RECORD KEEPING AND PERFORMANCE OF SMALL SCALE ENTERPRISES, A CASE STUDY OF KANSANGA-MAKINDYE DIVISION.

BY

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A RESEARCH REPORT SUBMITTED TO COLLEGE OF ECONOMICS AND MANAGEMENT IN PARTIAL FULFILLMENT OF FOR THE AWARD OF A BACHELOR'S DEGREE IN BUSINESS ADMINISTRATION OF KAMPALA INTERNATIONAL UNIVERSITY

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DECLARATION

I KYOMUGISHA HOPE do hereby declare that this research report is my original work and it has never been presented elsewhere for any academic award. The pieces of work from other sources have been dully recognized.

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APPROVAL

This research report under the topic 'record keeping and performance of small scale enterprises within Kansanga – Makindye Division" has been under my supervision and is ready for submission with my approval as a supervisor

Supervisor's

Sign: .....

Name: MASEMBE MUZAMIL

Date: 07/08/2017

DEDICATION

This work is dedicated to my beloved parents Mr. Rugyera Elias and Mrs. Rugyera Vivian, my sister Esther, my brothers Muhoozi and Muhiizi relatives Molly and Jolly and friends like Gloria, Oliver, Lahiru, John and Momo. Thanks, for giving me hope in despair, Joy in sorrow, ease in pain and for investing so much in me, No one loves me more than you do.

God bless you!

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ABSTRACT

A number of small scale enterprises are coming up significantly but their operation is short lived because the small business operators are not keen on keeping their business records which are useful in the evaluation of the performance. Small businesses are uniquely susceptible to disaster or incomplete records results in huge taxes being levied on small business operators denying them a chance to access loans, grants and funding.

Records are essential elements of an organization in this competitive world; for any business to succeed; it needs to have accurate reliable and timely records. Therefore records are paramount to every organization whether small or big as they help businesses to raise funds from donors, investors, and the general public to portray the true image of the business. It is seen that most companies and small business operators in Africa are found not keen on keeping records which quite often make tax assessment difficult. Business records are considered as a basis for business men to accurately analyze the performance of their firms in order to make appropriate decisions concerning their business.

This paper will attempt the following; types of records kept by small scale businesses, importance of record keeping in small scale enterprises, Performance indicators among small scale enterprises, relationship between record keeping and the performance of small scale enterprises, the challenges faced due to poor record keeping, possible solutions and give recommendations.

CHAPTER ONE

INTRODUCTION

1.0 INTRODUCTION

Originally businesses used not consider records keeping as an important aspect in private business management. Records' keeping was for only government/public companies because it was a requirement for better accountability. However private companies were faced with challenges in measuring performance and making vital decisions which required the use past records. This fully exposed private companies to the risk of not making a vital decision due to lack of past records which in turn forced the companies to devise means of storing and keeping records.

1.1 BACKGROUND

Records are essential elements of an organization in this competitive world; for any business to succeed; it needs to have accurate reliable and timely records, (Tony Blackwood, 1999). Therefore records are a must for every organization whether small or big. This is to show how the funds of the organization have been accounted. Records include all the documents that institutions or individuals create or receive in the course of administrative and executive transactions. They form part of or provide evidence of such transactions. Schekhawat (2003) noted that small companies, Local public Institutions and starting organizations were acquiring assets and human resource without following procedures. Asumpta (2004) also reported that most companies and small business operators in Africa were found not keen on keeping records which quite often caused tax assessment difficulty. In year 2005 record keeping attracted global attention among business operators in order to determine private economy trend and tax assessment by government (Arbor, 2005).

In Europe, the number of small and medium enterprises worldwide was 16,000,000 against large enterprises and they employed 68.6 million people against 34.6 million people employed by large enterprises (Stanley, 1997). In India, about 45% of the total export earnings are contributed by small and medium enterprises. This is true that in many countries, small and medium play an

In Uganda, small scale enterprises are reported to contribute about 20% of Uganda's GDP. This is mainly by small holders who may not even fit the definition of a micro and small business, (Tolip and Bitekerezo, 1993). Besides, since a great component of GDP is none monetized and largely subsistence, it is possible that the contribution of both micro and small units is much larger than 20%. According to New vision, Tuesday 27th May 2008 Enterprise Uganda executive director Mr. Charles Ocici observed that poor record keeping is one of the major reasons why companies collapse. As simple as it may sound, companies cannot perform well if they do not measure their results. Whether it is measuring current process performance, customer satisfaction, market effectiveness or time to market, performance measurement is a critical component of business success Panorama consultants (2005). Key Performance Indicators also known as KPI or Key success Indicators (KSI), help an organization define and measure progress towards original goals (Reh, 2003).

Longenecker (2006), argues that there is a strong relationship between business performance and the level in the business management business finance record keeping. Business management entails keeping proper records of the business transactions. Knowledge and skills in book keeping is especially one major factor that impacts positively on the performance of small and medium enterprises. Germain (2009) observes that failure to record business financial transactions to collapsing of the business within few month of its establishment.

Bategeka (1996), contends that record keeping originated to fulfill the stewardship function of business an honored component of enterprises. Business records are considered as a basis for business men to accurately analyze the performance of their firms in order to make appropriate decisions concerning their business.

1.2 Statement of the problem.

A number of small scale enterprises are coming up drastically but their operation is short lived because the small business operators are not keen on keeping their business records which are useful in the evaluation of the performance. Small businesses are uniquely susceptible to disaster or incomplete records results in huge taxes being levied on small business operators denying them a chance to access loans, grants and funding. (Donna, 2005). With the above, the researcher was interested in investigating the relationship between record keeping and performance of SMEs in Kansanga-Makindye cell.

1.3 The purpose of the study.

The purpose of the study was to investigate the effect of record keeping on the performance of small scale enterprises within Kansanga-Makindye cell.

1.4 Objective of the study.

- To identify the performance Indicators among small scale enterprises.
- To examine importance of record keeping in small scale enterprises.
- To evaluate the relationship between record keeping and performance of small scale enterprises.

1.5 Research Questions.

1. What are the performance indicators among small scale enterprises?
2. What is the importance of record keeping in small scale enterprises?
3. What is the relationship between record keeping and the performance of small scale enterprises?

1.6 Scope of the study.

1.6.1 Subject scope.

The study focused on the importance of record keeping on the performance of Small Scale Enterprises with in Kansanga Makindye Division.

1.6.2 Geographical scope.

The study was conducted amongst small and medium scale enterprises within Kansanga-Makindye cell.

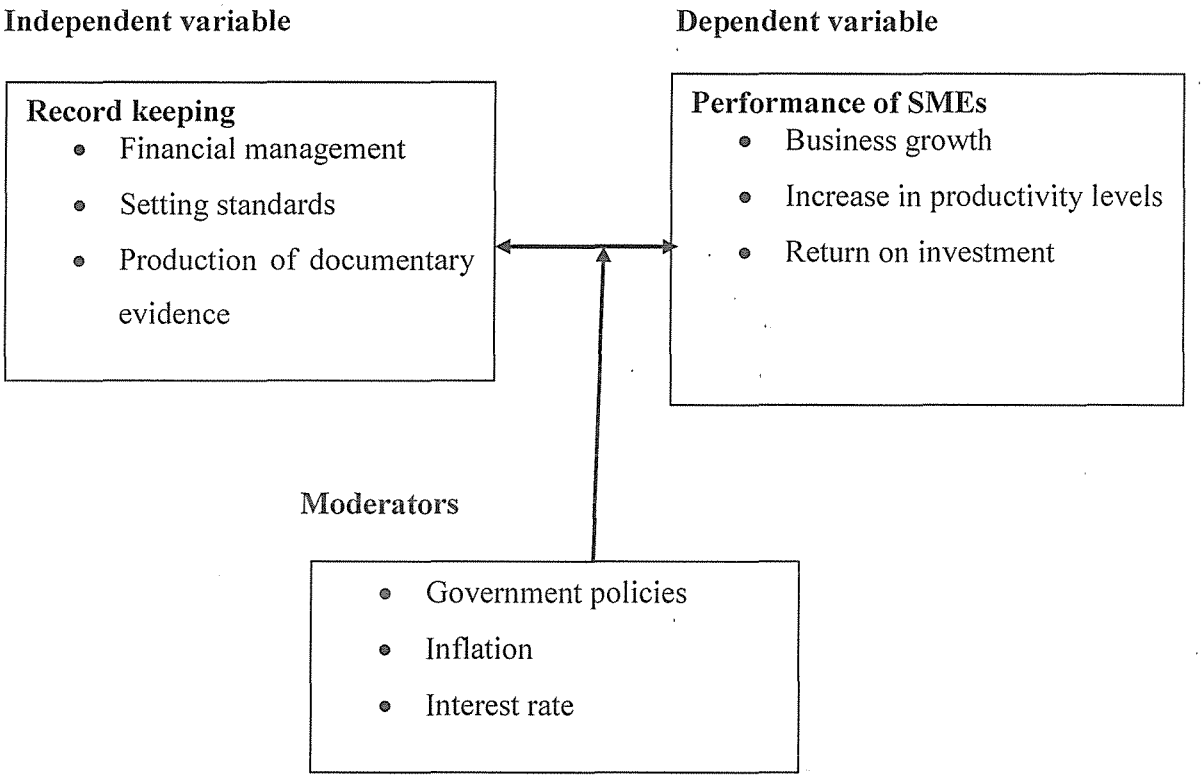
1.7 Significance of the study.

- Small and medium scale enterprises will use the research findings to improve on their record keeping practices.
- The study will add knowledge on the existing literature on the subject examined in colleges and universities.
- The study will help the researcher as a partial fulfillment for the award of a Bachelor's Degree in Business Administration.
- The study will provide information that will be used by policy makers especially Uganda Revenue Authority information of proper tax policies and help the business community to keep proper records for proper assessment to avoid penalties.

1.8 Conceptual framework

Figure 1:8 above represents the study's independent and dependent variables. Performance of small scale enterprises is subject to various solutions provided by record keeping. In the case of this study, financial management, setting standards, Production of documentary evidence is assumed to enhance business growth, increase in productivity levels

These services provided by credit risk managers, and which forms the study independent variables are considered to be important determinant of the profitability. This is a relationship that this study seeks to find out.



Source: Sserwanga, 2005

CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

This chapter involves a critical review of existing works on the variables that is to say what the different authors have talked about record keeping and performance of an enterprises.

2.1 Importance of record keeping in small scale enterprises

2.1.0 Record keeping

Fraser University (2002), record keeping is defined as a process of managing the life cycle of the record by a appraising the records, values and setting standards by which records are retained and disposed off. Recording keeping is the record making process of accounting. It is a subset or a component of accounting. It includes the preparation of books such as cash book and ledgers (Omunuk, 1999). However, the Australian standard (1996), also defined record keeping as making and maintaining of complete, accurate and reliable evidence of business transactions in form of recorded information. The above three definitions emphasize the need to maintain records so that they are available for use when required.

2.1.1 Importance of record keeping in small scale enterprises

Production of documentary evidence Omunuk (1999), accountability of this nature involves production of documents as evidence of money received and that well spent. This is one of the popular methods of accountability. The key accountability documents are also important as source of generating the information to be entered into books of accounts. For purposes of accountability, most small firms stop at the documentary stage mainly to credit sales made

2.1.2 Accounting records

Accounting records are organized summaries of business financial activities (Sserwanga, 2005). The following documents help in coming up with the accounting records; General ledger, is a ledger that contains all accounts needed to prepare financial statements (Sserwanga, 2005). Journal; is any book containing original entries of daily financial transactions, New York states society of certified public accountants (1997). Cash book; is a book in which cash and cheque transactions are entered. The cash book is said to be the book of original entry (Omunuk, 1999). An invoice is a commercial document issued by the seller to the buyer, indicating the products, quantities and agreed prices for products and services with which the seller has already provided for the buyer. An invoice indicates that unless paid in advance, payment is done by the seller, according to the agreed term. Invoices are often called bills (Wikipedia, the encyclopedia), the maintenance of good accounting records is usually the most important variable in effective performance of small scale enterprises. It is very crucial in the effective administration of VAT regime in Uganda. In order for a firm to register and to comply with the requirements of law, it must keep good accounting records (Sejjaka, 1997). Despite a high failure rate, small scale enterprises contribute about 20% of the country's GDP and 80% manufactured output. However, small scale enterprises are in danger of collapse unless proper and accurate record keeping systems are implemented, (The New Vision, 9th July 2001).

2.1.3 The accounting process/ cycle

This is a process, which is followed by accountants and book keepers in processing raw data into information of financial statements/report (Omunuk, 1999). When the data is being recorded it has to be sorted out so as to be most useful to the business. This is known as classifying and summarizing data. Following such classifications and summaries it will be possible to work out financial reports during a particular period. It will also be possible to show what resources are owned by the business and what is owned by it, on the closing of the period and finally someone skilled in accounting should be able to tell whether or not the business is performing well financially. They should be able to ascertain strengths and weakness of the business and be able to communicate to the owners (Frank Wood, 1999). Accounting is, therefore, concerned with:
Collecting, recording, analyzing, classifying, presenting and interpreting it to the interested users in a non-technical way like graphs, charts.

2.1.4 Accounting report

Financial statements must be prepared in accordance with an identified appropriate reporting framework. IAS 1 presentation of financial statement was issued on Dec 2003 and had to be applied for annual period which begun after Jan 01 2005 (Nkundabanyanga, 2004). Record keeping helps in identifying the financial position of the enterprises after the auditor has expressed his or her opinion on the financial statements. Keeping clear and accurate records will contribute to the success of your small business in the following ways: (www.inst.archive.au.go) Assists in preparing financial statements quickly and accurately, Provides information to enable the control of cash in the business, Provides management information on which to base business decisions, Contributes promptly to assessing the financial situation of the business at any time, Saves a lot of time and effort, Keeps a good track of the costs of staff and their performance, Measures the business performance against the projections that were originally set down in the business plan, Increases the chances of the business operating and achieving success among others.

2.1.5 Small scale enterprises

The New York state society of certified public accountants (1997), defines a small scale enterprises as one owned by an individual without the limited liability protection of corporation or a limited liability company. A small scale enterprises can also be defined as a form of business organization in which an individual introduces his own capital, and uses his own skills and intelligence in the management of the business affairs and solely responsible for the results of the operation (Balunywa, 1998), he concurs with the New York state society of Certified Public Accountants (1997), that small scale enterprises owned by a sole individual is personally liable for the business operations and any claims against the business. Balunywa (1998), emphasizes a small scale enterprise as one that required one's own capital and skill to operate which the New York state Society of Public Accountants (1997) did not talk about.

In line with the above definitions, (www.nfa.features.org/basicnet/glossary.aspx) also defines small scale enterprises as a business which an individual is fully and personally liable for all obligations but only differed by further stating that the owner of the business is entitled to the profits and exercises complete management control over the business.

2.1.6 Features of small scale enterprises

Small sector enterprises vary from country to country and from sector to sector. In Uganda, the small scale business sector can be characterized by the following; (UBOS abstracts, 1999)

The level of management skills in small business is very low as compared to technical skills, Small business markets are local and limited to certain areas of segments in major market niches, A group of enterprises may be located in same locality especially where there are similar inputs a case of Katwe and some parts of Kisenyi Kampala, Small firms respond to market changes and especial demands. The level of technology in small scale firms as employed is usually very humble, which makes small scale enterprises easy to set up anywhere thus creating employment opportunities throughout the country, The gestation period for setting up a small firm is generally shorter than for medium or large scale firms. In general, small firms mostly have no minimal accounting records and books kept.

2.1.7 Definition of business performance

Stoner (1997), describes business performance as the ability to operate efficiently, profitably, survives, grows and leads to opportunities and threats. There is emphasis on innovation for profitability, assets management and overall entrepreneurship for achieving lasting performance. Considering the definitions therefore, business performance can be defined in terms of profitability, liquidity and growth and expansion prospects for the business. Analysis of research finding of accounting record keeping for business performance of small business will therefore be presented in these forms.

2.1.8 Book keeping and business performance

Financial management in small scale firms and the level of taxation imposed on to these firms greatly affects the overall business performance. To determine the extent of such effects, small firms need to be practicing proper book keeping activities (Elliot, 1998).

2.1.9 Book keeping and financial management

Eliot further stated that it is unlikely that any business will be successful in the long run without sound planning in the areas of working capital needs, cash flow and cash flow budgets, hence book keeping. Record keeping is the back ground of financial management as the routine functions that are performed with in the firm to ensure efficient use of funds.

2.1.10 Book keeping and taxation

Ulrich (2000), identifies taxes as one of the major forms of government intervention that have negative effects on small business performance. According to 1997, Income tax Act, provision was made for business whose annual gross turnover is less than 50 Million to have an option either to pay a fixed tax amount or 1% of gross turn over whichever is lower. This provision is unfair to small business firms with no or few record keeping practices since they are required to pay tax irrespective of whether the business is making loss or not, un like those businesses which make tax returns and keep financial records of their activities.

2.2 Performance indicators among small scale enterprises

2.2.1 Performance indicators

These are qualitative measures on how the various businesses are performing in terms of growth, productivity and profitability to ensure the survival and failure of new small business.

2.2.2 Business growth

The growth of the small enterprises sector will be reflected in the increasing number of registered businesses and with successful enterprises that recruit more people, produce more output and better competitors, (Stoner et al., 2002). Stoner et al., further emphasize that the success of these enterprises should therefore be reflected in profitable enterprises, growing enterprises, and conversion into medium or large enterprises. In studies done by the Liedholm et al, (1993), growth of small enterprises was measured using the number of workers employed. They noted that the number of small enterprises was increasing annually with a birth rate of about 20% per year. Liedholm et al., (1993), however found that the majority of small enterprises didn't grow at all. While many reasons have been identified for the lack of growth of small enterprises; poor managerial skills, lack of market information, inappropriate technology, poor pricing methods and lack of government support are the key constraints. It's true that these reasons contributed greatly to their poor performance.

Sewanyana (1997), in his study also found out that amongst the small scale enterprises which are the subjects of his study, the entrepreneurship behavior is exhibited in the majority of these enterprizes. He came to conclusion that the poor performance of small scale enterprises is attributed to bad financial management. In Uganda the role of small enterprises sector has been

recognized and various financing schemes have been established to assist in the growth of these enterprises. Pride Africa, FINCA Uganda, Uganda women credit finance institutions and many others are cases in point (Balunywa et al., 1997). Cassiman et al., (1997), point to finance as one of the key constraints to small enterprises growth. This is worsened by the absence of financial markets in developing countries, small enterprises business owners cannot easily access finance to expand business and they are usually faced with problems of collateral, feasibility studies and unexplained bank charges. This means that they cannot access finance to enable them to grow. Ngobo (1995), however made a detailed analysis of finance as a constraining factor and includes collateral, interest rates, extra bank charges, inability to evaluate financial proposals and lack of financial management skills as hindrances to small enterprise growth.

2.2.3 Growth in productivity

This is the ability to produce. It is the relationship between input and output which is used to measure the economic soundness of the use of factors of production. Stoner et al., (2002), define productivity as the ratio of output to input. It was a measure of the manager's or employee's efficiency in using the organization's scarce resources to produce goods and services. Zacharia (1999), argues that it is necessary that African small business owners be trained in financial management so that they can prepare, analyze and understand the financial operations. This to him would improve on productivity of small businesses.

2.2.4 Growth in profitability

Dwivedi (2002), defines a profit as income accruing to the equity holders in the same source as wages accrue to labor; rent accrues to the money lenders. Dwivedi (2002), further states that profit means different things to different people. To a layman, profit meant all incomes that flow to the investors. To an accountant, profit meant the excess of revenue over all paid out costs including both manufacturing and overhead expenses. The economists' concept of profit is pure profit called economic profit. Pure profit was a return over and above the opportunity cost that is income expected from second best alternative for a businessman. Obone (2000), defines a profit as a return on capital represented by the difference between production costs and selling price of goods. Obone (2000), further emphasizes that profit in form of interest is a reward paid to the owner of capital who may or may not be the entrepreneur; he thus regarded a profit as a reward for risk taking.

2.3 The relationship between record keeping and the performance of small scale enterprises

The approach to operation is experience oriented or absolutely no training in accounting courses and management. This denies the business the key professional touches to running the business yet skill in record keeping and cash management should be done according to financial control to ensure that record keeping and performance are reconciled (Morgun, 2000). Cheryle Jones (2006), the best time to set up a record system for a small business is before the business is started. Experience clearly indicated that the use of an adequate record keeping system increased the changes of the business to survive. Cheryle Jones (2006), also points out that the biggest problem for many small businesses was that they did not know where to start from with the business records so none were kept at all. The need for income tax information is not the only reason to keep business records but good records would as well provide an accurate record of business financial performance which would also be used as a vehicle to monitor performance in specified areas of the business.

Record keeping is very necessary in the attainment of proper performance in business as all business activities are shown in the records kept, (Biryabarema, 1998). The Arkansas small business development center (2003), also pointed out that a small business that failed to keep complete and accurate financial records placed its long term continuance with success in grave-doubt. Still on the relationship between record keeping and performance of small scale enterprises, the law on small scale business development center (2006), further states that there was a need for appropriate record keeping to determine the survival or failure of a new small business. According to the business center for those already in businesses, a good record keeping system would increase the chances of staying in business which would also give an opportunity for the small business to earn larger profits.

2.4 Conclusion

Small scale firms are firms whose investment capital lies between US$ 100-10000 and with a workforce not more than 50. Although there are other ways of driving the business to success like competitive aggressiveness, visionary leadership trained staff and customer focus, book keeping provides a reflector of past and a drive to achieve better performance for effective measurement. With modern technology, computer records can also keep the owner of the business in touch with the business operations and obligations would help the owner of the business to see problems before they occur hence record keeping is important in small scale enterprises.

CHAPTER THREE
METHODOLOGY

3.0 Introduction

This chapter looks at the ways and means which the researcher used in obtaining all relevant information required to accomplish the project report and it includes the research design, population study, sample size and selection techniques, data collection instruments, data processing and analysis, data sources and limitations of the study.

3.1 Research design

The research was conducted to establish the relationship between records keeping and performance of small scale enterprises within Kansanga-Makindye cell. The research was based mainly on both qualitative and quantitative information from questionnaires and interviews. The study design was mainly be descriptive, analytical and explanatory. The data obtained was coded, analyzed, interpreted and a conclusion shall be drawn from it.

3.2 Study Population

The population for the researcher's study was the small and medium enterprises within Kansanga-Makindye cell. The population for the researcher's study comprises the owners and employees of the shops, restaurants, bars, mini-supermarkets, hardware, salons among others.

3.3 Sample Size

The sample size involved 60 participants; 10 employees were selected from shops, 10restaurants were selected, 15 employees were selected from mini-supermarkets, 15 Salons were selected, and 10 hardware were selected.

3.4 Source of data

Data was collected from both primary and secondary sources.

3.4.1 Primary data source

The main sources of primary data were questionnaires which were distributed to employees and management, interviews and documentary review of how transactions are recorded into the books of accounts.

3.4.2 Secondary data source

The information was obtained from internal sources that is from records kept, management reports, operational manuals of the company and external sources like text books, research reports, Newspapers, browsing the internet.

3.5 Data collection methods and instruments

The researcher used instruments like questionnaires, interview guide, library search and documentary review to collect data.

3.5.1 Questionnaires

This was the main data collection instrument which required respondents to attempt questions at their own free will in the format which was understood by both respondents and the researcher. The researcher used both structured and semi-structured questions to collect data from respondents.

3.5.2 Documentary Review

The researcher reviewed how transactions have been recorded into books of accounts to know whether they followed accounting procedures.

3.7 Data processing and analysis

The researcher was analyzed the data using mathematical models such as mean and standard deviation in Microsoft Excel using frequency tables and percentages.

3.8 Limitations of the study

i. The researcher faced the problem from the respondent's failure to avail the required information simply because they are ignorant of the researcher's intension. However the researcher provided clear reason to the respondents that the information would be for academic purposes only and that their information would be kept confidential only to the researcher.

ii. The researcher faced a problem of language barrier since there are different groups of people to be included in the research. However the researcher solved this challenge by getting an interpreter who is used with different languages by the respondents.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter presents analyses and interprets the findings based on the study objectives and questions. It also presents analyses and interprets findings on record keeping practices like credit sales and purchase records, cash sales and purchase records expense ledger, stock and assets records and customer records, factors affecting business performance like competition, customer influence, planning location and costs of production and the relationship between record keeping and business performance.

4.1 Demographic characteristics

4.1.1 Gender

Table 1: showing the sex of the respondents

Gender	Frequency	Percentage
Male	18	90%
Female	2	10%
Total	**20**	**100%**

Source: Primary data

Results in table, 1, above show that 90% of the respondents were males. This is due to the nature of the work, most of it is done manually thus requiring much energy. This includes lifting sacks of poultry feed, lifting trays and packing of products among other activities done. 10% of the respondents were females.

4.1.2 Age bracket

Table 2: showing the age composition of respondents

Age bracket	Frequency	Percentage
21-30years	6	28%
31-40years	8	39%
41-50years	2	11%
Above 50years	4	22%
Total	**20**	**100%**

Source: Primary data

Results in table, 2, above show that 39% of the respondents were between the age of 31-40years.This is because mature people are good at decision making and the quality of work required, 28% of the respondents were between the age of 21-30 years of age while 22% and11% of the respondents were above 50years and between the age of 41-50years respectively.

4.1.3 Education level

Table 3: showing the level of education attained by the different respondents

Response	Frequency	Percentage
Certificates	2	10%
Diploma	10	50%
Bachelors	8	40%
Masters	-	-
Total	**20**	**100%**

Source: primary data

The result in Table, 3, above show that 50% of respondents had a diploma. This is because the kind of work done does not need highly educated personnel. In addition the businesses needed to reduce the amount spent on employee emoluments thus employing more diploma holders. 40% of the respondents had bachelors but this does not outweigh the number of diploma holders.

4.1.4 Working experience

Table 4: showing working experience of respondents

Working experience	Frequency	Percentage
Not more than 2years	3	15%
2-4years	4	20%
4-6years	6	30%
Above 6years	7	35%
Total	**20**	**100%**

Source: primary data

Results in table, 4, show that 35% of the respondents had an experience of more than 6years.This is because the managers provide favorable working conditions thus low employee turnover. 30% of the respondents had an experience of 4-6 years, 20% of the respondents had an experience of 2-4years while 15% had an experience of not more than 2years.

4.2 Record keeping

4.2.1 Credit sales and purchase records

Table 5: showing whether credit sales and purchase records are maintained

Response	Frequency	Percentage
Strongly agree	10	50%
Agree	5	25%
Not sure	2	10%
Disagree	2	10%
Strongly disagree	1	5%
Total	**20**	**100%**

Source: primary data

Results in table, 5 above show that, 75% of the respondents agreed that credit sale and purchase records are maintained. This is because such records were needed especially at the time of honoring the debts for businesses, customers and suppliers. In other words it is easier to tell how much the business owes to its suppliers and how much the customers owe to the enterprise. 15% of the respondents disagreed that credit sale and purchase records are maintained. However this does not outweigh the percentage of the respondents that agreed.

4.2.2 Cash sales and purchase records

Table 6: showing whether cash sales and purchase records are maintained

Response	Frequency	Percentage
Strongly agree	12	60%
Agree	5	25%
Not sure	1	5%
Disagree	2	10%
Strongly disagree	-	-
Total	**20**	**100%**

Source: primary data

Results in table, 6, above show that 85% of the respondents agreed that cash sales and purchases records are maintained. This is to identify the financial position of the enterprise and this agrees with Nkundabanyanga (2004) Advanced Accounting Practical Approach where he said that record keeping helps in identifying the financial position of the business after the auditor has expressed his opinion on financial statements. 10% of the respondents disagreed that records on sales and purchases are maintained but this cannot over rule 85% that agreed that cash sale and purchase records are maintained.

4.2.3 Expense ledger

Table 7: Showing whether expense ledger is maintained

Response	Frequency	Percentage
Strongly agree	1	5%
Agree	5	25%
Not sure	3	15%
Disagree	14	70%
Strongly disagree	-	-
Total	**20**	**100%**

Source: primary data

Results in the table 7, 70% of respondents disagreed that the businesses keep records of their expenses incurred. This is attributed to the fact that most of the expenses are pet expenses and normally made on cash basis thus requiring less recording. 30% respondents agreed that only expenses such as salaries, taxes are maintained but this does not hold water.

4.2.4 Stock and asset records

Table 8: showing whether stock and asset records are maintained

Response	Frequency	Percentage
Strongly agree	14	70%
Agree	5	25%
Not sure	-	-
Disagree	1	5%
Strongly disagree	-	-
Total	**20**	**100%**

Source: primary data

Results in, table, 8 above show that 95% of the respondents agreed that stock and asset records are maintained. These records are for monitoring and evaluation which are very important for measuring business performance. This agrees with Donnar (2005) Contingency theory planning and disaster recovery. He stated that records are useful in evaluation of a company's performance and failure to keep a track of records can lead to disaster. 5% of the respondents disagreed that stock assets records are maintained. This is a negligible percentage that cannot outweigh 95% who agreed that stock and asset records are maintained.

4.3 Customers

Table 9: showing how often customers purchase goods from the company

Response	Frequency	Percentage
Regularly	10	50%
Occasionally	8	40%
Others	2	10%
Total	**20**	**100%**

Source: primary data

Results in the table, 9, above show that 50% of respondents agreed that customers purchase goods regularly. This is due to the good customer care given to them in addition to availability of the products whenever they are needed. Though 40% of the respondents show that customers purchased goods occasionally, it cannot out rule 50% who are in agreement with the statement.

4.3.1 Factors that affect business performance

From the questionnaires, the researcher found out that competition, customer influence, planning location and high costs affect business performance. Their responses are shown by the following tables

Table 10: showing respondents' response in regard to competition, customer influence, planning location and high costs

Factors	Competition		Customer influence		Planning		Location		High costs	
Strongly agree	8	40%	4	20%	-	-	-	-	14	70%
Agree	10	50%	6	30%	10	50%	6	30%	3	15%
Not sure	-	-	2	10%	6	30%	12	60%	1	5%
Disagree	2	10%	5	25%	4	20%	-	-	2	10%
Strongly disagree	-	-	3	15%	-	-	2	10%	-	-
Total	20	100%	20	100%	20	100%	20	100%	20	100%

Source: primary data

Increasing competition Results in table 10, above show that 90% of the respondents agreed that increasing competition affects business performance negatively. This is because of a number of similar businesses and limited number of customers. 10% of the respondents disagreed that increasing competition affects business performance.

Increasing costs of production

Results in table 10 above also show that 85% of the respondents agreed that increasing costs of production affect business performance. This is due to high tariffs on water and electricity, inflation and high taxes.10% of the respondents disagreed that increasing costs of production affect business performance.

Customer influence Results in table, 10, further show that 50% of the respondents agreed that customer influence affects business performance. This is as a result of the fact that customers affect market trends of the poultry products through influencing demand and supply. 40% respondents of the disagreed that customer influence affects business performance.

Planning Results in table, 10, above show that 50% of the respondents agreed that Planning affects business performance. This is because planning leads to the achievement of company goals and objectives.20% of the respondents disagreed that planning affects business performance.

Location Results in table 10 above show that, 30%, of the respondents agreed that location affects business performance. This is because of a big population in the area.10% of the respondents disagreed that location affects business performance.

4.4 The relationship between records keeping and business performance

The major objective of the study was to establish the relationship between record keeping and performance of small scale enterprises within Kansanga- Makindye Division. Record keeping creates an impact on the business performance either positively or negatively. Record keeping involves documents like receipts, vouchers, cash books, and income statements. These documents have a direct impact on the business performance as explained below

4.4.1 Receipts

Receipts are source documents that show the prices at which products are offered to customers. This leads to accuracy in the preparation of income statements thus giving a proper reflection of the financial position of the business since errors are easily detected. It is also easy to ascertain sales that are made .The study discovered that receipts are used more effectively to ensure transactions that are error free so as to improve business performance. The performance implication of this is that with poor recordkeeping (receipts), business performance will deteriorate.

4.4.2 Vouchers

These are documents that specify what the buyer is paying for. The study also noted that a reluctance in the use of payment vouchers leads to more errors thus impacting the business performance negatively.

4.4.3 Cash books

The study went further and discovered that use of cash books leads to proper entry of transactions thus avoiding errors. Therefore record keeping (cash books) improves the public image of the thus improving their performance.

4.4.4 Income statements

The study established that the use of income statements shows the financial position of the business. This helps the management to make informed decisions if the income statement shows losses. This improves the business.

4.5 Record keeping on business performance

Table 11: showing the response of respondents on the effect of record keeping on business performance

Response	Frequency	Percentage
Strongly agree	7	35%
Agree	6	30%
Not sure	1	5%
Disagree	3	15%
Strongly disagree	3	15%
Total	**20**	**100%**

Source: primary data

Results in table 11, above show that 60% of the respondents agreed that record keeping affect business performance. This is attributed to various functions of record keeping in relation to decision making process. Most vital business decisions are made basing on the past and its records keeping practices that provide information relating to past transaction. 25% of the respondents disagreed.

4.6 The relationship between records keeping and performance of business enterprises

Table 12: showing relationship records keeping and performance of small enterprises

	Records keeping	**Performance**	***Rx***	***Ry***	***d***	d^2
Strongly agree	1	7	3	1	2	4
Agree	5	6	2	2	0	0
Not sure	-	1	4.5	5	-0.5	0.25
Strongly disagree	14	3	1	3.5	-2.5	6.25
Disagree	-	3	4.5	3.5	1	1
Total	***20***	***20***				$\Sigma d^2=11.5$

Source: primary data

$$r = 1 - \frac{6\sum d2}{n(n2-1)}$$

$$(\mathrm{r}) = 1 - \frac{6 * 11.5}{5(5^2-1)}$$

$$(\mathrm{r}) = 1 - 0.575$$

From the above there is a positive weak relationship between record keeping and performance of small enterprises(r **=42.5%)** which implies business performance depends on record keeping. But to make the relationship more perfect there is a need to improve on record keeping by introducing data base management. However the remaining percentage **(57.5%)** can be explained by other factors like effective management, favorable government policy, and improved infrastructure.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives the summary of major findings, conclusions drawn from discussion of findings, recommendation and areas for further research. Having carried out the study, presented data, as well as analysis of findings, the chapter then reviews the outcome to the study in line with objective.

5.2 Summary of findings

Some credit sales and purchases records are maintained but irregularly most regularly maintained records kept are those that have high capital investment and their stock levels were high.

Findings also revealed that cash sales and purchase records are maintained, findings further that the farm does not keep records of all their expenses it indicated that only expenses such as salaries, taxes are maintained and only when they got incentives from government.

Findings further revealed the following factors affect the performance of small scale enterprises Kansanga-Makindye division;

Increasing competition

Competition affects the company's performance substantially, according to findings due to favorable economic policies and encouraging small scale enterprises so many poultry farms have been started.

Increasing costs of production

Findings disclosed that poor taxation policies, high inflation and lack of clear policies on exemptions and incentives, high tariffs on electricity and water since their business uses most of them hence major factors increasing cost of production.

Respondents further disclosed that since they are farmers, they should be given incentives and argued that there is segregation in giving incentives and exemptions.

Economic changes

Findings further revealed that within the period (2008-2010) there was high inflation of 14% which led to the increase in prices of their products (UBOS extracts). However, it was revealed that they have been able to export their products even outside Uganda like, Sudan and Rwanda.

Lack of trained manpower

Findings have also revealed that this factor became a bit of a problem and costly mostly to hire trained accountants and some expatriates who are helping them with business. The company has about 2 trained and experienced accountants who can keep proper books of accounts.

5.3 Conclusion

Findings from spearman's rank correlation imply that there is a positive weak relationship between record keeping and performance of small enterprises **r=0.425** which implies that records keeping affects performance greatly.

5.4 Recommendations

A basic record keeping system, whether on paper or an off- shelf computer software program, should be simple to use, easy to understand, reliable, accurate, and consistent and designed to provide information on a timely basis. It generally needs; a basic journal to record transactions, a basic journal to record transactions (receipts, disbursements, sales, purchases, etc) accounts receivable records, accounts payable records, payroll, petty cash records, inventory records and all these documents and all these documents should reflect the following;

How much income do you generate and how much income do you expect to generate in future?

How much cash is tied up in accounts receivable and for how long?

How much do you owe for service or product delivery?

How much cash do you have at hand, in inventory? How frequently do you turn over your inventory?

What is your gross profit? What is your net profit?

How do they compare with the projections in your business plan?

How do all the financial data compare with those of your competitors?

5.5 Areas for further study

The researcher was not able to exhaust all factors that affects the performance of small scale enterprises due to scarcity of resources, the researcher recommends that studies should be carried out on the variables below;

- Effect of value added tax on performance of small scale business enterprises
- Computerization and performance of small scale businesses enterprises
- Banking institutions and performance of small scale businesses enterprises

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APPENDICES

APPENDIX I QUESTIONNAIRE

Dear respondent,

This questionnaire is intended to investigate record keeping and performance of small scale business enterprises. The results are purely meant for academic purposes and will be treated with utmost confidentiality. You are requested to feel free to give most appropriate answer.

PART 1: BACK GROUND INFORMATION

1. Gender:

a. Male ☐ b. Female ☐

2. Age bracket

21-30years ☐ b. 31-40 years ☐ c. 41-50years ☐ d. above 50 years ☐

3. Marital status

a. Married ☐ b. Single ☐ c. Divorced ☐ d. Widow ☐

4. Highest level of education attained

a. Certificates ☐ b. Diploma ☐ c. Bachelors ☐ d. Masters ☐

5. For how long have you served this company?

a. Less than 2years ☐ b. 2-4years ☐ c. 4-6years ☐ e. Above 6years ☐

6. How do you finance your business?

a. Owners capital ☐ b. Loan ☐ c. Both ☐

PART 11: RECORD KEEPING

7. Are records of your transactions kept

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

8. Records of cash sales and purchases are kept

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

9. Records of credit sales and purchase transactions are kept

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

10. Adequate records are kept

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

11. Are the payments made by cash or cheque?

a. Cash ☐ Cheque ☐ c. Both ☐

12. All payments made are recorded

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

13. Do you prepare any of the following records?

a. Income statements ☐ b. Balance sheet ☐ c. Cash flows statement ☐ d. all ☐

c. none ☐

14. Records of cash and purchases are kept

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

15. Expenses like rent and salaries are recorded

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

16. On average how many customers do you serve per month?

a. 20-100 ☐ b. 100-500 ☐ c. 500-1500 ☐ d. Others specify .....

17. How often do your customers purchase goods from the company?

Regularly ☐ occasionally ☐ others (specify) .....

18. How are products bought in company in company fairing in the market?

a. Highly demanded ☐ b. fairly demanded ☐ c. Not demanded ☐ d. Low demanded ☐

19. How have customers responded to your products?

a. Positively ☐ b. Negatively ☐ c. Not sure ☐

PART 111: FACTORS AFFECTING BUSINESS PERFORMANCE

20. Factors that adversely affect your business performance. (Tick appropriately)

Factors	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
Competition					
Planning					
Location					
High taxes					
Customer influence					
High costs					

PART 1V: RELATIONSHIP BETWEEN RECORDS KEEPING AND PERFORMANCE OF SMALL BUSINESS ENTERPRISES

21. Records keeping affect your business between substantially

strongly agree	Agree	Not sure	Disagree	Strongly disagree

22. If yes does it affect your business?

.....

23. Records keeping have a negative effect on the cost of production of your business?

strongly agree	Agree	Not sure	Disagree	Strongly disagree

24. Proper account records would improve your business performance?

strongly agree	Agree	Not sure	Disagree	Strongly disagree

25. Do you encounter any problems in maintenance of records?

Yes ☐ No ☐

26. If yes, highlight some of the problems?

.....

.....

.....

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.....

.....

Thank you

INTRODUCTORY LETTER

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COLLEGE OF ECONOMICS AND MANAGEMENT
DEPARTMENT OF ACCOUNTING AND FINANCE

JUNE, 7TH 2017

To whom it may concern

Dear Sir/Madam,

RE: INTRODUCTORY LETTER FOR KYOMUGISHA HOPE, REG NO. BBA/43848/143/DU

This is to introduce to you the above named student, who is a bonafide student of Kampala International University pursuing a Bachelor's Degree in Business Administration, Third year Second semester.

The purpose of this letter is to request you avail her with all the necessary assistance regarding her research.

Topic: - **RECORD KEEPING AND PERFORMANCE OF SMALL SCALE ENTERPRISES.**

Case Study: - **KANSANGA MAKINDYE DIVISION.**

Any information shared with her from your organization shall be treated with utmost confidentiality.

We shall be grateful for your positive response.

Yours truly,

07 JUN 2017

Dr. KIRABO KYEYUNE BOUNTY JOSEPH
HOD – ACCOUNTING & FINANCE
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