoted to the methodology. It describes the population of the study, research design, the research instruments, data collection and data analysis procedures. The chapter four deals with findings from the field work and the analysis of the data retrieved from Ghana Post. Chapter five is the concluding chapter. It touches on the summary of the main findings of the whole study, conclusion and recommendation for practice and further research on the topic. And also the appendices follow up.

Literature review

2.0 Introduction

The literature review comprises of the following: the theoretical review, definitions of important concepts and submissions like Decision Usefulness Theory, Accounting Record Keeping Concepts, SMEs, Accounting, Accounting Record Keeping Procedures, Bookkeeping, Profitability, Relationship between Recordkeeping and Profitability and also contains the Empirical Review and the Conceptual Framework.

2.1 Theoretical review

This section of the literature review shows the various theories, ideas and concepts used on the subject matter.

Decision Usefulness Theory

This is a theory of investor decision making in order to infer the nature and types of information that investors need. This theory describes accounting as a process of providing the relevant information to the relevant decision makers. Since the theory set out a formal procedure whereby an individual can make the best decision, it is important that owners are expected not only to monitor their business transactions but also to make the most accurate decisions that would bring profit to their business (Emeritus G. J. S., 1961).

Clelland (1961), explains how owners of the business succeed in their business. He said that, successful managers consider profit to be a measure of success. That is, they are careful of every transaction accruing from their business. Business operators take record keeping as a relevant tool of profitability.

The Decision Usefulness Theory emphasizes the recording of business transaction for the purpose of a sound decision making in decision. This theory was also cited by Muchira B. W. (2007)^[19] in his study of "Recordkeeping and Growth of Micro and Small Enterprises".

Accounting Record Keeping Concept

According to Ademola *et al* (2012)^[1], record keeping is essential to business management. Record keeping involves identification, classification, storage and protection, receipt and transmission, retention and disposal of records for preparation of financial statements. He also included that in record keeping, policies, systems, procedures, operations and personnel are required to administer the records. Modern organizations are concerned with the capture, use and storage of knowledge.

Laughlin and Gray, (1999)^[17] pointed out the following as the most important reasons to set up a good record management:

- 1) To control the creation and growth of records to reduce operating costs
- 2) Improve efficiency and productivity
- 3) To assimilate new records management technologies and
- 4) To ensure regulatory compliance.

Accounting records include entries from day to day transactions of business, for instance transactions in respect to receipts and expenditure. Records may include a list of organizational assets and liabilities. These help the enterprise to evaluate their profitability in a particular period of time usually at the end of a financial period. Proper record keeping provides evidence of how the transaction was handled and substantiates the steps that were taken in order to comply with

business standards. Record keeping is the foundation on which a compliance program should be built upon, measures should be put in place to capture the documentation and events that take place throughout a transaction commencing from delivery and payment (Reed 2010) ^[22].

2.2 Definitions of terms and concepts

With relation to the work, basic definitions of terms and concepts are needed to enhance the credibility of the work. The definitions reviewed and explained here comprise of the following; SMEs, Accounting, Accounts Record Keeping Procedures, Bookkeeping and its benefits, concept of Profitability and Relationship between Recordkeeping and Performance (profitability).

SMEs

Small and medium scale enterprises have been defined differently by various individuals and institutions using various criteria.

The Ghana Statistical Service (GSS) considers firms with less than ten (10) employees as small scale enterprise whilst those with more than ten are categorized as medium and large enterprises. Another criterion for defining SME is the value of fixed assets in the organization (www.africa-platform.org).

According to the **National Board for Small Scale Industries (NBSSI)** (1998), the operational definition of SMEs includes the following: small business is any business that employs up to twenty-nine (29) people and small business is divided into: the micro and small and medium enterprises. The micro enterprises employ up to five (5) employees with fixed assets (excluding land and building) not exceeding the value \$10,000; small enterprises are those employing between 6&29 employees or having fixed assets excluding land and building not exceeding \$100,000 and; a medium enterprise employs between 30-99 employees with fixed asset of up to \$1 million (www.ccsnet.org/ijbm).

The **European Commission** based on the EU-Recommendation 2003/361 defines micro, small and medium-sized-enterprises (SMEs). Accordingly, an enterprise is classified as being an SME, if it does not have more than 249 employees and if its annual turnover does not exceed 50 million Euros or its balance sheet total is less than 43 million Euros (en.if-bonn.org).

For the purpose of this study, SMEs as defined by the Ghana Statistical Service was adopted because the business under study has less 10 employees and hence qualifies to be a small scale enterprise.

SMEs generally play an important role in the economic growth of Ghana. Small and medium-scale enterprises are widely recognized as powerful instruments for socio-economic growth and balanced sectional development. They play a significant role in the economy by creating employment opportunities in the country. The SMEs also pay tax to government for economic development, apart from providing employment in the country. It is therefore, important for the audio and audio visual distributor, know the important role he or she plays in the economy of Ghana and also of record keeping on profitability on the business.

Growing SMEs also contribute to expanding the size of the directly productive sector in the economy; generating tax revenue for the government; and, all in all, facilitating poverty reduction through fiscal transfers and income from employment and firm ownership. (Prasad *et al.* 2001) ^[21].

Accounting

Accounting is the art of recording, classifying and summarizing in a significant manner and in terms of money, transactions and events which are in part at least, of a financial character, and interpreting the results thereof. Accounting is a broad term that has three main branches namely;

Financial Accounting

This branch is concerned with recording and processing all transactions with outsiders and events affecting the financial position of the firm. It leads to the annual or periodic preparation of financial statements.

Cost Accounting

This branch also seeks to ascertain the cost of each product or job produced or undertaken by the firm. It depends on a great deal of estimation and its analyzed job-wise or product-wise.

Management Accounting

Unlike the first to branches, this branch, has the objective of collecting systematically and regularly all such information that will help management in discharging its functions of planning, controlling, decision making and operating. It draws both financial and cost accounting.

In relation to this study, the branch of accounting used was financial accounting.

Accounts Record Keeping Procedures

Record keeping cycle involves a process that is followed by accountants and book keeping staff in processing raw financial data into output information inform of financial statements. The process ranges from creation of business transactions, analyze and record the transactions in the journals by account name, post information from journals to ledgers, prepare a trial balance, journalize adjusting entries, post adjustments from the journal to the ledger, prepare an adjusted trial balance, journalize closing entries, post-closing entries from the journal to the ledger, prepare a post-closing trial balance, and prepare the financial statements (William *et al* 2008) ^[23]. They specify further that objectives of record keeping include the following:

- 1) To provide an accurate, thorough picture of operating results.
- 2) To permit a quick comparison of current data with prior years' operating results and budgetary goals.
- 3) To offer financial statement for use by management, bankers and prospective creditors.
- 4) To facilitate the prompt filing of reports and tax returns to regulatory and tax collecting government agencies.
- 5) To reveal employees' fraud, theft, waste and record keeping errors.
- 6) To allow for fast, accurate, and reliable access to records, ensuring the timely destructions of redundant information and the identification and protection of vital and historically important records.
- 7) It is necessary when a firm is seeking fund from a bank for expansion.

Bookkeeping

Book keeping is defined as the systematic and regular recording of events affecting the firm with a view to

obtaining a clear picture of the financial state of affairs of the firm and of its performance in monetary terms over a period of time. It is also the art of keeping records in a regular and systematic manner. There are two basic types of bookkeeping methods: single entry and double entry systems.

Benefits of bookkeeping

- 1) It provides information that is necessary for the measurement of profitability.
- 2) It's a tool for financial control which enables managers to know the financial position of the business.
- 3) To take certain control measures to improve corporate performance.
- 4) Managers use this information to improve the profitability of their businesses.

Profitability

Profit is the primary goal of all business ventures. Without profit, the business will not survive in the long run. In determining profitability, indicators such as ratios are essential. Profitability ratios are measures of degree of profit maximization in terms of certain values that contribute towards profit earnings. (Nabieu, 2015). The profitability ratios are Gross profit margin, Net profit margin, return on Capital Employed, return on Assets, Return on Equity, Interest Cover and Expenses to sales. The ratios to be used for the purpose of the study are;

- 1) Gross profit margin: it is the percentage of sales retained after deducting direct cost of generating the sales. It compares gross profit to the sales of the company.
- 2) Net profit margin: it measures the relationship between net profit and sales. It indicates the rate of profit made after expenses for every cedi it generates in revenue or sales or turnover.
- 3) Expenses to sales: it compares expenses incurred to the value of sales recorded during the period under review. It explains the proportion of sales that is used for the payment of the expenses.

Relationship between Recordkeeping and Performance (profitability)

Performance of business refers to the ability of business to meet the required standards, increased market share, improve facilities, ensuring returns on profitability, and total reduction and once this is achieved, a business is believed to be performing effectively (Fitzgerald *et al* 2006) ^[14]. Performance refers to an ongoing process that involves managing the criteria for which an institution, agency or project can be held accountable (Duranti and Thibodeau, 2001) ^[11]. Typically, these criteria are represented as component parts of an internal system and cover the institution's ability to; control financial expenses, satisfy staff, deliver timely interventions and respond to target group reactions to interventions. Fitzgerald *et al* 2006 ^[14] argue further that business enterprises must improve production if they are to effectively compete in this era of rapid economic and technical change. Improved productivity requires both capital investment as well as a work force that has the flexibility to acquire new skills for newly created jobs resulting from structural changes in the economy. Bititei *et al* (2001) ^[5], asserts that performance is a result of workers because they provide the strongest linkage to strategic goals of the business enterprise, Customer satisfaction and economic contribution that affects the business, hence it

addresses the mode in which an activity is accomplished in particular and the level of standards to which a task is carried out within the working environment. According to Ikechukwu (1993) ^[16], keeping records is crucial for the successful performance of a business. A comprehensive record keeping system makes it possible for entrepreneurs to develop accurate and timely financial reports that show the progress and current condition of the business. With the financial report generated from a good recordkeeping system, performance during one period of time (month, quarter or year) with another period can be compared. An accurate record of the business' financial performance is vehicle to monitor performance in specific areas. Accounting records provide a basis for complete and accurate income tax computation, a basis for sound planning for the future and basis for discussion with partners, potential investors, and lenders all these are important aspects which enhance performance of the business. Business also depends on correct accounting records to make good decisions about the firm. Decision such as expansion, drop or maintain decisions of product lines, make or buy decisions, about size of debtors. Therefore, if proper records are kept they will facilitate efficient, proper timely decision making and enhance performance in small scale industry.

2.3 Empirical Review

It is worth mentioning some findings of these studies at this point for this study to have a well-founded advocacy for the intended intervention measures in this sector. Perhaps it would be more systematic to commence with the findings of the studies carried out in favor of the importance of the SMEs in the world.

According to the research of Dawuda and Azeko (2015) ^[10] on the topic; Assessment of Financial Records Keeping Behavior of Small Scale Businesses in Ghana: A Case Study of Bolgatanga Municipality, International Journal of Finance and Accounting Municipality through a multistage sampling method which was used to select one hundred and twenty (120) respondents. It came to light that, majority of SSBs do not keep proper records of their businesses, hence, inability to measure financial performance and position of their businesses. It was also observed that the volume and value of transactions can influence records keeping behavior of SSBs owners.

Also, according to the research of Amoako (2013) ^[3] on the topic; Accounting Practices of SMEs: A Case Study of Kumasi Metropolis in Ghana through data based on responses to a structured questionnaire which applied the descriptive quantitative survey method and gathered data from primary sources revealed that SMEs do not maintain proper books of accounts because owners do not appreciate the need to keep accounting records, lack the necessary accounting knowledge and blame the cost of hiring accounting professional. Consequently, the application of accounting information to support assessment of financial performance by SMEs in Ghana is inefficient.

The research of Muchira (2007) ^[19] on the topic; Record Keeping and Growth of Micro and Small Enterprises in Kenya; A Case study of Thika Municipality using an explanatory study design and a descriptive survey approach with a total of 84 informants with the help of questionnaires also revealed that SMEs do not keep complete accounting records because of lack of accounting knowledge and the cost of hiring professional accountants. As a result, there is

inefficient use of accounting information to support financial performance measurement by SMEs. This made it difficult for the entrepreneurs to calculate their business profit efficiently and also failure of keeping of accurate records was highly blamed on the lack of skills in this field. The study further revealed that the owners and managers of SMEs were highly willing to learn more about how to keep accurate records of their business transactions.

Lastly, according to Alhassan and Muazu (2014) [2] on the topic; Record Keeping and the Bottom Line; Exploring the Relationship between Record Keeping and Business Performance among Small and Medium Scale Enterprises in the Tamale Metropolis of Ghana using simple random technique to randomly select 100 respondents using the quantitative survey approach with structured questionnaires was established that the ability of these SMEs to contribute effectively depends on their performance which in turn is affected by several factors including the maintenance of proper records keeping. It was evident that there is a positive correlation between record keeping and business performance, we argue that, it is not only maintaining proper record keeping that boosts business performance among SMEs. Other performance metrics such as improved

customer relations, access to sustainable finance, technology diffusion, and expanding the frontiers of access to internal and international markets need to be vigorously and purposively pursued. It is only when owners of SMEs perceive a surge in performance that they will begin to maintain records in order to keep track of their daily activities. Merely keeping of record is at best predictive and far from being conclusive.

From the above researches conducted, it is evident that abound on the role of record keeping in business performance, many owners of SMEs do not keep records, with many of them even suggesting that record keeping is time consuming. In effect, many of them remain unconvinced about the role of record keeping in business growth, performance and profitability.

2.4 Conceptual framework

The conceptual framework shows the relationship between the independent and dependent factors of the study. Thus, recordkeeping and profitability respectively. The conceptual framework shows the interaction between business practice factors in influencing sustainable growth of SMEs through quality recordkeeping.

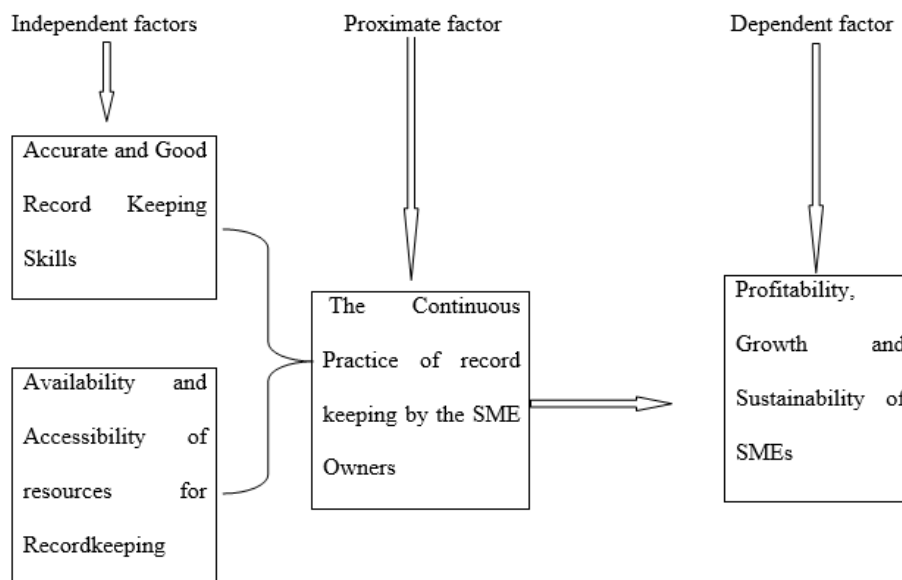


Fig 1: SMEs sustainable growth and profitability through accurate record keeping skills.

The conceptual framework presents factors that are helpful in conceptualizing this study. The accurate record keeping skills by the owners and the availability and accessibility nature of the resources for record keeping influences the practice of record keeping by the owners of the SMEs which leads to the profitability, growth and sustainability of the enterprises. This means that, if SME owners don't have good or no recordkeeping skills and cannot get access to the resources needed for recordkeeping, they cannot practice it. Hence, no profitability, growth or sustainability.

In considering that this is a qualitative study, there will be no attempt in testing the above-mentioned factors. Instead, consideration will be made to find out how these factors interrelate to control the challenge of lack of management which might lead to collapsing of the SMEs. In essence, the study will determine the skills of bookkeeping of the proprietress and establish the availability of resources such as

subsidiary books and journals and ledgers (Independent factors) and then find out the extent to which the proprietress keeps records of her business (Proximate factors). The research will then determine the extent in which this practice enhances profitability, growth and sustainability of the business (Dependent factor).

In considering the fact that the SMEs managers must make profit for their business survival and growth, one of the most important action the proprietor must engage in is keeping accurate records of her business. Although it is a tedious work, this is inevitable work if one wants to ascertain profit and growth and survival of business. In consideration of this, the study will:

1. Determine types of records the proprietress keeps of her business.
2. Find out the challenges faced by the proprietress in recordkeeping.

Methodology

3.0 Introduction

This section presents the methodology employed for the study. This includes an outline of the Strategic Context, the Project Design, and Data Collection and Data Analysis. The research instruments and tools that will be used to conduct the study are also described in this chapter.

3.1 Strategic Context

This section gives the overview of the organization, business needs and drivers for change to address the problem and the expected benefits to the organization:

Business Needs and Desired Outcome: The proprietress needs to be trained on the basic recordkeeping skills to enable her keep accurate records of her business activities by herself. This will help her assess the profitability of her business.

Table 1: Strategic Environment Assessment (SWOT Analysis):

<p>Strengths</p> <ol style="list-style-type: none"> The business has a large client and customer base, which translates to high patronage. Due to the long existence, the business has goodwill which enables it to do business with its suppliers. 	<p>Weakness</p> <ol style="list-style-type: none"> Poor record keeping practice. Difficulty in assessing growth and performance (profitability). Poor security system.
<p>Opportunities</p> <ol style="list-style-type: none"> Advance in technology The business has an open market. Thus, its open to everybody, it has no specific target market. 	<p>Threats</p> <ol style="list-style-type: none"> Competition with other distributors Recent uploads of music on the internet has also decreased patronage of cds due to easy access to the internet to download.

Mission

To provide original and quality musical accessories to all music stakeholders.

Vision Statement

- To be the number one music distributor in Ghana.
- To bring music to a sound proximity for all music lovers.

Current Activities: The proprietress engages in both the wholesale and retail of music and musical accessories to customers around the country. She deals directly with the music producers like Appietus, Big Ben, Bandex and other producers and distributes to other big distributors like Despite Music Production, Pat Thomas Enterprise, Paulgee, and others. She also imports other musical accessories from China like DVD players, empty cds, cd cleaners and others.

Existing capacity: As a sole proprietor, her human resource capacity is just one person to assist her with her day to day activities. She's eligible to assess loans from the Women's World Bank, Ghana to the tune of GHC30,000 annually. She has three stores of which one is a warehouse, where she keeps her stock.

3.2 Research Design

Research design refers to the outline or plan for a research project (Creswell, 2013) [8]. The selected research design for

a study depends on the approach of the study and the objectives the study seeks to satisfy. The research was conducted to assess the effectiveness of record keeping of an audio and audio-visual distributor. Explicitly, the study was conducted as a single case study. The study adopted the qualitative research approach due to the objectives of the study. Qualitative research is a means for exploring and understanding the meaning individuals and groups ascribe to a social or human problems (Creswell, 2013) [8]. Qualitative Research is more subjective in nature. It involves examining and reflecting on the less tangible aspects of a research subject. For example, values, attitudes, perception, and amongst them.

3.3 Data collection

3.3.1 Data Collection Tools

The study relied on primary data sources. Primary data was collected through an interview session with the proprietress. A face-to-face interview is the tool that allows a respondent the time and scope to clearly give their opinions on a particular subject. The focus of the interview was decided by the study with regards to the research questions and objectives, but the respondent was also allowed to speak about personal observations and other issues that were relevant to the study and also because, it was suitable for gathering in-depth data for document analysis.

3.4 Data Analysis

After the interview was conducted and recorded, it was further analyzed for patterns that were later developed into themes. Prior to the analysis of the interview, the study ensured that all questions have been appropriately answered. The analysis was done and organized according to the objectives of the study. Responses gathered from the interview were interpreted and analyzed in line with the objectives of the study.

Research findings

4.0 Introduction

The previous chapter described the methodology applied to this study. This chapter presents the results of the study. It throws more light on the major problems and identifies alternative solutions to those problems. The findings are structured in terms of the research objectives. The exposure of the findings was done in form of a narrative discussion, where the findings are first described and then analyzed followed by the discussion. The aim of the study was to find out, the extent to which recordkeeping skills of the proprietress improves the profitability of her business.

4.1 Demographic Characteristics

4.1.1 Owner's Demographic Characteristics.

The business under study is owned by Madam Agnes Adu-Gyamfi, a female Ghanaian native who hails from Kwahu, in the Eastern Region of Ghana. She is 47 years old and she started this business as an apprentice for three years under Super Kass Music Production, before establishing her own. She has been in this business for almost 20 years. Her highest formal educational qualification, as it stands now is an Advanced Level Certificate (A level).

4.1.2 Business Background.

Aggie's Entertainment Field is a business enterprise registered under the Registration of Business Name Act, 1962

(No 152) on the 11th November, 2009 by Madam Agnes. The business is currently located at Kantamanto, Accra. The business is a sole proprietorship and deals in the distribution of audio and audio-visual cds and musical accessories. She distributes to both wholesalers and retailers around the country.

4.2 Types of Business Records

The first objective of this study was to find out the types of records the proprietress kept of her business. In this case, during the interview, she stated emphatically that, she does not keep any type of records of her business apart from invoices given to customers who buy in bulk and to those who demand for it, invoices received from her suppliers and the periodic stocktaking's she did during the previous years with a worker, who knew little knowledge about accounting and bookkeeping practices. It was obvious that the proprietress practically keeps no accurate records.

She keeps no records such as sales or purchase daybooks, general journals, cashbooks but only invoices. Therefore, in the absence of these subsidiary books of account, one cannot prepare financial statements; thus trial balances, statement of profit and loss and other comprehensive incomes, statement of financial position and statement of cash flow. The findings relating to this objective of the study showed that the proprietress does not keep subsidiary books of accounts, especially to capture sales and cost of sales. Therefore, there is very little accounting information available that can be captured on operating expenses as evidenced by the proprietress' method of keeping records. The proprietress keeps no records; hence she cannot control her inventory. It could be confirmed that record keeping is mandatory for every business if there is a need for assessing profitability.

4.3 Record Keeping Challenges.

The second objective of this study was to find out the challenges the proprietress faces in keeping records of her business. During the research, it was indicated that lack of accounting knowledge was the major reason why the proprietress keeps almost no records of the business, followed by the educational background of the proprietress, then the necessity of records keeping based on its start-up capital and lastly the patronage of the services of an accountant or an account officer. In details, the challenges are demonstrated and explained categorically, in order of intensity.

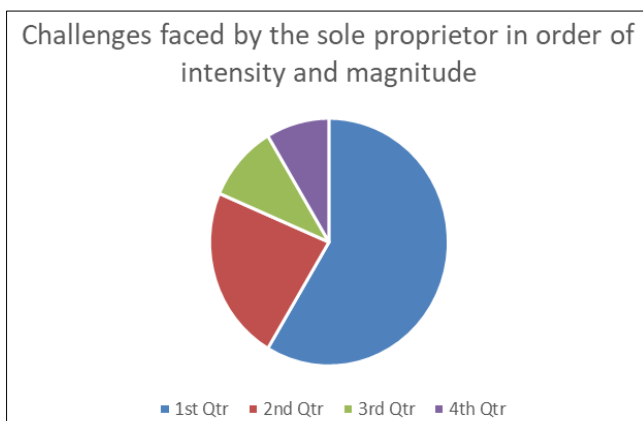


Fig 2: Challenges faced by the sole proprietor in order of intensity and magnitude.

1st Quarter: categorizes the low level of accounting literacy.

2nd Quarter: categorizes the low level of education.

3rd Quarter: categorizes the price of patronising the services of an accountant.

4th Quarter: categorizes the start-up capital factor.

Low level of accounting literacy

According to the proprietress during the interview, said, about 85% of these audio and audio-visual distributors like her possess very low knowledge in basic accounting practices and principles such as basic bookkeeping and ascertaining profit and measurement of business performance. This is considered a shortcoming because, without these accounting practices, most businesses will be unable to measure the profitability or performance of their businesses.

Low level of education.

Unlike the banking or teaching professions which makes formal education a pre-requisite, this business venture does not require any formal education or technical know-how for one to start. "Most of the people engaged in this business have at most "A" or "O" level certificate or as low as JHS certificate or at times illiterates", said the proprietress. Once this comes into play, there is a problem of bad management and ill keeping of records since they have inadequate basic mathematics and numeracy skills.

Expensive prices of patronising the services of an accountant.

The proprietress also added that, it is usually expensive to engage the services of an accountant. She further stated that considering the amount of profit made by her, it would be ethically unwise for her to employ an extra worker as her accountant and even cited "Kwame Despite" of Despite group of companies as an example, saying "he does not have the know-how in accountancy, hence he employs accountant to help him with the management of his firms due to the nature of his business". With reason being that, these accountants charge exorbitant prices while she makes less that amount hence rendering their services is irrelevant to the business.

The irrelevance of keeping records as per the start-up capital.

According to the proprietress, the startup capital for the business is normally not huge, hence they do not find the necessity to keep proper proceedings of the stock they have. "if you have as low as GHc500, one can start that business therefore there is no need to keep strict records. After your sales, you make sure you have your GHc500 and a little profit and you are good to go." Also, the proprietress, is always able to take home some money that she sees as profit or returns on their business activities.

Chapter Five

Summary, conclusion and recommendations

5.0 Introduction

This chapter contains the summary and conclusions of the study based on the findings already exhausted in chapter four. It also provides recommendations based on the study's conclusions. The recommendations show the way to suitably intervene in the identified weaknesses in the recordkeeping for the proprietress by the study. Furthermore, findings and the recommendations of this study are suggestions.

5.1 Summary

The summary presented here is based on the findings and it is done as indicated by the objectives of the study. The aim of the study was to find out, the extent to which recordkeeping skills of the proprietress improves the profitability of her business. The study in support of this aim tactically came up with three specific objectives

5.1.1 The type of records, the proprietress kept of her business

The first objective of this study was to determine the types of record kept by the proprietress which supports profitability of her business. The study findings showed that, the proprietress kept no records of her transactions apart from invoices given by her creditors and those given to bulk purchasers for reference and pricing reasons. That means, she keeps no subsidiary books apart from invoices. Hence, there is no adequate information to help her prepare financial statements.

5.1.2 Challenges faced by the proprietress in recordkeeping

The second objective of the study was to find out the challenges faced by the proprietress in recordkeeping. The findings of the study pointed out that the proprietress faced various challenges like, lack of the accounting knowledge, time constraints, the unappreciated need to keep records based on the start-up capital factor and lack of knowledge on the significance of keeping the records and the educational background of the proprietress.

5.2 Conclusion

The study revealed that the proprietress does not keep complete accounting records because of lack of accounting knowledge, the cost of hiring a professional accountant and the unappreciated need for keeping records and amongst them. Therefore, this made it difficult for the proprietress to measure her business profit effectively. Failure of keeping accurate records was as a result of the lack of skills. The study further revealed that the proprietress was extremely eager to learn more about how to keep accurate records of her business in order to increase her profitability, because the study enlightened and awakened her on the benefits she can get by doing that.

In the course of the study, relevant financial information of the proprietress was collected. It was entered into the TALLY Computerized Accounting System, to help prepare the financial statements of the business. After the statements were prepared, it was brought to light that, the business actually makes more profit than the proprietress realizes by herself.

Also, the profitability ratios used showed that the business is healthy and has enough funds left after accounting for the cost of goods sold, showing the proportion retained as profit and also the management of the expenses of the business, as shown in Appendices D, E & F.

5.3 Recommendations

This study clearly shows that the proprietress does not have the required skills in recordkeeping. Although she is willing to learn about recordkeeping, the study recommended that some measures be put in place to help her practice recordkeeping. This study vividly shows that for any business to be profitable and flourish well, recordkeeping is very

important.

To salvage these problems facing the proprietress and the industry as a whole, it is recommended that;

1. MUSIGA should introduce training programs and workshops on the basic accounting principles that can help the layman to manage their businesses, solve management problems that come up and also teach them to appreciate the essence of record keeping and the benefits associated with keeping accurate records. They should also encourage new entrants into the industry to go through these training programs to reduce the level of illiteracy in the industry.
2. The National Board for Small Scale Industries (NBSSI) and government through MUSIGA should put in place mechanisms which periodically organizes free training programs and workshops for these SME owners who were not able to complete their basic education and those who were not able to further their studies after basic education, on numeracy skills and other relevant study areas/courses/subjects to help them when they start-up businesses. These workshops can be facilitated by Business Management Students and Teachers and even practicing Accountants.
3. GAAAD should extensively educate its members on the importance of keeping records, appreciating the need for recordkeeping and how it plays a role in improving their business profitability and performance. GAAAD should also encourage all new entrants to patronize any available training programs and workshops on the use of basic accounting principles. This will help the industry to grow healthy and well and survive for a longer period.
4. Acquiring the services of an accountant or an accounts officer is indeed expensive in recent times. However, the proprietress can arrange to have only periodic service engagement with an accountant or accounts officer, where the officer, in agreement, will take her through basic bookkeeping so that she can begin to keep her own records. The officer would then visit periodically to analyze the records the proprietress has kept.

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