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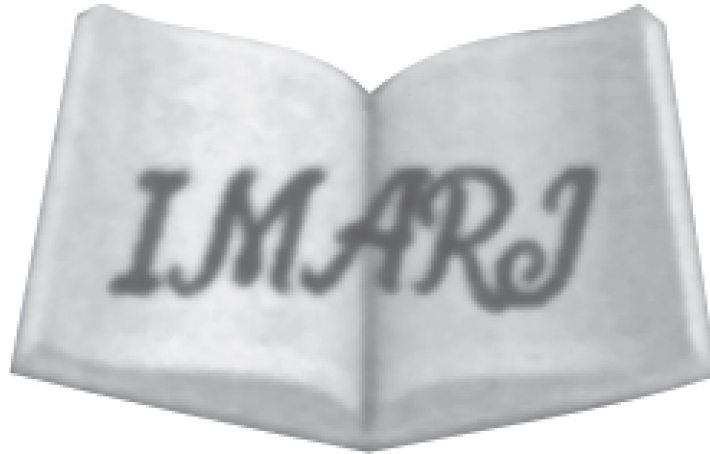
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(1)Introduction (2) Literature/Theoretical concept (3).Methodology (4) Findings/Results (5) Discussions. (6) Implications and conclusion.

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## ACCOUNTING INFORMATION SYSTEM AND MANAGEMENT OF SMALL-SCALE BUSINESS FIRMS IN UYO LOCAL GOVERNMENT AREA

**IKPONG, BLESSING MICHAEL**  
DEPARTMENT OF BUSINESS EDUCATION  
UNIVERSITY OF UYO, UYO  
AKWA IBOM STATE, NIGERIA

### ABSTRACT

This study determines the influence of Accounting Information System on the Management of Small-Scale Business Firms in Uyo Local Government Area. Two research questions were answered in the study and two null hypotheses were tested at 0.5 level of significance. Related literature and empirical studies were reviewed. The population of the study comprised 292 registered owners of small-scale business firms in the local government. Sample size of 73 owners of small-scale business firms was selected for the study. Twenty (20) structured questionnaire items designed by the researcher was used for data collection, and the instrument was titled "Accounting Information System and Management of Small Scale Business Firms Questionnaire – AISMSSBFQ". The questionnaire was faced validated by three experts in Business Education from University of Uyo, Uyo. CronbachAlpha method was used to determine the reliability of the instrument. The data collected was analysed using mean(x) score for research questions and independent T-test for the hypothesis at 0.5 Alpha levels. From the analysis, the correlation coefficient index of 0.96 was obtained which shows that the instrument was highly reliable. The findings of the study indicate significant influence of cashbook, and income statement on the management of small-scale business firms. One of the recommendations made was that small and medium scale (SMEs) Development Agency of Nigeria should conduct regular seminar and workshop for owners of small-scale enterprises on the need for proper Accounting Information System and how to maintain it.

**Keywords:** Accounting information, system, management and small scale business.

### INTRODUCTION

Business Organizations whether small or large scale play a vital role in any country's economy especially in a developing country like Nigeria. Small scale business firms are the backbone of our economy as they provide employment opportunities and other services to people. These business organizations can never survive or succeed without proper and efficient accounting information system. According to Ross (2000) accounting is a system which provides financial information about the financial transactions carried out by a business organization so that decisions about the financial activities of the business could be ascertained by users in order to make wise, informed judgment, and decisions leading to an optimum allocation of resources. David (2002) defined accounting information as a system encompassing the process and procedures by which

an organizations financial information is received, recorded, handled, processed, stored, reported, and ultimately disposed-off. It provide measures for determining generated income and expended resources, thereby provide further assistance in making future plans.

A core function of accounting systems is to avail accurate information to owners and managers of small-scale business enterprises operating in any industry for use in measurement of financial performance. Consequently, the importance of financial performance measurement to any enterprise, big or small, cannot be overemphasized (Padachi, 2012; Amoaka, Marfo, Gyau, and Asamoah, 2013). In other words, since profit maximization is most often the priority of business entities, the accounting bases, concepts and principle



adopted ought to capture and report all the relevant accounting information to ensure reliability in its measurement (Haryani, 2012; Amidu and Abor, 2005; Mbroh and Attom, 2012). Son, Marriot and Marriot (2006) confirmed that the usefulness of financial information is ascertained by how it aids the user in making rational decisions, and the users perspectives of the objective of the financial reporting also make it easier to choose accounting treatments.

Accounting records that will enable small scale business to measure its financial activities as well as provide information needed for proper planning and management include cashbook, sales journal, purchases journal and financial statements among others. According to Longe and Kazeem (2006) cashbooks are meant for recording all cash transactions. It is a book of account which records all income received and payment made. Also, Longe and Kazeem defined journal records as those books kept for recording original entries in a chronological order. There are several types of journal namely: purchases journal, sales journal, and general journal, using any of them depends on the type of transaction. For instance, all credit sales are recorded in sales journal. From the information contained in sales journal, the manager is able to analyze the sales made during a period. Analysis of sales record is essential for effective decision-making. Osuala (1998) opined that the use of sales journal strengthens the audit trails and entries made on daily basis. Credit purchases are recorded in purchases journal. Ndukwe (2000) stated that purchases journal help in determining the actual capital of business. Those transactions that cannot be recorded conveniently in any of the journals mentioned above are recorded in general journals.

However, to guarantee permanency of all records in cashbook and journals, entries in the two books are posted into another record called Ledger. Akpan (2004) explained ledger as the main book of account which contains classified and summarized form of all transactions. Entries from ledger are processed into the financial statement. Examples of financial statements are profit and loss statement, otherwise known as income statement, balance sheet and cash flow statement as well as statement of retained earnings. Akpan (2004) acknowledged financial statement as an annual accounting statement which summarizes enterprise activities over a specified period, usually one year, to enable the enterprises

determines its position. Information collected from these records which relate to past performance is termed historical accounting information, and such information is used to prepare accounts for stewardship purposes. Unfortunately, not all enterprises either keep or engage in this long process of keeping accounting record. One of such group of enterprises that neither keep nor engage in accounting record-keeping process is small-scale enterprises (Osuala, 1995). Thus, this account for failure of small-scale enterprises. Therefore, addressing this deficiency by small scale enterprise demands proper understanding of the concept of small-scale enterprises.

The desire for acceptable criteria for identifying small-scale business led scholars to define it with one or more of the following elements: Number of employee, Capital outlay, Asset-base and Annual turnover. The Nigerian Bank for Commerce and Industry cited by Akpan (2004) defined a business as Small when its asset base (including working capital but excluding cost of land) does not exceed seven hundred and fifty thousand naira (N750,000).

Akpan (2004) opined that small-scale enterprises constitute the main stabilizing force in Nigerian Economy as most of the people earn their living by operating small-scale enterprises. According to AKpan, it is more realistic to say that small-scale businesses keep either improper, inaccurate or manipulated records. In support of the above facts, Meigs (2002) stated that "the level of ignorance of some entrepreneurs in financial management is the cause of haphazard accounting record in the small-scale business.

In other to avoid these problems, record-keeping and accounting information becomes very important as the quality of managers' decision depend largely on the quality of accounting information and its system. The accounting information needed in most business is in the form of : operating information, management accounting information, and financial accounting information.

For the purpose of this study, much emphasis will be laid on financial accounting information, which is used by both management and external users to evaluate the financial position of a business.

### **STATEMENT OF THE PROBLEM**

Small-scale business owners are not properly utilizing accounting information in the management of their businesses because of inaccurate accounting records of transactions. For instance, some owners of small-scale enterprises do not keep cashbook for the operation of their business. As such, they cannot give detail account of all money received and paid as well as predict the future cash transaction of their businesses. In addition, lack of keeping sales and purchase journal by owners of small-scale enterprises may lead to difficulty in knowing the debtors and creditors. This often results in difficulty in debt recovery and failure of many small-scale firms.

Another problem faced by small-scale enterprises is lack of financial statements. This results in difficulty of producing/generating information to indicate whether the business is making profit or loss. It is a well-known fact that information is indispensable for decision making in many business organization. The problem however lies in the quality and validity of the information, that is, if it is timely, adequate, and clear. Based on these problems, it becomes necessary to investigate the way small-scale business firms utilize accounting information from the record kept to manage the overall business operation.

### **PURPOSE OF THE STUDY**

The main purpose of the study was to examine the influence of Accounting Information System on the Management of Small-Scale Business Firms in Uyo Local Government Area.

Specifically, the study is designed to:

1. Determine the influence of Cashbook on the Management of Small-Scale Business Firms.
2. Determine the influence of Income Statement on the Management of Small-Scale Business Firms.

### **RESEARCH QUESTIONS**

The following research questions were formulated to guide the study:

1. To what extent does proper keeping of Cashbook influence the Management of Small-Scale Business Firms?
2. How does Income Statement influence the Management of Small-Scale Business Firms?

### **RESEARCH HYPOTHESES**

The following null hypotheses were postulated to

guide the conduct of the study:

- Ho1: There is no significant influence of Cashbook on the Management of Small-Scale Business Firms
- Ho2: There is no significant influence of Income Statement on the Management of Small-Scale Business Firms.

### **RESEARCH METHODS**

#### **AREA OF STUDY**

This study was carried out in Uyo Local Government Area in AkwaIbom State. Uyo Local Government Area comprises of four clans namely: Oku, Etoi, Ikono, and Offot. According to information obtained from the National Population Commission (NPC) in 2006, Uyo Local Government Area have estimated population of 309,573 and a landmass of 284,852 Sq/km. It lies along longitude 7<sup>o</sup>.50 and 8<sup>o</sup>.03 East of the Greenwich meridian and latitude of 4<sup>o</sup>.71 and 5<sup>o</sup>.01 North of the Equator. It is bounded in the north by IbionoIbom, Itu, Etinan, and Ikono Local Government Area and on the East and West by Uruan and Abak Local Government Areas respectively.

Uyo Local Government Area is predominantly made up of indigenes and foreigners. It has a total number of 292 registered small-scale business enterprises (Ministry of Commerce and Industry, 2015). The local government was chosen because of much commercial activities and small-scale businesses that take place in the Local Government.

#### **DESIGN OF THE STUDY**

This study adopted survey research method. This method was adopted because survey research often employs questionnaire and interview to determine the opinion, attitude, preferences, and perception of the persons of interest to the researcher (Esene, 2007). Survey design was chosen in order to obtain accurate assessment of the characteristics of the whole population.

#### **POPULATION OF THE STUDY**

The population of the study consists of all registered small-scale business enterprises located in Uyo Local Government Area. According to Ministry of Commerce and Industry, IdongesitNkanga Secretariat, Uyo (2015), there are 292 registered small-scale business enterprises in Uyo. However, it is often neither practical nor advisable to obtain all the counts of the entire population for the study. So,

representative samples defined as “One which has been drawn in a random, unbiased manner” is often used (Enoh, 2005).

#### **SAMPLE AND SAMPLING TECHNIQUE**

The sample size of 73 was selected from the population of 292 owners of small-scale business enterprises in Uyo Local Government Area. The sample size was determined using Stratified Sampling Technique of 25% of the whole population of the study. This technique was adopted to guarantee fair representation of small-scale enterprises as well as obtain accurate assessment of the characteristics of the whole population.

#### **INSTRUMENTATION**

The instrument used in data collection was Questionnaire, titled “Accounting Information System and Management of Small-scale Business Firms Questionnaire” (AISMSSBFQ). The instrument was designed based on the independent and dependent variables in the study. The questionnaire consisted of two (2) parts. Part 1 was the introductory part which elicited information on the name of the business enterprise. Part II contained twenty (10) items to measure Accounting Information System and Management of Small-scale Business Firms in Uyo Local Government; this is subdivided into sections based on the variables and each variable has five items as follows: Section A: Cashbook and management of small-scale business firms is numbered 1-5; and Section B: Income Statement and management of small-scale business firms is numbered 6-10. The responses were rated using a four-point scale of Strongly Agree (SA), Agree (A), Disagree (D) and Strong Disagree (SD).

#### **VALIDATION OF INSTRUMENT**

The questionnaire was subjected to face validation by three experts in Business Education, University of Uyo, Uyo to assess the suitability or otherwise the extent to which the instrument can accurately measure the prescribed content. All suggestions and comments made by the three experts were incorporated in the final copy of the instrument.

#### **RELIABILITY OF THE INSTRUMENT**

In order to establish the reliability of the instrument, a trial-test was carried out using 30 entrepreneurs drawn from outside the sampled area. Cronbach Alpha reliability test was used to determine the reliability of the co-efficient of the research instrument. The reliability index was 0.96 which was considered justified and appropriate for the study. (See Appendix 1).

#### **DATA COLLECTION TECHNIQUE**

Data were collected through administration of questionnaire by the researcher on 73 respondents comprising the sample size of the study. Each respondent was given a copy of the questionnaire to study and responded to individually, the completed questionnaires were obtained from the respondents.

#### **METHOD OF DATA ANALYSIS**

The data collected were processed with the use of Statistical Package for Social Science (SPSS). The four research questions were answered using mean to determine the influence of independent variables on dependent variables while the hypotheses were answered using independent t-test. The hypotheses were tested using co-efficient of correlation at .05 level of significance to determine the significant influence between independent and dependent variables.

#### **DECISION RULE**

Reject the null hypothesis when the calculated t-values is greater than or equal to the critical t-value and retain the null hypothesis when the calculated t-value is less than the critical value.

#### **DATA ANALYSIS, RESULTS, & DISCUSSION OF FINDINGS**

##### **PRESENTATION OF THE RESULTS**

The result of each analysis was examined with respect to the corresponding research questions and hypotheses at .05 level of significant.

## RESEARCH QUESTIONS

### Research Question 1

To what extent does proper keeping of Cashbook influence the Management of Small-scale Business Firms? To answer the research question, descriptive analysis was used. (See table 1).

**Table 1:** Descriptive Analysis of Influence of Cashbook on the Management of Small-scale

Business Firms				
Cashbook	N	X	Mean Difference	Remarks
Adequate	66	13.50	1.21	Remarkable Difference
Inadequate	7	11.29		

(SOURCE: Field Survey)

The result in table 1 above presents the descriptive analysis of the influence of cashbook on the management of small-scale business firms in Uyo Local Government Area. From the result of the analysis, it was observed that the firms with adequate cash book were identified with higher mean (13.50) level of the management of small scale business than their counterparts with inadequate cashbook (11.29) with remarkable influence of cashbook on the management of small-scale business firms in Uyo Local Government Area.

### Research Question 2

How does Income Statement Influence the Management of Small-scale Business Firms? To answer the research question, descriptive analysis was used. (See table 4)

**Table 2:** Descriptive Analysis of Influence of Income Statement on Management of Small-scale Business Firms

Income Statement	N	X	Mean Difference	Remarks
Adequate	55	13.56	1.12	Remarkable Difference
Inadequate	18	12.44		

(SOURCE: Field Survey)

The result in table 2 above presents the descriptive analysis of the influence of income statement on the management of small-scale business firms in Uyo Local Government Area. From the result of the analysis, it was observed that the firms with adequate income statement identified with higher mean (13.56) level of the management of small scale business than their counterparts with inadequate income statement (12.44) with remarkable mean difference of (1.12). The result therefore means that there is remarkable influence of income statement on the management of small-scale business firms in Uyo Local Government Area.

## HYPOTHESES TESTING

### Hypothesis 1

There is no significant influence of cashbook on the management of small-scale business firms. In order to test the hypothesis, Independent t-test analysis was used in comparing the two independent variables at 0.05 significant level.

**Table 3:** Independent t-test Analysis of the Influence of Cashbook on the Management of Small-scale Business Firms.

Cashbook	N	X	SD	Df	t-Calvalue	t-Critvalue	Decision
Adequate	66	13.50	1.69	71	3.32	2.000	Significant Influence
Inadequate	7	11.29	1.50				

**Significant at 0.05 level; df=71; N=73; Critical t value=2.000**

Table 3 present the obtained t-value as (3.32). This value was tested for significance by comparing it with the critical t-value (2.000) at 0.05 levels with 71 degree of freedom. The obtained t-value (3.32) was greater than the critical t-value (2.000). Hence, the result was significant. The result therefore means that there is significant influence of cashbook on the management of small-scale business firms.

### Hypothesis 2

There is no significant influence of Income Statement on the Management of Small-scale Business Firms. In order to test the hypothesis, Independent t-test analysis was used in comparing the two independent variables. (See table 4)

**Table 4:** Independent t-test Analysis of Influence of Income statement on the management of Small-scale business firms

Income Statement	N	X	SD	Df	t-Calvalue	t-Critvalue	Decision
Adequate	55	13.56	1.51	71	2.37	2.000	significant influence
Inadequate	18	12.44	2.31				

**Significant at 0.05 level; df=73; Critical t value=2.000**

Table 4 present the obtained t-value as (2.37). This value was tested for significance by comparing it with the critical t-value (2.000) at 0.05 levels with 71 degree of freedom. The obtained t-value (2.37) was greater than the critical t-value (2.000). Hence, the result was significant. The result therefore means that there is significant influence of income statement on the management of small-scale business firms.



## FINDINGS OF THE STUDY

Based on the results of the data analysis the following findings were made:

1. There is significant influence of cashbook on the management of small-scale business firms, at 0.05 alpha level ( $t\text{-crt} = 2.000$ ;  $t\text{-cal} = 3.32$ )
2. There is significant influence of income statement on the management of small-scale business firms, at 0.05 alpha level ( $t\text{-crt} = 2.000$ ;  $t\text{-cal} = 2.37$ ).

## DISCUSSION OF FINDINGS

The findings of the study are discussed as follows:

### Cashbook and Management of Small scale Business Firms

The result of the findings that there is a significant influence of cashbook on the management of small scale business firms. Data analysis in table 3 indicates that the obtained t-value (3.32) was greater than the critical t-value (2.000) at 0.05 alpha level with 71 degree of freedom. This is supported by Igben (2009) who opined that the essence of cashbook is to decongest information that would have been recorded in the ledger through taking the cash and bank account out of the ledger and combining both in one subsidiary book. The advantage which cashbook records have is that it establishes the framework where profits can be determined at a glance from the prepared cashbook and makes ease the preparation of income statement used in deciding future business operation. The significance of the result caused the null hypotheses to be rejected while the alternative one was accepted.

### Income Statement and Management of Small-scale Business Firms

The study reveals that there is a significant influence of income statement on the management of small scale business firms. Data analysis in table 4 shows that the obtained t-value (2.37) was greater than the critical t-value (2.000) at 0.05 alpha level with 71 degree of freedom. In support of this findings, Meigs (2002) observed a positive relationship between income statement and business success among small-scale enterprises and thus concluded that efficient and effective utilization of information derived from income statement of an enterprise in the enterprise's decision-making engenders success, growth, and productivity in the business which to a greater extent

is a mark of an enterprise profitability. The significance of the result caused null hypotheses to be rejected while the alternative one was accepted.

## SUMMARY, CONCLUSIONS & RECOMMENDATIONS

### EDUCATIONAL IMPLICATIONS OF THE FINDINGS

The findings of this study have implications on the educational system. The findings suggest that basic knowledge on the importance of accounting information system and the need for its utilization for effective management of business should be taught as part of general studies to students in tertiary institution so that those who intend to set up business of their own after graduation would know why it is necessary to keep accounting records and how to maintain them.

Business educators should be equipped with necessary knowledge in order to produce competent, knowledgeable, skilled workforce into business world. There is need for the development and review of business education curriculum to include information technology as a course where students are exposed to computer and internet training. This would help in preparing and producing graduates who are competent and skilled in meeting the changes in societal demands caused by ever-changing technology.

There is need for regular and intensive training of personnel working in account section and employing a well-trained/qualified accountant who knows how and the need for proper keeping of accounting records. Cashbook record helps school administrators to keep daily track of inflow and outflow of cash as well as balances. Income statement assist school administrators to easily prepare financial statement of the enterprise, predict future performance and assess the capability of generating future cash flows through report of the income and expenses.

## CONCLUSION

Conclusively, the role of small-scale business enterprises in a country cannot be over-emphasized. However, one can say from the findings that many small-scale enterprises suffer from inadequate knowledge of the usefulness of accounting information in business, especially where

management task of decision making is facilitated. Thus, management function such as planning, organizing, controlling and motivation is enhanced through utilization of accounting information.

The importance of accounting information to small-scale business firms discovered from this study support the view that accounting information is a necessary tool for productive management of small-scale business. Accounting records such as cashbook, income statement, have positive and significant relationship with management of small-scale enterprise in Uyo Local Government Area. Where there is no adherence to keeping of accounting records, the small-scale enterprises would experience difficulty in predicting future cash transaction, debt recovery, retrieving information that would assist in taking advantage of business opportunities and producing records to indicate whether the business is making profit or loss. Hence, the researcher advocates that if the recommendations of this research are accepted and implemented by all concerned, the growth and progress of small-scale business firms in Uyo Local Government Area is assured.

### RECOMMENDATIONS

Based on the findings and conclusion of this study, it was recommended that:

1. Owners of small-scale enterprises should prepare and keep adequate cashbook and income statement for the transaction of their business in order to give detailed account of all money received and paid out as well as predicting the future cash transaction of their businesses, know the debtor and creditor as well as generating accounting information to indicate whether the business is making profit or loss.
2. Small and Medium Enterprises Development of Nigeria (SMEDAN) should conduct regular seminar and workshops for owners of small-scale enterprise on the need for proper Accounting Information System.
3. Small-scale business firms in Uyo Local Government Area should adapt accounting concept for proper accountability in the area of employing at least a trained book keeper to take care of accounting process. On the other hand, small-scale business managers should utilize information from the accounting record kept for their business decision-making.

4. The process of setting up a new small-scale enterprise should be designed in a way that intending owners of small-scale enterprise will first undergo short training course with Small and Medium Development of Nigeria so as to equip intending owners with the need and rudiments of accounting records.
5. Federal Government through curriculum Development Agency should include rudiments of accounting record as part of general studies for student in tertiary institutions so that graduating students who intend to set up business enterprise would be vested with the knowledge of record keeping.
6. Seminars should be conducted where successful and seasoned business personalities are invited to share their experiences and ideas thereby motivating the students to move into the business world.
7. The Federal Government should put in place relevant law that would make it compulsory for small-scale enterprise to keep accounting records of their economic activities and from time to time monitor and advice where necessary.

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