

ABSTRACT

The study was carried out on financial reporting and performance of small scale Businesses in Kanungu District: A Case Study of Kihihi Town Council Kanungu District. It was guided by investigating the level of financial reporting, financial reports prepared as well as the relationship between the basis of financial reporting and performance of small scale businesses in Kanungu District. A cross sectional research design with both qualitative and quantitative techniques was used as research design. A sample size of 99 respondents was selected. Purposive and simple random sampling was used to select respondents. Questionnaires were used to collect data. Data was presented, analyzed and interpreted by use of frequency tables and percentages. The study indicated that very few respondents prepared financial reports for reporting purposes. Preparing financial reports helps entrepreneurs to measure and evaluate performance in business. Income statement provide financial information to the business and helps it measure profit on sales and returns on equity. Financial report items reported on accruals basis involve reporting revenues that are earned and expenses that are incurred. Profitability, assets, liability assessment depend on the available financial information. The study concluded that small scale business operators did not prepare financial reports, Delays in providing the necessary financial information over a period of time has an impact on the performance of small scale businesses. Financial report items were reported on accruals basis which involves reporting revenues that were earned and expenses that were incurred and Balance sheets were not prepared to provide financial information. The study recommended that small scale businesses should be advised and encouraged to prepare financial report, business operators should be advised to ensure that timely preparations of financial reports are essential and have an impact on their SSB's .