

Accounting systems usage by small businesses in Maluti-a-Phofung, Free State considered

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**Mini-dissertation submitted in partial fulfilment of the
requirements for the degree *Master of Business
Administration* at the Potchefstroom Campus of the
North-West University**

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September 2015



ABSTRACT

The research study focused on assessing the usage of accounting systems by Small Medium Micro Enterprises (SMMEs). The location of the study was SMMEs in Maluti-a-Phofung Local Municipality (MAP LM) in the Eastern part of the Free State province. The objective of the study was to investigate the usage of accounting systems by SMMEs around MAP ML.

The research approach that premised the study was a quantitative methodology, which involved distribution of questionnaires as part of field work to SMMEs in MAP LM area. The questionnaires were analysed through a statistical approach, and further linked back to the problem statement posed to the research study. The area of focus in the SMMEs was the usage of Computerised Accounting Systems which was selected because of its huge impact in the operation of most businesses. Computerised Accounting System forms the core of the business sustainability; it ensures that management is always abreast with information. Various literatures were reviewed regarding the usage of Accounting Systems and computerised accounting systems for SMMEs.

The results provided an interesting outcome to conclude that the accounting systems being used by the SMEs around the MAP area poses less challenges to the operation of the businesses. It can also be concluded from the study that SMMEs around the MAP LM area are using accounting systems that collect and process data accurately and communicate information to the decision makers with no challenges.

Key words: Accounting systems, SMME, computerised, Free State.

DECLARATION

I, the undersigned, declare that this dissertation is my own unaided work. It is submitted for the degree of *Magister in Business Administration* at the Potchefstroom Campus of the North-West University. It has not been submitted before for any other degree or examination in any other university.

Signature.....

On this 10th day of September 2015.

ACKNOWLEDGEMENTS

I would like to express my appreciation and gratitude to the following individuals who gave their support and guidance during this research study.

- To my Mother; Mmamoipone Julia and Leshota Elia Katsi who instilled the value of education in me. Even though my father did not see the inside of the classroom, he saw it through his children. May your souls rest in peace. I thank you for shaping my life.
- My wife, Itumeleng and my three sons, Tshepang, Mohlomi and Retshelisitswe, for their understanding and support during hard times of my studies.
- To the Sekere family, especially Nkgono Anna Sekere, thank you for instilling the value of education in me; the first time I saw a classroom it was through you.
- To my siblings; thank you for being part of my life. I have learnt so much from all of you over the years. Ke ya leboha Bakoena ba Nkopane.
- To my Study Groups; Majantja Syndicate Group (2012 to 2013), which changed into Dr. K.K. Syndicate Group (2014). It all worked out well in the end despite our ups and downs.
- To my Manager, Moratwe A. Mofokeng. Thank you for your encouragement when I wanted to discontinue my studies when things were not really conducive.
- My supervisor, Prof. I Nel, for his guidance, interest and capacity to share his knowledge and expertise.
- The library staff at NWU, especially Ms. Christine Bronkhorst, who could always be relied upon to organise inter-library loans.
- The small business owners around Maluti-a-Phofung Local Municipality area who volunteered to participate in this study.

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CHAPTER 1

NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION

Small businesses play a very important role in South Africa's economy, particularly in aspects such as increased employment, income generating and economic development. In addition, this sector is in general considered as a driving force for the rural economy. Other businesses are expanding nationally and internationally. All these activities have a bearing on the accounting procedures and processes of an organisation (Dacosta *et al.*, 2012:3). However, with a substantial increase in the volume of accounting transactions and increase in exposure of information to errors due to complexity of these accounting systems, the authors go on to state that there was a need for a system which could store and process accounting data with increased speed, storage, and processing capacity. This led to the development and introduction of accounting software packages to enhance accounting information systems.

Hurt (2013:1) defines an accounting information system as a set of interrelated activities, documents, and technologies designed to collect data, process it, and report information to a diverse group of internal and external decision makers in the organisation. Computerised accounting systems offer several advantages for small businesses. According to Al-Zahrani (2010:8), computerised accounting and accounts management help accountants to make the record keeping task easier with accuracy and time efficiency, which can lead to cost efficiency. Perry *et al.* (2003:112) mentioned that computerised transaction processing has released accountants from the limitations and drudgery of manual accounting systems. Furthermore, the authors indicated that by using computers, one can capture a wide variety of information about each transaction quite easily.

The focus of the study was to determine whether the small business around MAP LM indeed uses accounting systems as well as the effectiveness of the system. The instruments that the researcher will employ to measure and evaluate the usage and

effectiveness of the accounting systems (computerised and non-computerised accounting systems) are sectionalised as follow:

- i. Description of the accounting system:
 - Computerised Accounting System (CAS)
 - Non-computerised Accounting System
- ii. Cost-benefit analysis:
 - Financial benefits
 - Non-financial benefits
- iii. Accounting cycle
- iv. Reporting

1.2 PROBLEM STATEMENT

Creswell and Creswell (2010:66) indicated that researchers identify a research problem to limit the subject matter of study and to suggest the importance of the topic and study for a specific audience. SMMEs nowadays operate in a highly competitive and challenging global business environment and therefore require information systems that provide speedy responses to complex business enquiries.

It is worth noting that, despite the introduction of Computerised Accounting Systems (CAS) and the enormous benefits from the use of these systems, the problem is that some companies still make use of the Manual Accounting Systems which are often characterised by keeping a large number of books and is usually associated with errors in recording large volumes of transactions. Some of the reasons for SMMEs to use a manual accounting system may be attributed to factors such as inadequate supply of expertise knowledge about the Computerised Accounting Systems; high cost of installation and maintenance; resistance to change; risks of being hacked; power failure; viruses and losing information.

1.2.1 Main problem

As indicated above, accounting systems are programmed to be effective and on top of it all tools to improve capturing of specifically accounting data but also data in a broader sense. A derived conclusion is that using such a system may improve effectiveness of an organisation in general. What is, however, not clear at this stage is whether the SMMEs around MAP LM area are using computerised accounting systems.

1.2.2 Sub problem 1

The first sub problem is to examine the usage of the accounting systems with regard to data collection and processing, record keeping and accuracy. Small business owners are faced with a number of decisions every business day, and they need accurate financial reports to be readily available at all times.

1.2.3 Sub problem 2

The second sub-problem is to examine the timing and the means that the businesses utilise to make the reports available to the public and stakeholders.

1.3 RESEARCH OBJECTIVES

There are two types of objectives: primary and secondary objectives. The primary objective results in the formulation of the secondary objective (Struwig & Stead, 2001:23).

1.3.1 Primary objective

The primary objective of this study was to investigate the usage of accounting systems by SMME around MAP LM.

1.3.2 Secondary objectives

The secondary objectives of the study were as follow, namely to:

- Assess the usage of accounting systems by the SMMEs in MAP LM, with regard to data collection and processing;
- Evaluate the role and function of accounting systems in terms of record keeping and accuracy;
- Assess the availability and accuracy of financial reports for decisionmaking purposes;
- Establish the means that the businesses utilise to make the reports available to the public and stakeholders;
- Identify the challenges experienced by small businesses using accounting systems; and to
- Draw a conclusion and give recommendations based on the findings for the improvement and successful usage of the accounting systems.

1.4 RESEARCH QUESTIONS

Research questions are questions in quantitative research that narrow the purpose statement to specific questions that the researcher seeks to answer (Creswell & Creswell, 2010:137).

This study I used quantitative research methods to gather appropriate data to answer the research question. According to Welman *et al.* (2011:8) the purpose of quantitative research is to evaluate objective data consisting numbers. The author states, as a result of dealing with numbers, quantitative researchers use a process of analysis that is based on complex structured methods to confirm or disprove hypotheses. The following are research questions that are relevant to the abovementioned problem statement:

- What are the challenges facing the small businesses in Maluti-a-Phofung area with regard to the usage of accounting systems?
- Do the SMMEs around MAP LM use accounting systems, with regard to data collection and processing?
- What are the role and function of accounting systems in terms of record keeping and accuracy?

- How do the accounting systems ensure timely availability and accuracy of financial reports for decisionmaking purposes?
- What are the means that the businesses utilise to make the reports available to the public and stakeholders?
- To draw conclusions and give recommendations based on the findings for the improvement and successful usage of the accounting systems.

1.5 EXPECTED CONTRIBUTION OF THE STUDY

This study is expected to help small businesses, and individuals to gain an insight into how computerised accounting systems benefit the organisation. The study will also help in gaining knowledge with regard to the factors that should be considered when choosing the system, the role and functions of accounting systems in terms of transaction recording, the challenges and the importance of using an accounting system.

1.5.1 Organisation

The study fills a gap in that, there is currently no significant research addressing the use of accounting systems in the small businesses around the rural areas such as MAP LM and the resultant impact on the businesses. This phenomenon also requires attention as it may have an impact on the management of the business in the developing market.

The study may provide an insight to the business owners, managers and investors who wish to understand the importance and benefits of accounting systems on SMMEs.

This will include understanding the role and functions of accounting systems, the challenges, and importance of using the system in terms of recording business transactions.

1.5.2 Individual

From an individual point of view this study helped in gaining an insight on the legal status and the industries the SMMEs around MAP LM are operating in, the path to business ownership and the manner in which capital was raised.

The study also helped to understand how accounting records are kept by small businesses. Many small businesses around this area are faced with challenges with regard to record keeping.

1.5.3 Literature review

Booth *et al.* (2012:1) define the literature review as a systematic, explicit, and reproducible method for identifying, evaluating, and synthesising the existing body of completed recorded work produced by researchers, scholars, and practitioners.

Information will be acquired from a broad review of the available material, including text books, websites such as Statistics SA, Department of Trade and Industry, and Maluti-a-Phofung Local Municipality website. Access to the intranet will also be utilised to gather information with regards to:

1. Internet publications
2. Publications
3. Journals
4. Newspapers
5. NWU online library

Information not obtained from publications that is relevant to this study was gathered through the use of questionnaires, whereby respondents were issued with a questionnaire to answer open-ended and general questions. The information was used to first assess the basic understanding of the computerised accounting system, its benefits and the influence on quality of financial reports. The researcher secured

appointments with business owners and managers to first obtain permission to conduct this study.

1.6 SCOPE OF THE STUDY

This section deals with the field of the study and the geographical demarcation.

1.6.1 Field of the study

This study falls within the subject field of accounting with the focus on analysing and evaluating the usage of accounting systems by SMMEs around MAP LM, the benefits, challenges, factors to be considered when choosing the system, the role and functions of accounting system in terms of recording business transactions and the importance of using a computerised accounting system.

1.6.2 Geographical demarcation

The study was undertaken on SMMEs around MAP LM situated in the Eastern Free State and the study also includes the legal status, the industry in which the business operates, the age, the path to business ownership and the manner in which capital to start the business was raised.

1.7 DEFINITION OF KEY WORDS

1.7.1 Small business

Small business is defined by the National Small Business Act No. 102 of 1996 of South Africa (SA, 1996) as a separate and distinct business entity, including cooperative enterprises and nongovernmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy and which can be classified as a very small, a small, a micro or a medium enterprise (SMME).

1.7.2 Maluti-a-Phofung Local Municipality (MAP LM)

Means local Government established in the Eastern Free State in terms of Local Government Municipal Structures Act No. 117, of 1998 (SA, 1998). MAP LM covers areas such as Harrismith, Kestel and Qwaqwa.

1.7.3 Local Municipality

According to LGMS Act No. 117 of 1998 local municipality, means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described-in section 155(1) of the Constitution as a category B municipality (SA, 1998).

1.8 RESEARCH PLANNING

Table 1.1: Time Plan for the completion of dissertation

	03 /02/ 14	07 /03 /14	11 /04 /14	23 /05 /14	25 /07 /14	08 /04 /15	15 /04 /15	30 /04 /15	31 /05 /15
Finalise Research Proposal and gain approval									
Submission of Chapter 1: Nature and scope of the study									
Finalise Chapter 1: Nature and scope of the study									
Finalise Chapter 2: Literature review									
Finalise Chapter 3: SMMEs and Accounting systems									
Finalise Chapter 4: Research methodology									
Finalise chapter 5: Presentation of findings and discussion									
Finalise chapter 6: Summary, conclusions and recommendations									
Submission of final copy to study leader									
Finalise Report									

1.9 LAYOUT OF CHAPTERS

This study is organised into six distinct chapters. Chapter one (1) introduces the study by investigating the background through to the expected contribution of the study and the scope. Chapter two (2) deals with a critical analysis of prior related literature on Accounting Systems, while, chapter three (3) deals with literature on Small Businesses and Accounting Systems. Chapter four (4) focused at the methodology of the research under study. Chapter five (5) looks at the presentation of findings and discussions. Finally, chapter six (6) deals with the summary, conclusion and recommendations.

CHAPTER 2

ACCOUNTING SYSTEMS – THEORY

2.1 INTRODUCTION

This chapter particularly focused on the concept of computerised accounting systems in relation to processing and collection of accounting data. The literature is presented in order to stipulate the stated objectives of study by reviewing literature on the objectives of the study.

The key themes of relevance to the study are discussed and the first area is accounting data collection, including its key components. The second area is how accounting data collection affects the effectiveness of a computerised accounting system. The third area deals with record keeping and accuracy, followed by time efficiency. Lastly, the other key theme relevant to the study is, cost efficiency.

2.2 BACKGROUND DISCUSSION

An accounting system has several purposes in a company. The purpose of accounting is to provide financial information to the major stakeholders for decisionmaking. The main decision makers are:

- Managers;
- Directors;
- Investors;
- Suppliers;
- Government agencies; and
- Employees.

The major stakeholders of the company rely on data from the accounting system in many ways throughout the course of normal business. The main and most well-known reason for an accounting system is that the company has a record of all revenue and

expenses for the company. This information is used in typical ways such as providing reports to the investors and creditors. Tijani and Mohammed (2013:14) indicated that, the combination of information technology (IT) in the strategic success of SMEs in contemporary economies makes the application of computerised accounting systems inevitable as it is used as an instrument to manage for ultimate survival. The authors state that, the application of computerised systems in business information processing has been very significant to the accounting profession decades ago especially as it relates to financial transactions. It seems that any organisation that does not adopt and utilise the Computerised Accounting Systems faces many problems especially when the organisation grows bigger and gets involves in many advanced transactions (Ilias *et al.*, 2007:3).

2.3 ACCOUNTING

John and Alexander (2002:1) mentioned that, unlike most other modern professions, accounting has a history that is usually discussed in terms of one seminal event, the invention and dissemination of the double entry bookkeeping processes. Horner (2013:4) indicated that, it is widely believed that the system of double entry bookkeeping was developed and formally set out by Luca Pacioli in the late 15th century. According to the author the term double entry arises out of the fact that each and every financial transaction will require two entries.

2.3.1 Role and function of accounting

The role of accounting in a business is to provide information for managers to use in operating the business (Reeve *et al.*, 2012:3). It is concerned with the preparation and presentation of the financial information needed to make economic decisions (Kolitz *et al.*, 2009:4). The authors further mentioned that, a decision is a choice between two or more alternatives, and can be rational only when sufficient information is available. The common information need of a wide range of users is information which provides a

general overview of the financial position and performance of the entity (Dempsey *et al.*, 2011:3).

According to Dacosta *et al.* (2012:9) accounting has five main functions in an organisation: the first function is control to devise a system of measuring the contributions made by each agent. It is also used to determine the amount of incentive due to the stakeholders, and monitor the distribution of inducements so that each stakeholder gets compensated according to the contribution made.

In its second function, the accounting system measures, records, and controls the outflow of resources from the organisation. Hall (2007:46-48) indicated that business activities begin with the acquisition of materials property, and labour in exchange for cash and referred to this process as expenditure cycle. Purchases and account payable accounts for suppliers, payroll and benefits to employees, shipping to customers and tax accounts measures the outflow of cash to the Receiver of Revenue. The author further mentioned that, the businesses sell its finished goods to customers through a revenue cycle, which involves processing cash sales, credit sales and the receipt of cash following sales.

In its third function, Dacosta *et al.* (2012:9) indicated that, accounting system compares the data on resource inflows and outflows to determine the fulfilment of the contract and to what extent. A well designed accounting information system document changes in assets, liabilities, equity, revenues, expenses, gains, and losses (Hurt, 2013:4). Items like sales are documented according to the geographic areas, customer characteristics, and transaction history, demand for inventory items, and vendor quality ratings can improve decision-making by enhancing the elements of relevance. The documented information is used to evaluate and adjust the contracts of the stakeholders (Dacosta *et al.*, 2012:9).

In a fourth function, accounting helps assemble and maintain the contract set by finding the appropriate participants in the factor markets for labour, managers, customers, suppliers, and investors, and others.

The accounting information system records the economic events influencing the enterprise, then processes the information according to the demands and conveys it to the persons or units responsible for decisions (Toth, 2012:91). In addition, the system greatly contributes in preparing different reports, financial statements, working out an expense management system and compiling controlling reports. The reports help investors to assess, for instance, the costs and benefits of participating in the proposed enterprise in various roles (Dacosta *et al.*, 2012:9).

Accounting performs its fifth function by sharing at least a minimal set of information among the negotiating parties to make it common knowledge, and help reduce the chances of breakdown.

Reeve *et al.* (2012:3) define accounting as an information system that provides reports to users about the economic activities and condition of a business. It is known as the language of business because it communicates financial and economic facts about a business to all sorts of interested parties (Loughran, 2012:1). According to Reeve *et al.* (2012:3) the process by which accounting provides information to the users is as follows:

- Identify users;
- Assess users' information needs;
- Design the accounting information system to meet the users' needs; and
- Prepare the accounting reports for users.

According to Porter and Norton (2008:15) users of accounting information can be categorised on the basis of relationship to the organisation; there are internal and external users. According to Reeve *et al.* (2012:3) internal users of accounting information include managers and employees, and external users include investors, creditors, customers and government. The distinction is necessary specifically because the information needed by the external users may differ from information needed by the internal users.

Accounting can be divided into two fields, which are financial accounting and management accounting (Horngren *et al.*, 2009:31). Management accounting is concerned with providing information to managers, which are, people inside an

organisation who direct and control its operations, whereas financial accounting is concerned with providing information to shareholders, creditors and others who are outside an organisation (Seal *et al.*, 2012:4). According to Ssegawa-Kaggwa (2008:124), the financial reports are aimed at providing periodic information about an enterprise regarding its trading performance, financial position and changes thereof.

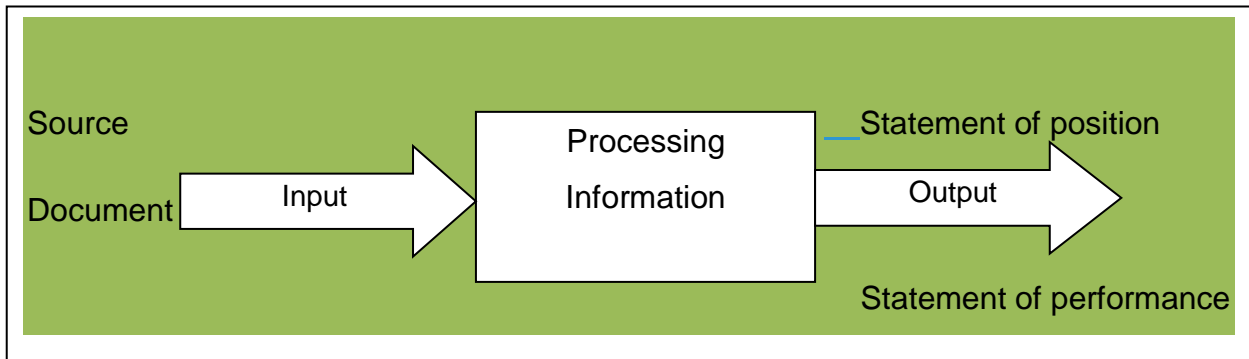
Financial accounting requires that the system be established in order to meet four basic requirements (Flynn *et al.*, 2008:4) namely, the recording of all transactions of the business, the classification and summary of all information, reporting the results to management and other stakeholders on a regular basis, usually annually, monthly or weekly, the analysis of the information in order to detect areas of financial weakness which require attention, whereas in management accounting someone must be responsible for making plans, organising resources, directing personnel and controlling operations (Seal *et al.*, 2012:4). Short *et al.* (2011:40), indicate that internal managers require continuous, detailed information because they must plan and manage day-to-day operations of the organisation. With regards to accounting for external users the authors state that there are four basic financial statements and related disclosures that act as the output of this accounting system.

2.3.2 Accounting systems

Every company applies accounting because it is generally accepted that companies have to reveal certain financial and management information to economic users and of course because accounting is an indispensable tool in the business decisionmaking process (Dacosta *et al.*, 2012:11). Ssegawa-Kaggwa (2008:74) emphasised that the information and communication systems should evolve from informality to formality, from simple bookkeeping to efficient and effective management and financial accounting systems with fully-fledged procedures for processing information to aid decisionmaking. The accounting process can only be developed once the required output is determined (Flynn *et al.*, 2008:2); in this way the accounting system is similar to any system. A system is a collection of parts that link to achieve a common purpose

(Baltzan, 2013:13). According to Hardcastle (2008:7) the objective of a system is to receive inputs and transform these inputs into outputs.

Figure 2.1: The Accounting System



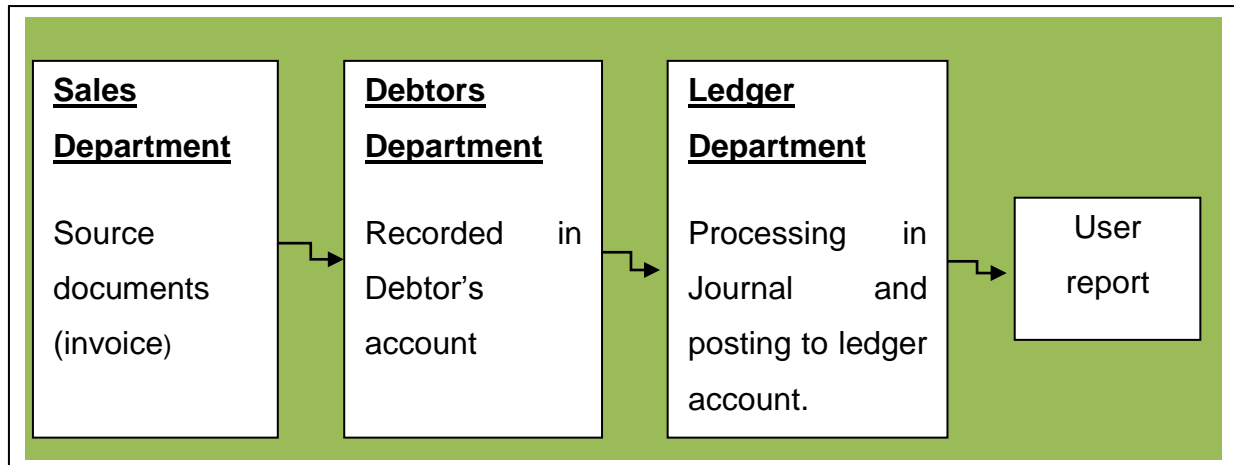
Source: (Flynn *et al.*, 2008:3)

Outputs: the authors defined output as the information required by those who will use the financial reports, usually for the purpose of making decisions which involve money.

Inputs: Data inputs are the facts that are collected and processed by the information system (Dacosta *et al.*, 2012:15). Data input includes capturing data from a source document such as a sales order or purchase order. **Processing:** having determined the required output, and the source documents are the necessary input, a process is devised which will transfer the mass of source document data into accounting information (Flynn *et al.*, 2008:8).

In an information system data flow through the various processes from the point at which it was created to the final report in which the information is eventually contained, as illustrated in Figure 2.2 (Myburgh *et al.*, 2008:277).

Figure 2.2: Information Data Flow



According to Horngren *et al.* (2009:92) Accountants record transactions first in a journal, which is the chronological record of transactions, and then post the data to the book of accounts called the ledger. They refer to this list of accounts and their balances as trial balance. The authors go on to define trial balance as list of all the accounts with their balances. A journal is a record of a chronological entry, and it holds a complete record of transactions processed by the organisation and thus provides a means for posting to accounts (Hall, 207:50).

According to Yeboah *et al.* (2014:124) the recording of business transactions manually on ledgers, papers, and spreadsheets among others has been translated and computerised for quick and easy presentation of individual financial transactions and reports on them. Kisakye (2013:8) advocates that accounting can be divided into two basic categories: those which apply manual accounting and those which prefer computerised accounting systems.

2.3.3 Manual accounting system

According to Baltzan (2013:13), a system is a collection of parts that link to achieve a common purpose. Accounting is an information system and if we are more precise, accounting is the practice of general theories of information in the field of effective

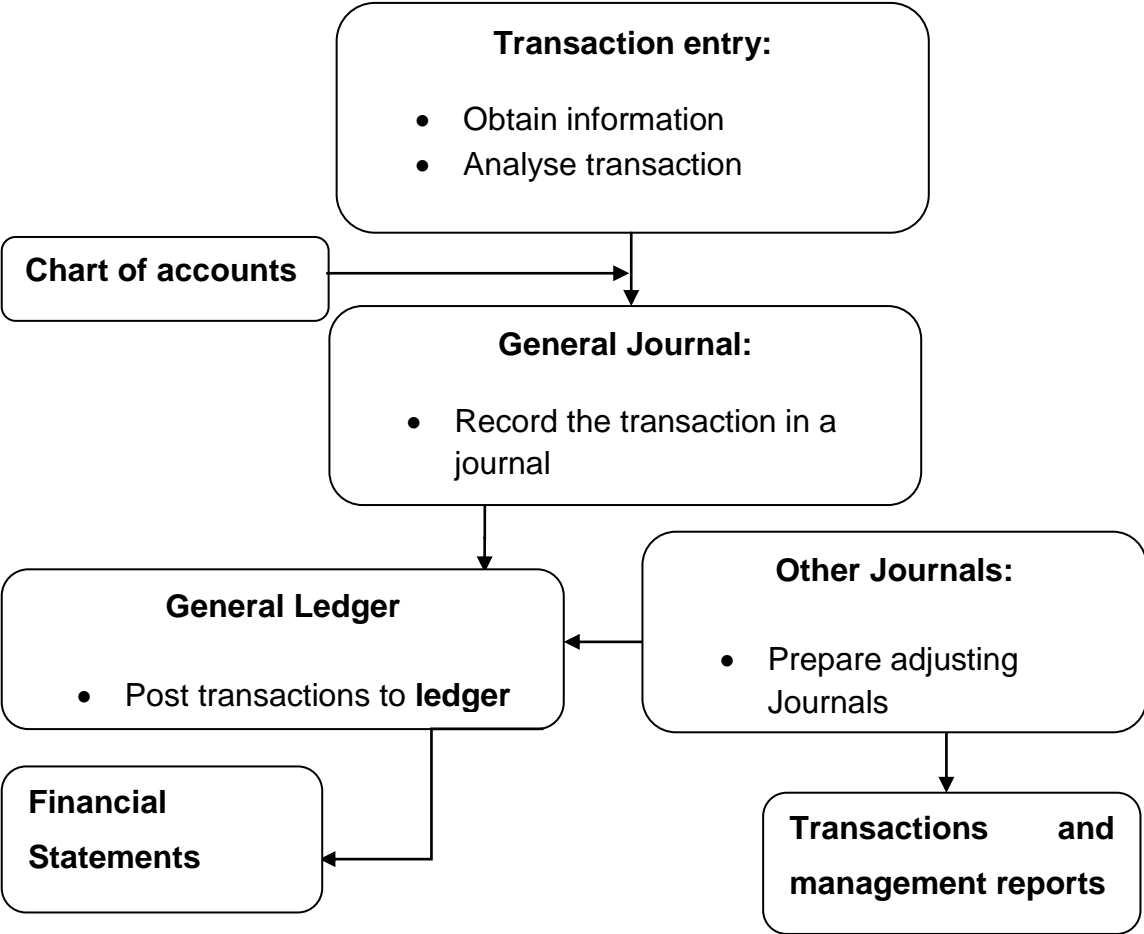
economic activities and consists of a major part of the information which is presented in the quantitative form (Sajady *et al.*, 2008:50).

Manual accounting system is an information system and defined as an organised means of collecting, entering, and processing data and storing, managing, controlling, and reporting information so that an organisation can achieve its objectives and goals (Dacosta *et al.*, 2012:9). An accounting information system is defined by Hurt (2013:4) as a set of interrelated activities, documents, and technologies designed to collect data, process it, and report information to a diverse group of internal and external decision makers in organisation.

The manual process model is the oldest and most traditional form of accounting system (Hall, 2007:27) and it constitutes the physical events, resources and personnel that characterise many business processes. This implies that employees perform the whole accounting cycle manually. Much of this work must be analysed by staff and the data manually inputted into firms' systems and also system must be adjusted to accommodate the information (Hintze, 2009:16). Dacosta *et al.* (2012:9) stated that, a manual accounting system typically includes at least the following and thus presented in Figure 2.3 below: chart of accounts, general journal, general ledger, subsidiary ledgers (accounts receivable, inventory, and fixed assets), transaction reports and financial statements.

According to Hurt (2013:21) the accounting cycle comprises ten steps and these are: obtain information about external transactions from source documents; analyse transaction; record the transactions in a journal; post from the journal to the general ledger accounts; prepare an unadjusted trial balance; record adjusting entries and post to the general ledger accounts; prepare an adjusted trial balance; prepare financial statements, close the temporary accounts to retained earnings at year-end; and, prepare a post-closing trial balance at year-end

FIGURE 2.3: A MANUAL ACCOUNTING SYSTEM MODEL



Source: (Adjei, 2013:18)

The situation in this model seems not to be complicated but when there are many transactions involved the situation significantly changes. Lots of transactions that must be processed in the accounting cycle make this process routine and even a little mistake or inaccuracy can cost all the cycle from the very beginning in order to find and correct the mistake (Dacosta *et al.*, 2012:13). Manual input increases errors, however, so the goal will be to automate the process as much as possible (Hintze, 2009:16).

2.3.4 Computerised accounting system (CAS)

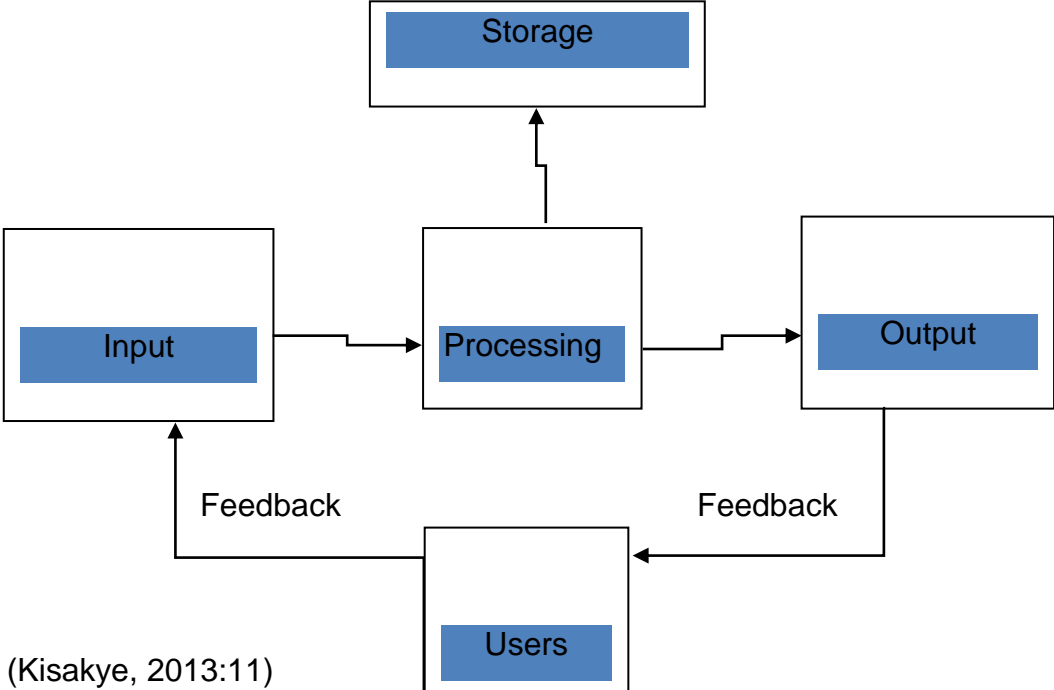
Developments in information technologies (IT) over the years are fast converting this hitherto luxurious business resource into a necessity as organisations have now

recognized the alignment of IT as business enabler to support business processes (Tijani & Mohammed, 2013:13). The same information technology is used to enable many different information systems. According to Baghersefat *et al.* (2013:512) information systems are those functions of which are to store data, process them in framework of organisations' information objectives and provide information required for economic decisions. Furthermore the authors indicated that, these systems are designed and established in organisations by managers, analysts and system designers having sufficient knowledge of computer technology.

The recording of business transactions manually on ledgers, papers, and spreadsheets among others have been translated and computerised for quick and easy presentation of individual financial transactions and reports on them (Yeboah *et al.*, 2014:124). Computer technology, which is of interest to accounting function is often referred to as business data processing or information technology (Flynn *et al.*, 2008:5).

According to Dacosta *et al.* (2012:15), computerised accounting systems extend the accounting system to storage and feedback to the users and it is illustrated in figure 2.4 below. The authors indicated that, after the information has been presented in the form of a report, there is a need for **feedback**. Feedback tends to serve as a source of input and also a control measure in the information system. Furthermore, **storage** serves as the repository of relatively permanent data maintained over an extended period of time. Once transaction data have been captured into the accounting system, the data must be processed and stored in the relevant general ledger and subsidiary ledger account (Frichol-Ford, 2001:37).

FIGURE 2.4: Computerised Accounting System Model



Source: (Kisakye, 2013:11)

The accounting system has tended to be a system of information that does not stop at the limits of data and financial information, but also it includes data and descriptive and quantitative information which is useful in decisionmaking for **users** distinct with plurality and diversity (Alsharayri, 2012:74). The success of information systems is determined by the information system quality (the technical quality of the system) and the output quality of the information system (the quality of information produced) (Daoud & Triki, 2013:4).

The implementation of Computerised Accounting Systems is believed to enhance the performance and productivity, which lead to better administration of financial and accounting management (Ilias *et al.*, 2007:3). The authors go on to state that, Computerised Accounting Systems does not provide the accounting report only, but also enables the user to evaluate the output of the system and the system itself.

2.4 IMPORTANCE OF A COMPUTERISED ACCOUNTING SYSTEM

An Accounting Information System plays a pivotal role in decision makers' service; this is what made the use of computers as processors of information as indispensable in the world of accounting (Alsharayri, 2012:76).

Flynn *et al.* (2008:5) advocate that, (1) Transactions are processed quicker, that is posting to the general ledger and trial balance is done by the computer as well as balancing of individual accounts, (2) Transactions are processed more accurately, that is double entries are done by the computer, and the only error which can occur is when the computer operator punches in the incorrect information, (3) More information can be captured on individual transactions than any manual system can accommodate.

The headache in accounting and auditing of doing a repetitive process over and over manually is soul-destroying in today's times. This means that a well-designed process carried out by trained people always beats manual processing and checking (Miller, 2006:6). Mobile access to accounting systems, especially dashboards, via smart-phones and tablets is an important feature for many companies, especially those with employees who have heavy travel calendars or atypical work hours (Chou, 2013:47). The author advocates that, the remote capability and easy access to information 24/7 from anywhere in the world is driving efficiencies.

It is impliedly clear that there are many advantages of implementing the computerised accounting system. Ilias *et al.* (2007:3) explained the inherent characteristics of this system. First, addition and entries should be more accurate. This is due to the large amount of data to be kept in the accounting records and clerks tend to be bored or distracted that lead to human errors. Second, reports can be supplied more quickly and frequently. At that time, computers can produce profit and loss accounts as frequently as required (once a day if needed). Finally, reports produced by the manual system seem to be impractical due to the time and cost involved; for example, the analysis of aged debts.

2.4.1 Time and cost savings

Accounting information systems add value by providing accurate and timely information so that five primary value chain activities can be performed more efficiently and effectively (Sambasivam & Assefa, 2013:20). The authors further indicated that Accounting information system can also add value by improving the quality and reducing the cost, or services, improving efficiency, improving decisionmaking capabilities, increasing the sharing of knowledge. However, the development of computerised accounting systems has transformed the way small businesses kept their accounting records (Adjei, 2013:7-8).

According to Kisakye (2013:12) using a Computerised Accounting System saves companies time and money. The use of a computer makes inputting accounting information simple (Dacosta *et al.*, 2012:17). They further indicated that transactions are entered into the system and the system processes and posts transactions accordingly. Kisakye (2013:12) goes on to state that, Computerised Accounting Systems reduce staff time preparing accounts and reduce audit expenses as records are neat, up-to-date and accurate. And also a better use is made of resources and time; cash flow should improve through better debt collection and inventory control. More importantly, the system helps present financial reports on time to aid in the economic decisionmaking process of external users.

2.4.2 Record keeping and accuracy

All businesses, however small, need some form of accuracy of accounting because it must keep records of all its financial dealings (Nicholson, 2006:8). Record keeping is one of the most important actions in an organisation (Kisakye, 2013:13-14). The author emphasised that this is because records (accounting data) are usually kept for the following reasons: It serves as a source for future reference. Moreover, records kept serve as point for comparison between the past and the present. Accounting information systems of the past focused on the recording, summarising and validating of data about business financial transactions (Salehi *et al.*, 2010:193).

Joseph (2013:32-33) argued that the role of accounting in confirming past events are important because users often wish to check the accuracy of earlier predictions that they have made. That means the accuracy or inaccuracy of earlier predictions may help users to judge the accuracy of current predictions. The proper and accurate recordkeeping produces accurate financial accounts. The basic summary of accounting is the account. An account is the detailed record of all the changes that have occurred in a particular asset, liability, or owner’s equity during a specific period (Horngren *et al.*, 2009:92). Accounting process starts once a transaction has taken place (Berry *et al.*, 2013:91). According to the authors the overview of the recording of transactions can be summarised as follows:

Table 2.1: Overview of the recording of transactions

TYPE OF TRANSACTION	
Assets and equity	<ul style="list-style-type: none"> • Capital contributions • Drawings by the owner • Cash income • Credit income • Cash expenses
Assets and liabilities	<ul style="list-style-type: none"> • Purchasing asset on credit • Payment to creditors • Acquisition of loan • Purchasing assets for cash • Payments from debtors • Credit expenses

Source: (Berry *et al.*, 2013:91)

The authors further explained that each transaction has an effect on two or more items in the basic accounting equation which is the basis of double entry system. There is less room for errors as only one accounting entry is needed for each transaction rather than

two (or three) for a manual system (Dacosta *et al.*, 2012:17). The accounting records are automatically updated and so account balances (such as customer accounts) will always be up-to-date.

2.4.3 Storage and Speed (data collection and processing)

Storing information is important for a business. After information is entered into the system, the information is stored for an indefinite period. Companies perform backups on the system regularly to avoid losing any information. The introduction of Computerised Accounting Systems provides the ability to see the real-time state of the company's financial position (Kisakye, 2013:13).

2.4.4 Distribution

Information system is perceived as an entirety of information processing system and resources of an enterprise meant to form and disseminate information. According to Al-Zahrani (2010:188) computerised information systems are designed and implemented for the sole reason of gathering and register information in carriers, process and transmit it to the users. Computerised accounting systems allow businesses to distribute financial information easily (Dacosta *et al.*, 2012:12). This means the introduction of the computerised accounting software into the businesses by practically eradicating the manual system, all the business transactions are made available to customers or managers without any delay.

With computerised accounting system financial statements are printed directly from the system and are distributed to internally and externally stakeholders. In order for management to be able to exercise control and monitor the business activities; for example, the aged debtors' analysis will show which customer accounts are overdue, trial balance, trading and profit and loss account and balance sheet.

Kisakye (2013:13) emphasised that, Computerised Accounting Systems enable financial statements to be prepared and presented to meet the relevance and faithful representation criteria of financial statements.

2.4.5 Challenges encountered with the use of computerised accounting systems

Despite the numerous benefits of Computerised Accounting Systems that can be listed they are not without challenges (Dacosta *et al.*, 2012:18). The authors state that, the impediments to implementing a Computerised Accounting System includes lack of time, owner-manager's view that the CAS is costly, perception that the technology is not suited to the nature of the business, and lack of IT expertise.

Due to increasing complexity and importance, companies are facing internal control problems associated with the use of computers. As a result, ensuring that the accounting information system is sufficiently controlled has become an extremely important issue (Ramadhan *et al.*, 2011:61). According to Tijani and Mohammed (2013:15) a few of the challenges identified in the use of Computerised Based Accounting System (CBAS) include inaccuracy of reports; frequent systems breakdown; inability of software to support large volume of data; lose electricity supply; inability to carry out data filtering (export/import data), and inability to fully comprehend and interpret results.

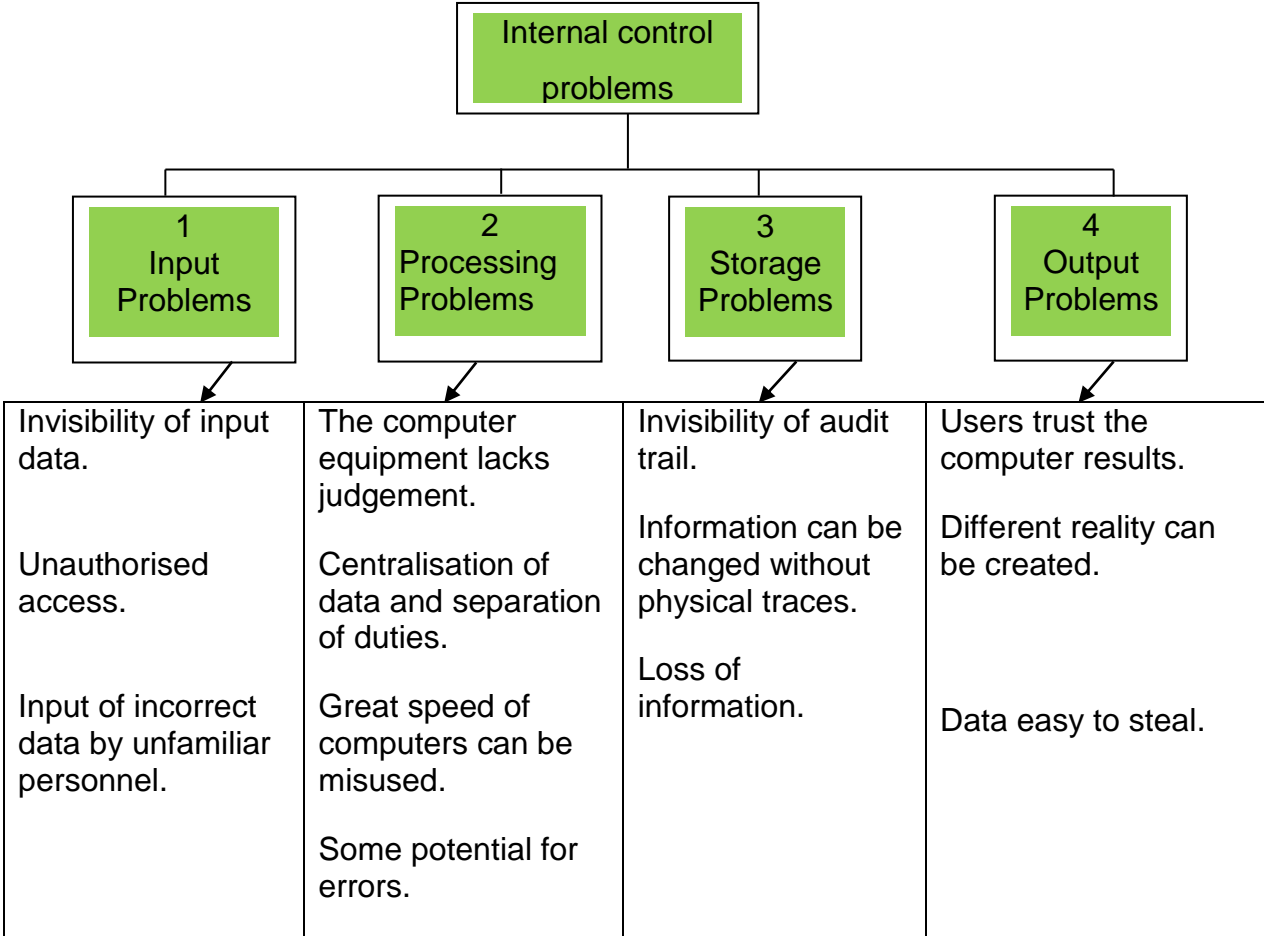
At the same time when IT is exploited for malicious purposes, the threats it possess to individuals, organisation and the society as a whole can be quite significant as many forms of malicious IT such as viruses, worms, e-mail spam, spyware, adware, and Trojan horses can affect personal utility computers as well as enterprise computing technologies might result (Muhrtala & Ogundeji, 2013: 9-10).

The authors state that, these events are capable of leading into large-scale productivity and financial losses to IT infrastructure consequently, financial accounting information is exposed to the risks of failure of computing facility, equipment and software and/or applications common amongst which are hardware failure, workstation access

penetration, theft of data services, password failure, program changes, computer virus, data leakage, unauthorised access to data, threat of service, unauthorised access, information modification, denial of service, and traffic analysis.

Ramadhan *et al.* (2011:64) summarised the hierarchical relationship of the internal control problems of computerised accounting systems as shown in Figure 2.5 below:

Figure 2.5: Internal control problems



Source: (Ramadhan *et al.*, 2011:64)

2.5 Quality of Financial Reports

Biddle *et al.* (2009:3) define financial reporting quality as the precision with which financial reporting conveys information about the firm’s operations, in particular its expected cash flows, and that inform equity investors.

Kisakye (2013:16) argues that accounting information is very necessary if decisions are to be made accurately and rationally by the various interested parties or users of financial information. These include those broadly classified into external and internal users, where internal users include management and employees while the external users include the donors, shareholders, creditors, government, competitors and the general public.

2.6 THE INFLUENCE OF COMPUTERISED ACCOUNTING SYSTEM ON FINANCIAL STATEMENT PROCESSING

In today's global world where the markets are more connected than ever before the information about the financial position and performance of companies is becoming more important (Malikova & Brabec, 2012:150). According to Kisakye (2013:16) the influence of computerised accounting systems on processing of financial statements has been linked to the benefits of applying computer systems while generating financial statements.

The above author states that a computerised accounting system is a delivery system of accounting information for purposes such as providing reliable accounting information to users, protecting the organisation from possible risks arising from abuse of accounting data and system among others.

2.7 SUMMARY

The main aim of the researcher in this regard was to set the basis for the literature review on small businesses and accounting systems. It was significant for the researcher to broadly explore accounting systems before narrowing it down to accounting systems for SMMEs.

This chapter has highlighted some of the key concepts regarding accounting and accounting systems in general. The role and function of accounting in a business with

regard to the provision of information to all stakeholders were emphasised. Characteristics of manual and computerised accounting systems were discussed as well as the importance of computerised accounting systems. This chapter also helped to identify the challenges encountered by the businesses in general with the use of computerised accounting systems. Lastly, the influence brought in by CAS on processing financial statements has been highlighted as well.

CHAPTER 3

SMALL BUSINESSES AND ACCOUNTING SYSTEMS – THEORY

3.1 INTRODUCTION

Small business enterprises (SMMEs) have an important role to play in the economic development of Maluti-a-Phofung. The extent of contribution these business units can make towards the growth and development in the area is dependent on the level of success attained by SMMEs operations.

The fact underlying the success of a business enterprise is the establishment and application of controls by the owners or management (Smith, 2013:169). In addition to that, the author indicated that the systematic record keeping of business transactions keeps the owner well-informed about the performance of the business.

3.2 SMALL MICRO AND MEDIUM ENTERPRISES (SMMEs)

The definition of small business varies from country to country. Various definitions have been provided based on varied criteria (Oseifuah and Gyekye, 2013:243). According to Adeniran (2011:7-8) SMEs are significant in their contributions to economic growth, innovation of new products, technological progress and competitive advantage. However, most SMEs are confronted with challenges such as changes in technologies, changes in innovative products, changes in customer demands, and the desire to remain flexible.

This study uses the definition of small business provided by the National Small Business Act No. 102 of 1996 as amended by National Small Business Amendment Act, 2003 SA, 2003) - it states:

“a separate and distinct business entity, including cooperative enterprises and non-

governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy”.

3.3 SMALL BUSINESS SUCCESS

Small businesses play an important role in the stimulation of the economy through means of creating jobs and eliminating poverty. The importance of Small and Medium Scale Enterprises (SMEs) for economic and social development is universal in both developed and developing countries (Olovsson & Lundstrom, 2010:1). According to Allah *et al.* (2013:261), small business survival can be considered as a vital indicator of economic prosperity as these entities have a remarkable capacity to absorb labour.

Based on the principle measure and manage one may argue that it is the responsibility of a small business owner to keep record, prepare budget, and forecast, cost accounting, exercising internal controls, preparing government reports such as tax returns, obtaining and monitoring insurance and data processing. Other important functions include analysing data and determining how your business is performing, making recommendations about whether to expand or downsize, as well as coordinating personal financial and tax goals with those of the business.

3.4 ACCOUNTING INFORMATION SYSTEM IN SMMES

Al Smith (2013:169) indicated that appropriate accounting information is important for a successful management of any business entity, whether large or small. There are two functions in record keeping, namely:

- To provide entrepreneurs with information for business operations; and
- A complete and easy set to record the business activity by providing instance

income tax information which is widely available and verifiable (Sam *et al.*, 2012:13).

It is further stated that a good accounting system should give accurate and comprehensive results of operations, which allow quick comparison between current and previous years' data, offers the financial statements to be used by prospective creditors, bankers and management, facilitate filing reports and tax returns to government regulatory agencies and tax-collecting, and disclosing record keeping error, waste, theft, and employee misconduct.

3.5 IMPORTANCE OF COMPUTERISED ACCOUNTING SYSTEM IN SMMEs

The growth of computer technology in the 1950s had initiated increasing development in information storing and processing (Kharuddin *et al.*, 2010:28). The authors further mentioned that computer technologies increase the use of information as a result of its capabilities of analysing massive amounts of data and in producing accurate and timely reports. According to the authors, these unique features of computer capabilities have lead to the introduction of various information systems such as accounting information system (AIS), manufacturing resource planning system (MRP) and human resource system (HRM). Information system technology has definitely changed the way businesses are being operated. Toth (2012:91) mentioned that within the information system of management systems there is an accounting system that ensures that the numerical figures correspond to reality of the property, financial and profit status of the enterprise. As a result processing the accounting information is one of the most important elements of the process of managers.

Kharuddin *et al.* (2010:28) indicated that, computer revolutions have greatly affected many organisation processes and procedures, in particular the accounting process. Al Smith (2013:170) mentioned that without accounting information system it will be very difficult for SMEs to determine performance, identify customer and supplier account balances and forecast future performance of the organisation. They mention

that the primary purpose of an accounting information system (AIS) is the collection and recording of data and information regarding events that have an economic impact upon organisations and the maintenance, processing and communication of such information to internal and external stakeholders.

Kharuddin *et al.* (2010:28) indicated that in the early 1960s, many organisations implemented Inventory Control Packages (ICP) technology to integrate and automate their inventory control system. This system contributed to an increase in business productions and transactions as firms are able to produce more products due to the more systematic order schedule plan offered by the system and thus, this enhanced business activities. The author further indicated that more businesses and transactions implied that there will be more accounting data needed to be recorded and updated. The study also indicated that prior traditional accounting method of manually inputting and recording daily transactions has becoming inefficient. Errors such as wrong data entry, inefficient tasks performance and massive utilization of paper products have create many problems to business.

3.6 BENEFITS OF COMPUTERISED ACCOUNTING SYSTEMS IN SMMEs

Toth (2012:94) mentioned that, as a consequence of automatisisation, nowadays accounting software (accounting software: a programme which makes accounting work processes easier and faster and which makes it possible to meet the information demand of the management) supports the accountants' work, helping to compile reports by recording and processing the events concerning the enterprise. The author mentions that the implementation of a computerised accounting system benefit the SMEs with regard to time and cost saving, accuracy of information, storage and speed as well as dissemination of information.

3.6.1 Time and cost savings

Allah *et al.* (2013:260) states that AIS are capable of analysing and interpreting

financial data to produce important information for decisionmaking. The authors go on to state that, from a technological dispensation, AIS is available for use in an electronic format, which can provide all relevant stakeholders with real-time-information on demand. For example, a sales order processed by the accounting system can be captured, filled, and shipped the same day (Hall, 2007:80). The author's example is based on Real-Time Processing System and this system has many potential benefits including improved productivity, reduced inventory, increased inventory turnover, decreased lags in customer billing, and enhanced customer satisfaction.

Muchira (2012:11) indicated that if one does not keep accurate and complete records the success of business will be threatened in many ways. For example, one may end up paying more tax than is due because of lack of evidence of tax deductible expenditure and/or inaccurate sales.

3.6.2 Organisation and Accuracy

Allah *et al.* (2013:260) expressed the view that the survival rate of small businesses is fairly low in South Africa as less than 50% of newly established businesses survive beyond five years. By adequately using AIS it is possible to assess the risk of some operations and/or predict probable future earnings with sophisticated statistical software applications with the main intention to enhance business operations. According to Ismail and Ali (2013:122) financial management in SMEs could be improved through upgrading of financial reporting system. As such a SMEs owner manager needs a good record-keeping system that allows them to maintain control of its finances and most importantly assist the owner manager in making decisions about the business.

Allah *et al.* (2013:262) are of the opinion that the majority of small businesses fail due to inappropriate business decisions being made. In fundamental nature business decisions should be made with information (pertaining to the relevant business venture) which is accurate, reliable, and valid. One way to ensure that adequate

business decisions are made is through means of utilising AIS.

3.6.3 Storage, Speed and Distribution

Sam *et al.* (2012:12) indicated that the introduction of technology and more user friendly software, computerised accounting system (CAS) appears to reduce the problems in bookkeeping record practice. With automated systems financial transactions are easily initiated, authorised, recorded, and the effects of the transactions are easily reported (Hall, 2007:722).

The author mentions that, accounting based systems are represented by four different types of magnetic files namely:

- A master file, that generally contains account data such as general ledger and subsidiary ledgers;
- A transaction file, holds temporary transaction records that will be used to update data in the master file;
- A reference file, stores data that is used as standards for processing transactions. For example, the payroll program may refer to a tax table to calculate the proper amount of withholding taxes for payroll transactions; and
- Archive files that contain records of past transactions that are retained for future reference.

The changes that occurred in the business environment have led to an increasing number of information to be processed, generated and delivered (Al Smith, 2013:170).

3.7 SUMMARY

This chapter has highlighted some of the factors that contribute to the necessity of implementation of computerised accounting system in SMMEs, benefits of computerised accounting systems in SMMEs namely: Time and cost Savings, Organisation and Accuracy, Storage, Speed and Distribution.

The purpose of this literature review was to determine the importance of the usage of computerised accounting systems by SMMEs within Maluti-a-Phofung Local Municipality area. Important points that should be kept in mind throughout the study are the benefits, the cost effect, the effectiveness and impact of the accounting systems on day-to-day business decisions in terms of time saving, accuracy and information storage.

CHAPTER 4:

RESEARCH METHODOLOGY

4.1 INTRODUCTION

This chapter seeks to discuss the population and sample size, the techniques used for sampling and data collection, the various data collection instruments as well as the procedures used in measuring and analysing the data. This chapter therefore seeks to describe how the whole study was conducted.

4.2 RESEARCH DESIGN

In an effort to gather information and knowledge relevant to the field of study and research method the researcher relied on a predetermined questionnaire which was used to obtain information from the small businesses around MAP LM. The objective was to gather much needed and relevant information with which the impact of the computerised accounting system can be measured.

4.3 TARGET POPULATION

Creswell and Creswell (2010:182-183) define population as a group of individuals who have the same characteristics. The authors go on to state that the population is important in quantitative research method because it is the group about which the researcher wants to learn. Furthermore it is mentioned that a sample is a subgroup of the population that the researcher plans to study for generalising about the population. The population in this study is described as all the small businesses around MAP LM.

From observation and interaction with small businesses around this area, the small businesses are facing challenges in terms of growth and sustainability. Therefore it is

crucial to conduct research amongst these groups to establish the real problem and attempt to find ways of how to eliminate the challenges.

One of the sampling techniques that will be used is the convenience sampling method. Convenience sampling was chosen purely on the basis of availability. Respondents were selected because they were accessible and articulate (Struwig & Stead, 2001:111). The sample size was 60, and a minimum response of N = 49 completed questionnaires were received back from the respondents. Quantitative research was conducted by processing and analysing the literature studies and statistics. This information was analysed and used as supportive data for the structure of the study.

4.4 SAMPLE AND SAMPLING TECHNIQUE

All the forms of business ownership were considered for this study, which are Sole proprietorship, Partnership, Close Corporation and Company (private). The availability of participants was also considered irrespective of the industry in which all these small businesses operate.

4.5 METHODS OF DATA COLLECTION

The technique to distribute and complete questionnaires was a personal distribution. For the purpose of this study questionnaires were distributed to available small business owners and managers in different areas within the MAP LM.

4.5.1 Administering the questionnaire

The questionnaires (**see Appendix A**) were taken to the following personnel for their respective responses:

- Small business owners
- The heads of finance and accounts departments of the various small businesses where the owners were not available.

- The head of information technology departments of the various small businesses.

4.6 DATA ANALYSIS

According to Creswell and Creswell (2010:72), in quantitative research, researchers analyse the data using mathematical procedures, called statistics. The authors went on to indicate that, the analyses consisted of breaking down the data into parts to answer the research questions. The Statistical Services of the NWU analysed the data.

4.7 LIMITATIONS

The main challenge was measuring the exact impact of Computerised Accounting System on the financial reports as well as on the small business operations. It must be clarified that as the Small businesses in MAP LM Free State considered the 52 businesses responded in an availability manner, conclusions drawn may not be representative of the entire population. Also as the information was provided by different personnel in a descriptive manner this may leave room for valuable information to be left out. Despite all these problems, an effort was made to gather information through a tactfully prepared questionnaire to ensure information accuracy and also give a true representation of the findings. Some of the limitations of this study are:

- Study focuses on only SMMEs around MAP LM area.
- Willingness of the sample to participate in the study, and time frames for completion of the questionnaires.

4.8 SUMMARY

The study population was an availability sample and as a result of the fact that no random sampling was done no inferential statistics will be used to make interpretations.

CHAPTER 5: PRESENTATION OF FINDINGS AND DISCUSSIONS

5.1 INTRODUCTION

This chapter investigates the presentation of data, interpretation of the data and discussion of the findings on accounting systems usage by small businesses in MAP LM in the Free State. The chapter bridges a gap between the research method which includes the development of the questionnaire and conducting the field study, as well as conclusions.

The completed and collected questionnaires were analysed utilizing SPSS version 21 software. Descriptive, frequencies, reliability and validity analyses were undertaken from the questionnaires after the data were captured on software.

5.2 RESEARCH FINDINGS

The statistical analyses results were interpreted by the researcher, linked to the questionnaires and the rest of the mini-dissertation chapters that posed the problem statement.

Section A: Company profile:

This section dealt with the legal status and the types of industry in which the sampled respondents operate, the tenure of the business, the path to business ownership, as well as how the main capital to start the business was raised.

Section B: Accounting System

This section introduced a scale used to capture the data, through the five-point Likert Scale. It posed a number of statements that participants needed to respond to in an attempt to access the accounting systems of the participants. The statements were from No. 6 to No. 9.

Section C: Cost assessment of accounting system

In this section a cost benefit analysis was done using the five-point Likert Scale. A number of statements were posed to the participants in an endeavour to evaluate the risk of not using CAS (or performing an accounting task in a certain way) versus the benefit of performing the accounting task using CAS. Statements were from No. 10 to No 17.

Section D: Reporting

Using a five-point Likert Scale this section dealt with the means to make reports available for stakeholders and the time it takes to avail the financial information. Statements were from No. 18 to No. 19.

5.3 RESPONSE RATE

Table 5.1 below shows that, a total of 60 Small Businesses were targeted and questionnaires administered to them at MAP LM area in the Free State. However, by the end of the data collection process, 52 questionnaires were returned posing a response rate of 87% and non-response rate of 13% as shown in the table below; it implied that more than half the targeted population participated in the process giving a high level of precision to the findings of the study as shown in the table below.

Table 5.1: Response rate

Types of Response	Frequency	Percentage
Respondents	52	87%
Non-Response	8	13%
Total	60	100%

Source: *Primary data, Field Survey November 2014*

Though 52 questionnaires were returned, the number of records used was 49 and

the number for significance test was 49 (N=49). From the 52 returned questionnaires 3 were excluded from the analysis because of missing responses.

5.4 RELIABILITY AND VALIDITY

According to Pallant (2007:6-7), reliability of a scale indicates how free it is from a random error. That means consistency of scores obtained by the same persons when they are re-examined with the same test on different occasions. The author states that validity refers to the degree to which it measures what it is supposed to be measured.

5.4.1 Construct reliability

In table 5.2 below the Cronbach Alpha Coefficients were calculated to assure reliability of constructs.

Table 5.2: Cronbach Alpha Coefficients

Construct	N	Cronbach Alfa Coefficient
Description (B6.1-B6.4)	49	0.73
Role-function (B7.1-B7.8)	49	0.99
Financial and Management information (B8.1-B8.6)	52	0.98
Accounting cycle (B9.1-B9.10)	52	0.99
System benefits (C10.1-C10.8)	52	0.99
Access reports (C11.1-C11.8)	51	0.99
Factors considered (C12.1-C12.4)	51	0.99
Deciding factors (C13.1-C13.4)	51	0.97
Factors considered (C14.1-C14.8)	50	0.98
CAS importance (C15.1-C15.6)	51	0.97
Operational challenges (C16.1-C16.5)	51	0.97
Reports availability (D18.1-D18.4)	48	0.88
Compliance (D19.1-D19.4)	48	0.97

Source: Primary data, Field Survey November 2014

It can be deduced from the table above that, all the Cronbach Alpha coefficient values of the constructs were above 0.6 and according to Field (2009:779) this means that all the constructs were reliable.

5.4.2 Construct Validity

It is generally known that Measure of Sample Adequacy (MSA) is one of the statistics associated with factor analysis. It is an index used to measure the appropriateness of factor analysis (Tabachnick & Fidell, 2001). The authors further mentioned that high values (between 0.5 and 1.0) indicate factor analysis is appropriate and values below 0.5 imply that factor analysis may not be appropriate. In table 5.2 MSA values were calculated to determine the assurance of construct validity.

Table 5.3: Results of Confirmatory Factor Analysis (CFA)

Construct	Amount of factors retainable	MSA	%Variance Explained	Communality Estimates
Description (B6.1- B6.4)	2*	0.52	94	(0.93;0.94)
Role-function (B7.1- B7.8)	1	0.79	94	(0.91;0.98)
Financial and Management information (B8.1- B8.6)	1	0.88	91	(0.87;0.96)
Accounting cycle (B9.1-B9.10)	1	0.83	91	(0.76;0.98)
System benefits (C10.1-C10.8)	1	0.85	93	(0.91;0.95)
Access reports (C11.1-C11.8)	1	0.87	97	(0.87;0.97)
Factors considered (C12.1-C12.4)	1	0.83	93	(0.95;0.98)
Deciding factors (C13.1-C13.4)	1	0.75	88	(0.89;0.97)
Factors considered (C14.1-C14.8)	1	0.93	89	(0.46;0.96)
(C15.1-C15.6)	1	0.82	87	(0.85;0.92)
Operational challenges (C16.1-C16.5)	1	0.88	74	(0.83;0.91)
Reports availability (D18.1-D18.4)	1	0.79	74	(0.69;.080)
Compliance (D19.1- D19.4)	1	0.82	93	(0.91;0.95)

Source: Primary data, Field Survey November 2014

Table 5.3, above, thus indicates that all the MSA values were more than 0.5 (>0.5). That means all the variances explained were above the required 50%, thus construct validity of all the constructs were assured. *Although 2 factors were retained the decision was made to keep it as one construct because the CFA value was acceptable.

5.4.3 Mean of Constructs

All questionnaires used 5-point Likert Scales. For all the questionnaires, mean scores of all the items were calculated. Internal consistency of the scales was measured using Cronbach's alpha.

Table 5.4: Mean and Standard deviation

Construct	N	Mean	Standard Deviation
Description (B6.1-B6.4)	51	2.77	1.17
Role-function (B7.1-B7.8)	52	3.65	1.46
Financial and Management information (B8.1-B8.6)	52	3.57	1.52
Accounting cycle (B9.1-B9.10)	52	3.52	1.44
System benefits (C10.1-C10.8)	52	3.78	1.33
Access reports (C11.1-C11.8)	52	3.47	1.55
Current accounting system (C12.1-C12.4)	52	3.76	1.43
Deciding factors (C13.1-C13.4)	52	3.72	1.47
Choosing accounting system (C14.1-C14.8)	52	3.63	1.39
Deciding factors(C15.1-C15.6)	52	3.57	1.42
Operational challenges (C16.1-C16.5)	52	2.88	1.55
Change consideration(C17.1-C17.5)	48	2.53	1.41
Reports availability (D18.1-D18.4)	48	3.19	1.52
Compliance (D19.1-D19.4)	52	2.71	1.60

Source: Primary data, Field Survey November 2014

Table 5.4 above shows the results of descriptive statistics. According to Koech and Namusonge (2012:8), a higher mean value generally means that there is a higher level of measured construct.

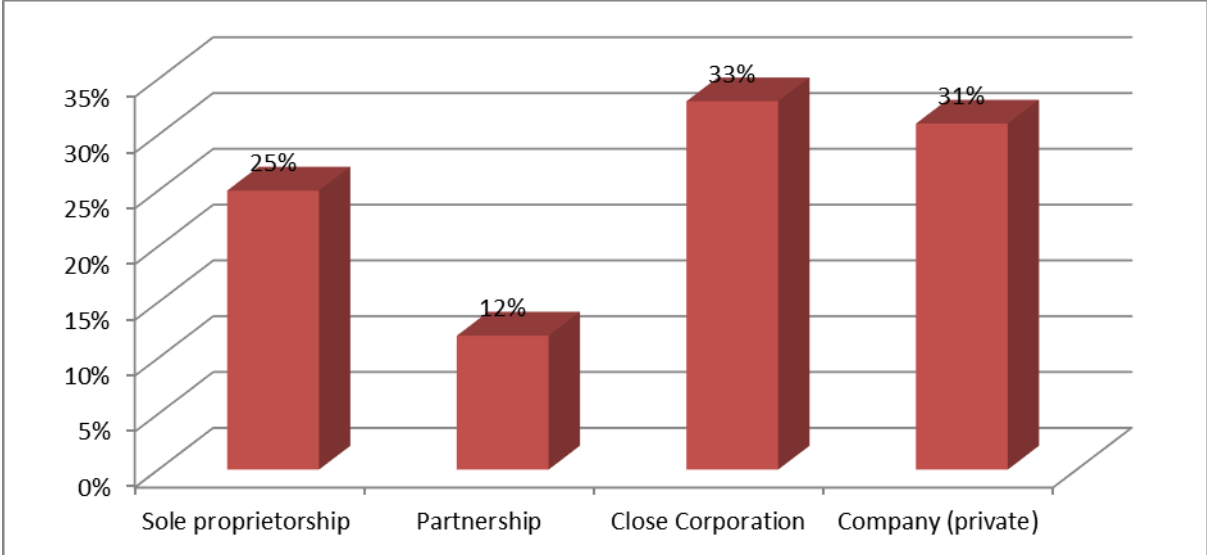
5.5 SECTION A: COMPANIES' PROFILE

This section deals with the description of the businesses history, structure and how the resources were raised to start the business.

5.5.1 Distribution of respondents according to its form of ownership

The study sought to determine the distribution of the respondents sampled according to the legal status of the business. This was relevant in finding a representative sample of key informants from whom valid information relevant to the research questions was obtained.

Chart 5.1: Forms of ownership



Source: Primary data, Field Survey November 2014

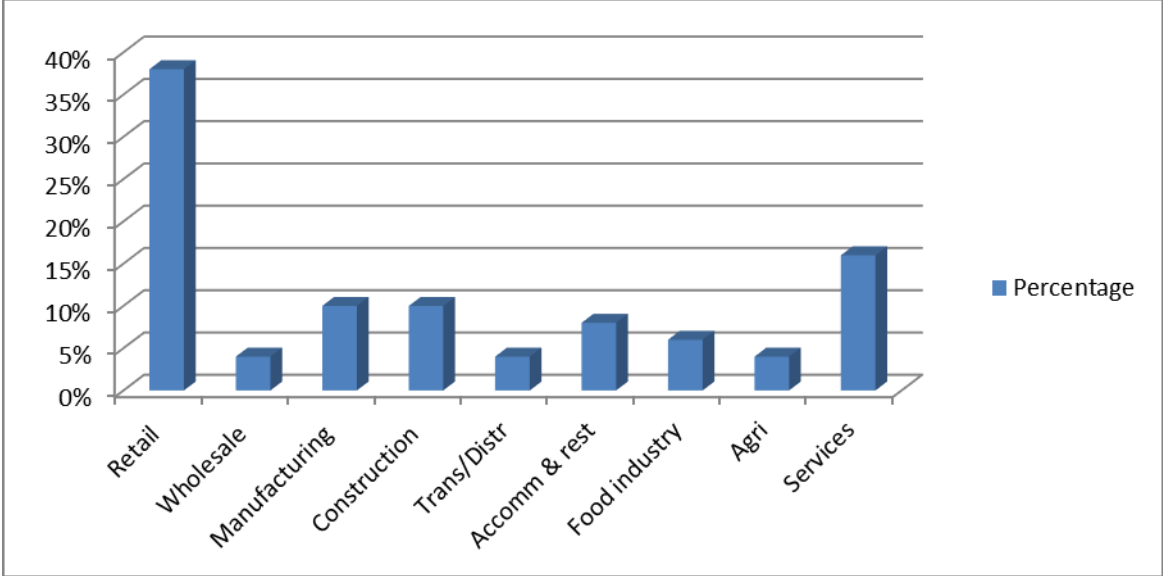
Chart 5.1 above, indicates that the majority of the respondents sampled was Close Corporations and private Companies taking about 33% and 31% of the responses respectively; this was because of their availability to participate in the study.

5.5.2 Industries in which the businesses operates

Respondents had to be sampled from various industries that were relevant to the

study; these industries are those that are highly engaged in using accounting systems in the execution of their daily activities and operations. They were classified industry-wise and presented in chart 5.2. Analysis indicate 38% were from the retail industry; 16% response obtained from services; 10% from manufacturing and construction; 8% accommodation and restaurants; 6% food industry; and 4% were from Wholesale, transport/distribution and the agriculture/forestry/fishing industry respectively. This may suggest that there are more SMEs operating under retail followed by service industry.

Chart 5.2: Industries

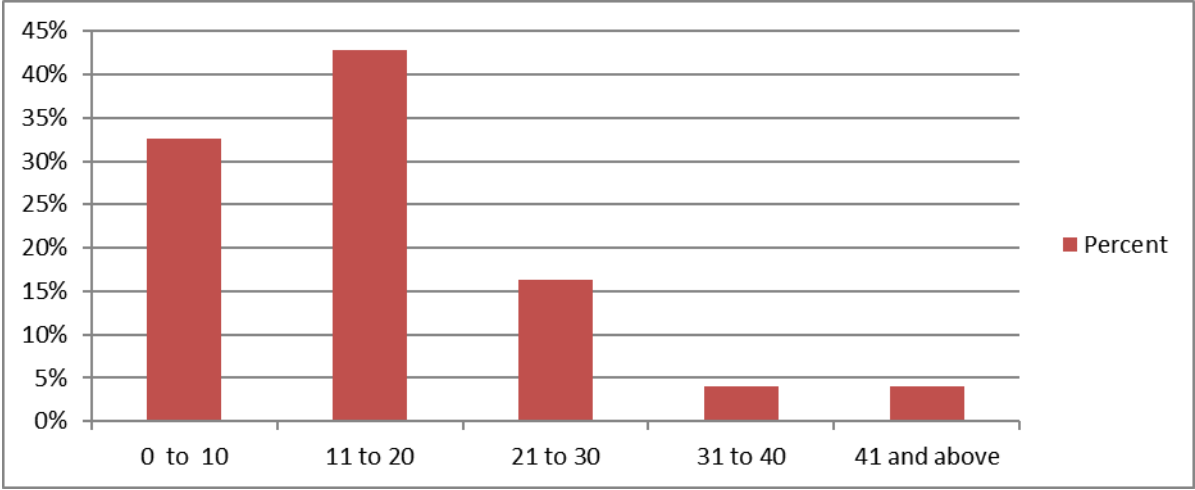


Source: Primary data, Field Survey November 2014

5.5.3 The businesses’ establishment age

The researcher in this section sought to find out the distribution of the sampled respondents according to the tenure of the business. The figure below therefore categorically and clearly shows the distribution of the respondents businesses according to its tenure.

Chart 5.3: Businesses' age



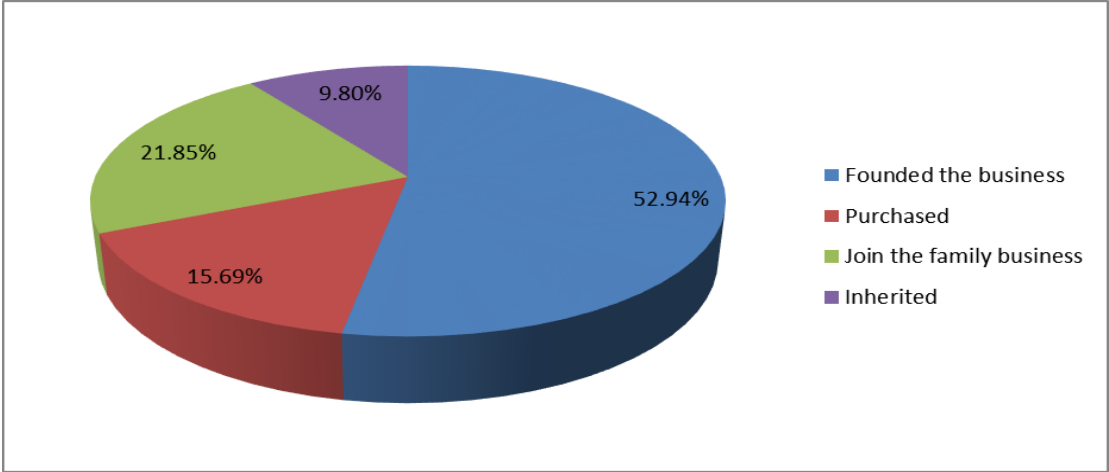
Source: Primary data, Field Survey November 2014

Chart 5.3 above, indicates that the age categories are concentrated around 11 to 20 years being the highest at 43%. This age category is then followed by the 0 to 10 years category at 33%. The 21 to 30 years age category then follows at 16%, and 31 to 40 years of age category as well as 41 and above are the lowest at 4% respectively. These suggest that, from the sample taken, SMMEs around Maluti-a-Phofung (MAP) are young in terms of age. These can be interpreted in two ways: that most of the businesses lack succession planning. That is whether there are any mechanisms in place to provide for management succession and the handling of very tricky ownership issues especially in a family business. The other way could be the fact that Government policies after 1994 encouraged the opening of SMMEs.

5.5.4 Indication of path to business ownership

The researcher sought to establish the path to business ownership around MAP LM area.

Chart 5.4: Path of Business Ownership



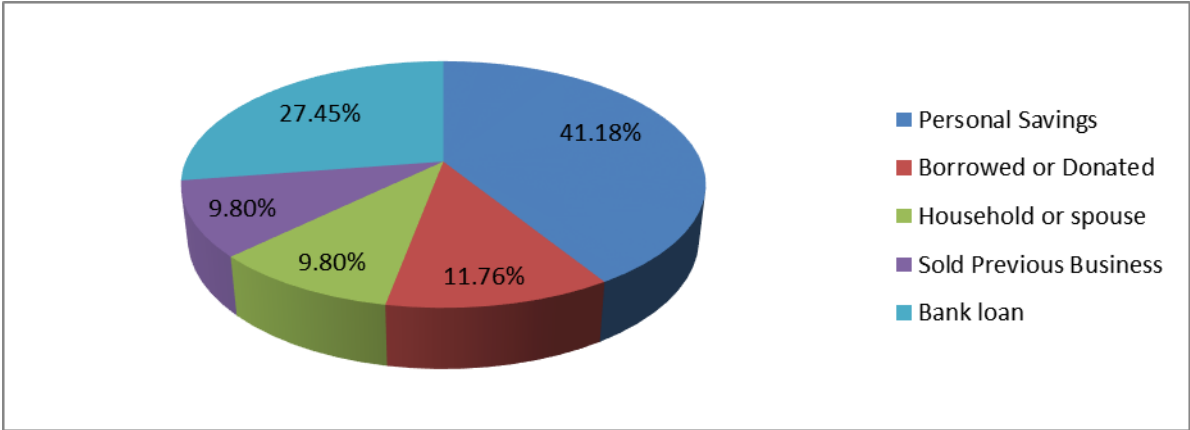
Source: Primary data, Field Survey November 2014

Chart 5.4 above shows that the majority (52.95%) of the Small Businesses around MAP LM areas are founded. There are very few inherited, purchased and joined family businesses.

5.5.5 Capital to start the business

The research sought to find out the distribution of the respondents sampled according to the way capital was raised to start the business.

Chart 5.5: Capital raised



Source: Primary data, Field Survey November 2014

Chart 5.5 above shows that the majority (41.18%) of the capital to start the business was raised through personal savings. 27.45% of the businesses were started through bank loans. There are very few that were financed by donations from relatives, household/spouse contribution and or through capital raised from selling another business.

5.6 SECTION B: ACCOUNTING SYSTEM

This section assesses the accounting systems used by SMMEs around MAP LM area, its role and function in terms of providing financial information and the Accounting cycle, that is the way the accounting cycle is performed.

5.6.1 Accounting systems used by small businesses around MAP LM area

The study sought to establish whether the small businesses around MAP LM area uses accounting systems in execution of its operations, this was very paramount in determining whether the small businesses were a relevant case study.

From Table 5.5 below, it is evident that 42% of all the respondents strongly agree and 22% agree that its accounting system is computerised, while 8% neither agree nor disagree. Only 4% disagree, while 24% strongly disagree to the fact that their accounting systems are computerised.

36% strongly agree and 20% agree that its accounting systems are integrated, 6% seem to be neutral, whilst 8% disagree and 30% strongly disagree to the same cause. 53% of the respondents strongly disagree and 12% disagree that it is only financial functions that are computerised, although 8% is impartial, 14% agree and 12% strongly agree it is only financial functions that are computerised.

61% strongly disagree and 12% disagree, that only operation functions of the

business are computerised, 8% is neutral, 10% agrees whereas 8% strongly agree to the same effect.

This is a clear justification that the majority of Small Businesses in Maluti-a-Phofung Local Municipality has moved away from a manual accounting system to the computerised accounting system.

Table 5.5: Accounting system usage in MAP LM area

	Scale	Frequency	Percent (%)	Cumulative Frequency	Cumulative Percent (%)
B6N1	1	12	24.00	12	24.00
	2	2	4.00	14	28.00
	3	4	8.00	18	36.00
	4	11	22.00	29	58.00
	5	21	42.00	50	100.00
B6N2	1	15	30.00	15	30.00
	2	4	8.00	19	38.00
	3	3	6.00	22	44.00
	4	10	20.00	32	64.00
	5	18	36.00	50	100.00
B6N3	1	26	53.06	26	53.06
	2	6	12.24	32	65.31
	3	4	8.16	36	73.47
	4	7	14.29	43	87.76
	5	6	12.24	49	100.00
B6N4	1	30	61.22	30	61.22
	2	6	12.24	36	73.47
	3	4	8.16	40	81.63
	4	5	10.20	45	91.84
	5	4	8.16	49	100.00

Source: Primary data, Field Survey November 2014

5.6.2 The role and function of the accounting system

The researcher wanted to establish the extent of the role of accounting systems applied to record transactions by small businesses around MAP LM area. This was important in determining the role played by accounting systems in Small Businesses in MAP LM area. Table 5.6 below shows the response of how the respondents rate the role and functions of the accounting system.

Table 5.6: Role and Function of Accounting System

	Scale	Frequency	Percent (%)	Cumulative Frequency	Cumulative Percent (%)
B7N1	1	9	17.31	9	17.31
	2	5	9.62	14	26.92
	3	4	7.69	18	34.62
	4	10	19.23	28	53.85
	5	24	46.15	52	100.00
B7N2	1	8	15.38	8	15.38
	2	5	9.62	13	25.00
	3	6	11.54	19	36.54
	4	11	21.15	30	57.69
	5	22	42.31	52	100.00
B7N3	1	7	14.00	7	14.00
	2	6	12.00	13	26.00
	3	6	12.00	19	38.00
	4	9	18.00	28	56.00
	5	22	44.00	50	100.00
B7N4	1	8	15.38	8	15.38
	2	7	13.46	15	28.85
	3	5	9.62	20	38.46
	4	9	17.31	29	55.46
	5	23	44.23	52	100.00
B7N5	1	8	15.69	8	15.69
	2	5	9.80	13	25.49
	3	5	9.80	18	35.29
	4	10	19.61	28	54.90
	5	23	45.10	51	100.00
B7N6	1	8	15.38	8	15.38
	2	7	13.46	15	28.85
	3	4	7.69	19	36.54
	4	14	26.92	33	63.46
	5	19	36.54	52	100.00
B7N7	1	8	15.38	8	15.38
	2	4	7.69	12	23.08
	3	5	9.62	17	32.69
	4	13	25.00	30	57.69
	5	22	42.31	52	100.00
B7N8	1	9	17.31	9	17.31
	2	4	7.69	13	25.00
	3	6	11.54	19	36.54
	4	8	15.38	27	51.92
	5	25	48.08	52	100.00

Source: Primary data, Field Survey November 2014

It is evident from the table 5.6 above, that 46.15% of the respondents strongly agree that an accounting system plays a pivotal role in recording sales or revenue as and when recognised, while 19.23% just agree. According to 42.31% of the respondents strongly agree that, expenditures incurred are easily recorded as and when

recognised and 21.15% agree with the statement. The majority of the respondents (44%) strongly agree that the accounting system applied to record its business transactions helps managers to easily determine profit or loss for a given period and 18% also agrees with the notion.

The role and function played by a computerised accounting system to Small Businesses seem to be highly rated by majority of the respondents. While only 9.62% are uncertain, 13.46% disagree and 15.38% strongly disagree with the idea that the accounting system plays a fundamental role in their businesses. The above table further indicates that the majority of respondents agrees that, with the system applied to record its business transactions:

- the inflow and outflow of resources can be easily determined;
- the economic events influencing the business are recorded and the information processed to meet the demands, and
- Make it possible for decisionmaking processes.

In responding to the role and function of accounting system question 48.08% of the respondents strongly believe that, the system greatly contributes to preparing financial statements and 15.38% agrees to the thought.

5.6.3 Financial and management information.

In this instance the researcher wanted to establish the ability of the accounting system to produce information to users. This was important in determining the role played by accounting systems in Small Businesses in the MAP LM area to reveal financial and management information to internal and external users. Table 5.7 below shows how the respondents rate the ability of accounting system in terms of providing information.

Table 5.7: Financial and management information

	Scale	Frequency	Percent (%)	Cumulative Frequency	Cumulative Percent (%)
B8N1	1	10	19.23	10	19.23
	2	5	9.62	15	28.85
	3	3	5.77	18	34.62
	4	10	19.23	28	53.85
	5	24	46.15	52	100.00
B8N2	1	7	13.46	7	13.46
	2	9	17.31	16	30.77
	3	5	9.62	21	40.38
	4	8	15.38	29	55.77
	5	23	44.23	52	100.00
B8N3	1	10	19.23	10	19.23
	2	6	11.54	16	30.77
	3	4	7.69	20	38.46
	4	8	15.38	28	53.85
	5	24	46.15	52	100.00
B8N4	1	9	17.31	9	17.31
	2	11	21.15	20	38.46
	3	4	7.69	24	46.15
	4	8	15.38	32	61.54
	5	20	38.46	52	100.00
B8N5	1	9	17.31	9	17.31
	2	7	13.46	16	30.77
	3	3	5.77	19	36.54
	4	6	11.54	25	48.08
	5	27	51.92	52	100.00

Source: Primary data, Field Survey November 2014

Table 5.7 shows that 65% of the respondents agree to the fact that the accounting systems are able to produce financial information to manager owners for decisionmaking and 6% neither agree nor disagree. 29% are not in agreement with the fact that the system they are using produce financial information for decisionmaking. 60% says the existing accounting system assist is providing investors and suppliers reports, while 30% disagree and 10% are indifferent.

With regard to providing financial information to Government agencies, such as SARS, 61% indicated that the system helps the users, although 31% disagrees, 8% is neutral. 53% said the system at hand can provide financial information to the employees, whereas 39% disagrees and only 8% is neutral. The majority (63%) of respondents says the system they are using is able to perform bank reconciliation.

These outcomes suggest that, the systems that the SMMEs around MAP LM are using have the ability to reveal or produce certain financial and management

information to the users for various reasons.

5.6.4 Accounting cycle

The study thought to establish how the respondents describe the way accounting cycle is performed. This was important in determining the challenges of accounting systems in collecting, storing, managing data and providing output information to users. Table 5.8 below indicates that 29% of the respondents agree and 31% strongly agree that there are no challenges in obtaining information about external transactions from source documents and analysing it.

Approximately 65% of the sampled businesses believe that their accounting systems have the ability to record transactions in a journal book without any challenges, post transactions from the general ledger account and preparing an unadjusted trial balance. 66% of the respondents indicated that recoding adjusting entries, posting to general ledger account, preparing an adjusted trial balance and financial statements poses no challenges. 61% point out that with their accounting system transactions are entered into the system and the system processes and post transactions accordingly, and 58% indicated that there are less room for errors and omissions as only one accounting entry is needed for each transaction rather than two.

62% of the respondents mentioned that the accounting records are automatically updated and therefore accounts balances are always up-to-date. With regard to the final question (B9N10) on accounting cycle, 60% of the sampled respondents indicated that all the business transactions are made available to customers or managers without any delay.

These suggest that from the sample taken, SMMEs around Maluti-a-Phofung are using accounting systems that collects and process data accurately and communicates financial information to the decisionmakers that includes:

- All steps in the accounting cycle,
- Documents that provide evidence of transactions.

Table 5.8: Accounting cycle

	Scale	Frequency	Percent (%)	Cumulative Frequency	Cumulative Percent (%)
B9N1	1	10	19.23	10	19.23
	2	7	13.46	17	32.69
	3	4	7.69	21	40.38
	4	15	28.85	36	69.23
	5	16	30.77	52	100.00
B9N2	1	8	15.38	8	15.38
	2	7	13.46	15	28.85
	3	4	7.69	19	36.54
	4	13	25.00	32	61.54
	5	20	38.46	52	100.00
B9N3	1	9	17.31	9	17.31
	2	5	9.62	14	26.92
	3	4	7.96	18	34.62
	4	17	32.69	35	67.31
	5	17	32.69	52	100.00
B9N4	1	8	15.38	8	15.38
	2	7	13.46	15	28.85
	3	3	5.77	18	34.62
	4	16	30.77	34	65.38
	5	18	34.62	52	100
B9N5	1	8	15.38	8	15.38
	2	5	9.62	13	25.00
	3	5	9.62	18	34.62
	4	14	26.92	32	61.54
	5	20	38.46	52	100.00
B9N6	1	9	17.31	9	17.31
	2	5	9.62	14	26.92
	3	4	7.69	18	34.62
	4	16	30.77	34	65.38
	5	18	34.62	52	100.00
B9N7	1	9	17.31	9	17.31
	2	6	11.54	15	28.85
	3	5	9.62	20	38.46
	4	10	19.23	30	57.69
	5	22	42.31	52	100.00
B9N8	1	9	17.31	9	17.31
	2	8	15.38	17	32.69
	3	5	9.62	22	42.31
	4	12	23.08	34	65.38
	5	18	34.62	52	100
B9N9	1	8	15.38	8	15.38
	2	9	17.31	17	32.69
	3	3	5.77	20	38.46
	4	12	23.08	32	61.54
	5	20	38.46	52	100.00
B9N10	1	9	17.31	9	17.31
	2	9	17.31	18	34.62
	3	3	5.77	21	40.38
	4	12	23.08	33	63.46
	5	19	36.54	52	100.00

Source: Primary data, Field Survey November 2014

5.7 SECTION C: COST-BENEFIT ANALYSIS OF ACCOUNTING SYSTEMS

The computerisation of business operations involves substantial amount of capital injection. The cost involved is very high to the extent that, it becomes uneconomical to implement such decision without any significant benefits derived by the business organisation as a result of the decision to implement the Computerised Accounting System. The essence of this section of the analysis is to assess the cost-benefits analysis of choosing the type of accounting system.

5.7.1 Financial benefits of using accounting systems

The researcher in this instance wanted to establish the factors that were considered when choosing the type of accounting system.

Table 5.9 : Financial benefits of using accounting systems

	Scale	Frequency	Percent (%)	Cumulative Frequency	Cumulative Percent (%)
C14N1	1	9	17.31	9	17.31
	2	2	3.85	11	21.15
	3	3	5.77	14	26.92
	4	13	25.00	27	51.92
	5	24	48.08	52	100.00
C14N2	1	15	29.41	15	29.41
	2	8	15.69	23	45.10
	3	6	11.76	29	56.86
	4	7	13.73	36	70.59
	5	15	29.41	51	100.00
C14N3	1	8	15.69	8	15.69
	2	3	5.88	11	21.57
	3	2	3.92	13	25.49
	4	15	29.41	28	54.90
	5	23	45.10	51	100.00
C14N4	1	9	17.31	9	17.31
	2	4	7.69	13	25.00
	3	4	7.69	17	32.69
	4	15	28.85	32	61.54
	5	20	38.46	52	100.00
C14N5	1	10	19.23	10	19.23
	2	2	3.85	12	23.08
	3	7	13.46	19	36.54
	4	14	26.92	33	63.46
	5	19	36.54	52	100.00
C14N6	1	7	13.46	7	13.46
	2	6	11.54	13	25.00
	3	6	11.54	19	36.54
	4	15	28.85	34	65.38
	5	18	34.62	52	100.00
C14N7	1	8	15.38	8	15.38
	2	3	5.77	11	21.15
	3	3	5.77	14	26.92
	4	4	28.85	29	55.77
	5	23	44.23	52	100.00
C14N8	1	8	15.38	8	15.38
	2	3	5.77	11	21.15
	3	4	7.69	15	28.85
	4	12	23.08	27	51.92
	5	25	48.08	52	100.00

Source: Primary data, Field Survey November 2014

The initial cost of installation, acceptance by workers, cost-benefit assessment, knowledge of employees, cost of training, and adaptability of workers, maintenance cost and the cost of security features were measured. The above data shows that 73% of the respondents consider initial cost of installation as a key factor that would

influence their decision in choosing the type of accounting system. Whereas 6% of the respondents are not certain as to whether initial cost of installation of accounting system influence the decision in choosing the system. 21% disagrees with the fact that initial cost of installation is one of the key factors that influence the decision of choosing the accounting system. 45% of the respondents agree with the notion that acceptance by the workers has been used to decide in choosing the type of accounting system, while 43% disagrees and 11% are not sure.

With regard to cost-benefit analysis 75% agrees that, this factor does influence the decision of choosing the type of accounting system, while 4% are indifferent, 22% disagrees with the idea. Knowledge of employees also formed 67% of their choice of type of accounting system, 8% are not so sure as to what was the basis of the decision to choose the type of system used and only 25% disagree. 63% of the respondents agree that adaptability of workers were taken into consideration, 12% are not sure as to whether the ability of the workers were considered in choosing the type of accounting system, while 25% are saying the workers ability were not considered.

The majority of the respondents said that the cost of training, maintenance cost and the cost of security features forms part of the factors considered by the respondents when choosing which type of accounting system to be used. The majority (63%) of the respondents agree that cost of training were considered and maintenance cost at 73% as well as the cost of security features at 71% in choosing the type of accounting system.

5.7.2 Non-financial benefits of using accounting system

The study sought to establish how the system benefit the business with regard to time, cost, errors, storage of information, information processing, security of information, and provision of information. The table below shows the response of the respondents.

Table 5.10: Non-financial benefits of using accounting system

	Scale	Frequency	Percent (%)	Cumulative Frequency	Cumulative Percent (%)
C10N1	1	5	9.62	5	9.62
	2	3	5.77	8	15.38
	3	8	15.38	16	30.77
	4	11	21.15	27	51.92
	5	25	48.08	52	100.00
C10N2	1	5	9.62	5	9.62
	2	4	7.69	9	17.31
	3	9	17.31	18	34.62
	4	12	23.08	30	57.69
	5	22	42.31	52	100.00
C10N3	1	7	13.46	7	13.46
	2	6	11.54	13	25.00
	3	4	7.69	17	32.69
	4	14	26.92	31	59.62
	5	21	40.38	52	100.00
C10N4	1	5	9.62	5	9.62
	2	5	9.62	10	19.23
	3	6	11.54	16	30.77
	4	12	23.08	28	53.85
	5	24	46.15	52	100.00
C10N5	1	5	9.62	5	9.62
	2	7	13.46	12	23.08
	3	6	11.54	18	34.62
	4	12	23.08	30	57.69
	5	22	42.31	52	100.00
C10N6	1	6	11.54	6	11.54
	2	6	11.54	12	23.08
	3	7	13.46	19	36.54
	4	13	25.00	32	61.54
	5	20	38.46	52	100.00
C10N7	1	6	11.54	6	11.54
	2	6	11.54	12	23.08
	3	6	11.54	18	34.62
	4	12	23.08	30	57.69
	5	12	42.31	52	100.00
C10N8	1	5	9.62	5	9.62
	2	6	11.54	11	21.15
	3	7	13.46	18	34.62
	4	11	21.15	29	55.77
	5	23	44.23	52	100.00

Source: Primary data, Field Survey November 2014

The table 5.10 above shows that majority of the respondents agree to the notion that accounting system benefit the business with regard to timely information (69%), cost saving (65%), prevention of errors (67%), information provision (69%), effective communication (65%), security of information (63%), storage of information (65%),

and information processing at 65%.

The finding showed that, the system benefit was a major factor to be considered by the SMMEs when choosing the type of accounting system to be used for financial and operation management of the business.

5.7.3 Access to management reports

The researcher in this case is trying to establish how the system makes it possible for management and other stakeholders to access reports as and when the reports are needed. It is the key responsibility of the managers of every organisation to provide reports to the owners. This accountability is done by the managers through presentation of monthly, quarterly and annual reports to the owners.

The following scales 4 and 5 regarding statements C11N1, C11N2, C11N3, C11N4, C11N5, C11N6, C11N7 and C11N8 are combined to indicate disagreement by the respondents.

Table 5.11 shows that the accounting systems used by the majority of the SMMEs makes it possible for management and other stakeholders to access reports as and when they are needed. The majority of the respondents are saying with the type of accounting system in use it is possible to access trial balance (60%), cash flow statement (61%), income statement (65%), budget and variance analysis (62%), balance sheet (64%), VAT returns (66%), payroll analysis (59%) and break-even analysis (59%). Based on the results it can be concluded that the system that the SMMEs are using in this area makes it possible for management and stakeholders to access reports as and when they are needed.

Table 5.11: Access to management reports

	Scale	Frequency	Percent (%)	Cumulative Frequency	Cumulative Percent (%)
C11N1	1	12	23.08	12	23.08
	2	6	11.54	18	34.62
	3	3	5.77	21	40.38
	4	10	19.23	31	59.62
	5	21	40.38	52	100.00
C11N2	1	11	21.15	11	21.15
	2	4	7.69	15	28.85
	3	5	9.62	20	38.46
	4	11	21.15	31	59.62
	5	21	40.38	52	100.00
C11N3	1	11	21.08	11	21.15
	2	4	7.69	15	28.85
	3	3	5.77	18	34.62
	4	12	23.08	30	57.69
	5	22	42.31	52	100.00
C11N4	1	12	23.08	12	23.08
	2	4	7.69	16	30.77
	3	4	7.69	20	38.46
	4	12	23.08	32	61.54
	5	20	38.46	52	100.00
C11N5	1	11	21.15	11	21.15
	2	4	7.69	15	28.85
	3	4	7.69	19	36.54
	4	13	25.00	32	61.54
	5	20	38.46	52	100.00
C11N6	1	9	17.31	9	17.31
	2	5	9.62	14	26.92
	3	6	11.54	20	38.46
	4	11	21.15	31	59.62
	5	21	40.38	52	100.00
C11N7	1	13	25.49	13	25.49
	2	5	9.80	18	35.29
	3	3	5.88	21	41.18
	4	12	23.53	33	64.71
	5	18	35.29	51	100.00
C11N8	1	13	25.00	13	25.00
	2	4	7.69	17	32.69
	3	5	9.62	22	42.31
	4	11	21.15	33	63.46
	5	19	36.54	52	100.00

Source: Primary data, Field Survey November 2014

5.7.4 The need for accounting systems

The study in this instance sought to establish the need for accounting systems, with regard to the production of reports such as financial information. Some of the

qualitative characteristics of financial information include accuracy, ease of use, speed and storage. The use of accounting systems facilitates the ability of SMMEs to produce reports which possess such qualities. The following scales 4 and 5 regarding C12N1, C12N2, C12N3, and C12N4 are combined to indicate that the listed factors were well considered before choosing the existing system.

Table 5.12: The need for accounting systems

	Scale	Frequency	Percent (%)	Cumulative Frequency	Cumulative Percent (%)
C12N1	1	6	11.54	6	11.54
	2	6	11.54	12	23.08
	3	7	13.46	19	36.54
	4	7	13.46	26	50.00
	5	26	50.00	52	100.00
C12N2	1	6	11.76	6	11.76
	2	3	5.88	9	17.65
	3	10	19.61	19	37.25
	4	5	9.80	24	47.06
	5	27	52.94	51	100.00
C12N3	1	8	15.38	8	15.38
	2	2	3.85	10	19.23
	3	10	19.23	20	38.46
	4	8	15.38	28	53.85
	5	24	46.15	52	100.00
C12N4	1	7	13.46	7	13.46
	2	3	5.77	10	19.23
	3	11	21.15	21	40.38
	4	8	15.38	29	55.77
	5	23	44.23	52	100.00

Source: Primary data, Field Survey November 2014

The study indicates that the majority of the respondents took into consideration the swiftness of the accounting system, its ability to produce accurate results, its storage capacity and its ease of use. 63% of the respondents well considered the accuracy of the system, its ease to use, and 60% of the same respondents are saying speed and storage were also considered. It can be concluded that the respondents considered accuracy, ease to use, speed and storage as the inseparable and most important factors considered when choosing an accounting system.

5.7.5 Deciding factors for choosing the type of accounting system

The researcher in this instance intended to ascertain the factors that SMMEs considered when choosing the type of accounting system. The deciding factors that were considered are the cost effectiveness, accuracy and timeliness of the system to provide information. The efficiency and effectiveness of the accounting system and the voluminous operations of the company were also considered.

The following scales 4 and 5 regarding statements C13N1, C13N2, C13N3 and C13N4 are combined to indicate disagreement by the respondents. The same applies to scale 1 and 2 to indicate agreement by the respondents.

Table 5.13: Choosing the type of accounting system

	Scale	Frequency	Percent (%)	Cumulative Frequency	Cumulative Percent (%)
C13N1	1	9	17.31	9	17.31
	2	2	3.85	11	21.15
	3	6	11.54	17	32.69
	4	10	19.23	27	51.92
	5	25	48.08	52	100.00
C13N2	1	8	15.38	8	15.38
	2	3	5.77	11	21.15
	3	6	11.54	17	32.69
	4	10	19.23	27	51.92
	5	25	48.08	52	100.00
C13N3	1	8	15.69	8	15.69
	2	5	9.80	13	25.49
	3	5	9.80	18	35.26
	4	11	21.57	29	56.86
	5	22	43.14	51	100.00
C13N4	1	10	19.23	10	19.23
	2	4	7.69	14	26.92
	3	3	5.77	17	32.69
	4	11	21.15	28	53.85
	5	24	46.15	52	100.00

Source: Primary data, Field Survey November 2014

From the table 5.13 above, 67% of the considerations of the respondents bothered on the need to produce accurate and easy to use financial reports as well as accurate and timely reports, while almost 65% are saying the voluminous operations of the company prompted the SMMEs to using the specific type of accounting systems. 67% are more concerned about efficiency and effectiveness of the type of

accounting. The study revealed that the respondents considered the effectiveness, accuracy and timeliness of the system to provide management with reports. The respondents value the efficiency and effectiveness of the system as well as the volume of work performed before the decision was made with regard to which type of accounting system to buy.

5.7.6 Computerised Accounting System (CAS)

The focus of the research in this case in point was to establish the extent to which CAS impact on the operation and financial management of the business. The following scales 1 and 2 regarding statements C15N1, C15N2, C15N3, C15N4, and C15N5 are combined to indicate disagreement by the respondents. The same applies to scale 4 and 5 to indicate agreement by the respondents.

Table 5.14: Computerised Accounting System

	Scale	Frequency	Percent (%)	Cumulative Frequency	Cumulative Percent (%)
C15N1	1	10	19.23	10	19.23
	2	2	3.85	12	23.08
	3	8	15.38	20	38.46
	4	13	25.00	33	63.46
	5	19	36.54	52	100.00
C15N2	1	10	19.61	10	19.61
	2	2	3.92	12	23.53
	3	8	15.69	20	39.22
	4	13	25.49	33	64.71
	5	18	35.29	51	100.00
C15N3	1	10	19.61	10	19.61
	2	3	5.88	13	25.49
	3	5	9.80	18	35.29
	4	16	31.37	34	66.67
	5	17	33.33	51	100.00
C15N4	1	9	17.65	9	17.85
	2	5	9.80	14	27.45
	3	6	11.76	20	39.22
	4	13	25.49	33	64.71
	5	18	35.29	51	100.00
C15N5	1	9	17.65	9	17.65
	2	3	5.88	12	23.53
	3	6	11.76	18	35.29
	4	14	27.45	32	62.29
	5	19	37.25	51	100.00
C15N5	1	10	19.61	10	19.61
	2	3	5.88	13	25.49
	3	6	11.76	19	37.25
	4	13	25.49	32	62.75
	5	19	37.35	51	100.00

Source: Primary data, Field Survey November 2014

According to table 5.14 above the extent to which respondents agree to the fact that an accounting system is needed to facilitate financial management is 62%, regarding its impact on business performance, 61% of all the respondents indicated that it has brought a positive impact. 65% are saying with the introduction of low cost computers the accounting systems are user friendly. While 65% agree that their accounting system provides the ability to see the real-time state of the businesses' financial position. The majority (63%) of the sampled respondents in this regard concluded by saying, the information is stored for an indefinite period immediately after it is entered into the system.

Based on this outcome it can be concluded that the SMMEs around MAP LM are using computerised accounting systems.

5.7.7 Challenges of using CAS

For the purpose of examining the extent of challenges posed by accounting systems to the operations of the SMMEs, five categories of indicators were used. The lack of IT expertise, suitability of technology to businesses, cost to purchase and implement computerised accounting system, time involving, and instability in power system.

The following scales 1 and 2 regarding statements C16N1, C16N2, C16N3, C16N4, and C16N5 are combined to indicate not challenging. The same applies to scale 4 and 5 to indicate challenges.

Table 5.15: Challenges of using CAS

	Scale	Frequency	Percent (%)	Cumulative Frequency	Cumulative Percent (%)
C16N1	1	19	36.54	19	36.54
	2	2	3.85	21	40.38
	3	10	19.23	31	59.62
	4	7	13.46	38	73.08
	5	14	26.92	52	100.00
C16N2	1	15	29.41	15	29.41
	2	8	15.69	23	45.10
	3	9	17.65	32	62.75
	4	5	9.80	37	72.55
	5	14	27.45	51	100.00
C16N3	1	18	34.62	18	34.62
	2	3	5.77	21	40.38
	3	9	17.31	30	57.69
	4	7	13.46	37	71.15
	5	15	28.85	52	100.00
C16N4	1	18	34.62	18	34.62
	2	6	11.54	24	46.15
	3	4	7.69	28	53.85
	4	11	21.15	39	75.00
	5	13	25.00	52	100.00
C16N5	1	19	36.54	19	36.54
	2	6	11.54	25	48.08
	3	9	17.31	34	65.38
	4	4	7.69	38	73.08
	5	14	26.92	52	100.00

Source: Primary data, Field Survey November 2014

It is evident from table 5.15 above that, virtually 41% of responding businesses are saying a lack of IT expertise has never been a challenge, while 40% are saying it is a challenge for their business operation and only 19% are not sure of the extent of the accounting systems' challenges. 45% of respondents found no challenges with regard to the suitability of technology to the business, and 37% are challenged by its suitability, whereas 18% is not sure. 40% of all the respondents mentioned that they are not challenged by the cost to purchase and to implement accounting system, while 42% are challenged and 8% are not sure. For the purpose of examining the extent of challenges posed by time involving accounting systems, 46% had no challenges with time involving the system and another 46% are challenged by this, although 17% are not sure. 48% indicated that they are facing instability in the power system; at the same time 35% are not facing these challenges, while 7% are not sure.

We may from this outcome conclude that the accounting systems being used by the SMEs around MAP LM area pose challenges to the operation of the businesses to a certain extent.

5.7.8 Changing the existing accounting system

The researcher in this instance wanted to ascertain whether the sampled respondents have ever considered changing their existing accounting systems.

The following scales 1 and 2 regarding statements C17 are combined to indicate that the respondents have not considered changing the existing accounting systems. The same applies to scale 4 and 5 to indicate considered changing.

Table 5.16: Existing accounting system

	Scale	Frequency	Percent (%)	Cumulative Frequency	Cumulative Percent (%)
C17	1	18	34.62	18	34.62
	2	9	17.31	27	51.92
	3	7	13.46	34	65.38
	4	6	11.54	40	76.92
	5	12	23.08	52	100.00

Source: Primary data, Field Survey November 2014

Table 5.16 above shows that 52% of the respondents have not considered changing, while 13% are undecided and 35% considered changing the existing accounting system. Emanating from these findings it can be concluded that the majority of SMMEs around MAP LM area is still satisfied with the accounting system they are currently using.

5.8 SECTION D: REPORTING

5.8.1 Reports to the stakeholders

The intention of the researcher is to establish the means through which the business makes the reports available to the public or stakeholders.

Table 5.17: Availability of reports to the stakeholders

	Scale	Frequency	Percent (%)	Cumulative Frequency	Cumulative Percent (%)
D18N1	1	19	39.58	19	39.58
	2	4	8.33	23	47.92
	3	2	4.17	25	52.08
	4	8	16.67	33	68.75
	5	15	31.25	48	100.00
D18N2	1	22	45.83	22	45.83
	2	2	4.17	24	50.00
	3	6	12.50	30	62.50
	4	10	20.83	40	83.33
	5	8	16.67	48	100.00
D18N3	1	28	58.33	28	58.33
	2	5	10.42	33	68.75
	3	3	6.25	36	75.00
	4	6	12.50	42	87.50
	5	6	12.50	48	100.00
D18N4	1	19	39.58	19	39.58
	2	12	25.00	31	64.58
	3	7	14.58	38	79.17
	4	10	20.83	48	100.00

Source: Primary data, Field Survey November 2014

According to table 5.17 out of all the sampled respondents, 40% of total SMMEs hardly ever make their reports available to the stakeholders through shareholders meetings; only 8% do that occasionally. It was found that 4% says the reports are sometimes made available to the public or stakeholders. 17% and 31% mentioned that reports are frequently and almost always respectively made available at shareholders meetings. 46% says people can hardly ever pick up the reports from the business premises, while 4% indicated that reports are occasionally picked up from the company's premises and 13% are saying this is only done sometimes. The responses from the sampled SMMEs shows that 21% revealed that people frequently pick up reports from the business premises; 17% says they are almost always picked up.

In terms of accessing the report through the business website, the majority (58%) of the respondents says this is hardly done, and 10% says the reports are occasionally accessed through the website, while 6% mentioned that this only happens sometimes. The researcher found that 13% of the responding businesses frequently

access reports through the business website, although another 13% confirmed that almost always reports are accessed through the internet. With regard to the final question post to the respondents it was found that 40% says the business makes the reports available at request while 25% says this happens occasionally. 15% are saying the reports are sometimes made available at request, while 20% pointed out that reports are frequently made available by the businesses as and when requested by the public and stakeholders.

Thus from these findings it can be concluded that most SMMEs make the reports available to the public or stakeholder through the business website on the internet.

5.8.2 Quality of Financial Reports

The researcher intended to find out as to how long it takes the SMMEs to report financial information to stakeholders after the financial year end.

Table 5.18: Quality of Financial Reports

	Scale	Frequency	Percent (%)	Cumulative Frequency	Cumulative Percent (%)
D19N1	1	1	13.00	13	27.08
	2	5	10.42	18	37.50
	3	5	10.42	23	47.92
	4	10	20.83	33	68.75
	5	15	31.25	48	100.00
D19N2	1	13	27.08	13	27.08
	2	4	8.33	17	35.42
	3	9	18.75	26	54.17
	4	9	18.75	35	72.92
	5	13	27.08	48	100.00
D19N3	1	12	25.00	12	25.00
	2	6	12.50	18	37.50
	3	7	14.58	25	52.08
	4	10	20.83	35	72.92
	5	13	27.08	48	100.00
D19N4	1	11	22.92	11	22.92
	2	3	6.25	14	29.17
	3	7	14.58	21	43.75
	4	11	22.92	32	66.67
	5	16	33.33	48	100.00

Source: Primary data, Field Survey November 2014

According to table 5.18 above 31% of the responding businesses indicated that financial statements are almost always completed and submitted in line with the business policies and 21% are saying they are submitted frequently. Only 13% mentioned that financial statements are hardly submitted to the shareholders after the financial year end, and at least 10% pointed out that the financial statements are occasionally submitted while another 10% indicated that they are sometimes completed and submitted in line with the business policies.

Some 27% of the SMMEs designated that, financial statements are always accepted without any errors and omissions, while another 27% are saying they are hardly without errors and omissions. 19% indicated that financial statements are frequently submitted without errors and omissions, while another 19% are saying the statements are sometimes submitted without errors and omissions. 8% of the respondents show that financial statements are occasionally submitted without errors and omissions.

The sampled respondents attributed 25% to the fact that financial statements are hardly ever submitted and accepted without any dispute and 13% saying they are occasionally submitted. 15% indicated that financial statements are sometimes submitted and accepted without any dispute, while 20% indicated that they are frequently submitted and accepted and 27% are saying they are almost always submitted and accepted without any dispute.

With regard to the final question post to the respondents it was found that 33% says the business is able to obtain financial assistance using the financial statements produced by the existing accounting system, while 23% says this happens occasionally. 15% is saying the financial assistance is sometimes granted, while 6% pointed out that financial assistance is frequently granted based on the financial statement that are produced using the existing accounting system. Some 23% says businesses hardly ever obtain financial assistance on the basis of financial statements produced using the existing accounting system.

It can be concluded from these findings that most SMMEs frequently and almost always completes its financial information that is reported to the stakeholders after the financial year end.

CHAPTER 6:

SUMMARY, CONCLUSIONS, RECOMMENDATIONS AND AREA OF FUTURE RESEARCH

6.1 INTRODUCTION

This chapter particularly presents the summary of major findings emanating from the data analysis, makes appropriate recommendations for the effective usage and management of Accounting Systems among SMMEs around MAP LM. The study is concluded at the last section of this chapter.

6.2 SUMMARY

The research was organised to assess the Accounting Systems usage by Small Medium Micro Enterprises (SMME) around MAP LM area in the Eastern Free State. In so, doing the study revealed that the majority of the businesses around this area are using accounting systems. Benefits and the factors that need to be considered in choosing the type of system to be used were also revealed: financial benefits such as cost savings, cost of installation, cost of training, maintenance cost and the cost of security. Amongst the non-financial benefits are: time saving, improved quality of accounting information, minimised mathematical error, improved report to stakeholders and provision of a better way of keeping accounting records.

The study also had another objective of revealing the challenges encountered in the use of an Accounting System. Technology is changing and advancing from time to time. Businesses are constantly looking for cost-effective, economic and efficient ways of running their businesses. As a result, there is a need for businesses to be abreast of the current issues in technology to enhance their business. The usage of an accounting system is to help gain a competitive advantage over their competitors especially in this era where there are more emerging SMMEs. This system helps to gain a competitive advantage over their competitors especially in this age and period where government is encouraging the establishment of new businesses in an endeavour to create more jobs.

Wherever there are benefits there is a very high likelihood of finding problems such as lack of expertise, high installation cost, suitability of technology to the business, cost of purchasing and implementing IT system, instability in power supply that put some of the businesses to a standstill were also revealed by this study.

The study revealed that the majority of the businesses around Maluti-a-Phofung Local Municipality are registered as Close Corporations and Private Companies. The industries in which they operate are mostly retail. There are still business opportunities that are not fully explored such as manufacturing and construction, accommodation and restaurants, food industry, wholesale, transport/distribution and the agriculture/forestry/fishing industry. It was observed that SMMEs around MAP LM were founded and the capital to start the businesses was mostly raised through personal savings.

It was also observed that the SMMEs in MAP LM area moved away from manual accounting systems to the computerised accounting system. With the use of an accounting system, it is expected that, the accounting systems will be able to timely generate relevant and useful reports. This confirms what Kharuddin *et al.* (2010:28) said about the prior traditional accounting method of manually inputting and recording daily transaction becoming inefficient and subjected to errors.

It was further observed that an accounting system applied to record business transactions assisted managers to easily determine profit and loss for a given period of time, since revenue and expenditures are effortlessly recorded as when these are recognised. The ability of the computerised accounting systems to perform the whole accounting cycle without any challenges was also observed. This finding confirms the assertions made by Al-Smith (2013:170) and Hall (2007:80), that without an accounting information system it will be difficult for SMMEs to determine business performance.

It was noticed that the accounting systems that are in use have the ability to reveal financial and management information. The researcher also observed that the system benefits and costs were considered by the SMMEs when choosing the type of

accounting system to be used for financial and operation management of the business. This confirms the assertion of Toth (2012:94).

The findings on the study also revealed that, the SMMEs around MAP LM are using computerised accounting systems. The finding showed that, the system benefit was a major factor considered by the SMMEs when choosing the type of accounting system to be used for financial and operation management of the business. There were some revelations concerning the accessibility of the reports, that the system that the SMMEs are using in this area makes it possible for management and stakeholders to access reports as and when they are needed. This is because the users of the system considered factors such as accuracy, ease of use, speed and storage of the information before choosing the accounting system used. This confirms the statement of Dacosta *et al.* (2012:3). The company's decision to go in for the existing accounting systems based on the cost effectiveness, accuracy and timely reports paid off. Voluminous operations of the businesses and efficiency as well as effectiveness were also revealed to be among the factors that were considered by a number of SMMEs around this area as deciding factors for using a certain type of accounting system.

Further findings were made that the accounting system being used by the SMMEs around this area poses challenges to the operations of the business to a certain extent, though the users are still satisfied with the system.

Finally, it was observed that most SMMEs make the reports after each financial year end available to the public or stakeholder through the business website on the internet.

6.3 CONCLUSION

Undoubtedly, with the use of Computerised Accounting Systems, challenges facing SMMEs around the MAP LM area such as lack of Information Technology (IT) expertise; suitability of technology to small businesses; cost of purchasing and implementing the system; time involving, and instability in power systems are to be expected. It is justifiable from this research outcome to conclude that the accounting systems being used by the SMEs around MAP LM area poses less challenges to the

operation of the businesses. It is also reasonable to conclude that SMMEs around the MAP LM area are using accounting systems that collect and process data accurately and communicates information to the decisionmakers with no challenges.

The study made it known that because of the numerous benefits that are associated with Accounting Systems more importantly its ability to produce management and financial reports for end users, the majority of small businesses are migrating from manual onto different Computerised Accounting Systems. Therefore it is justifiable to conclude that the minority of the businesses around MAP LM area are still on manual accounting system while the majority decided to use computerised accounting systems.

Based on the findings of the study, the following recommendations are offered to the SMMEs around MAP LM area in particular, small businesses in all industries.

- The local government, through its programmes should encourage more investments into other industries, such as manufacturing, food industry and agriculture.
- Though it is clear that the majority of Small Businesses in Maluti-a-Phofung Local Municipality has moved away from manual accounting system to the computerised accounting system. It is therefore recommended that those businesses that are still on manual and those that are computerised but not integrated be fully computerised.
- To other SMMEs who are intending to implement Computerised Accounting Systems, it is recommended that, they undertake a more detailed cost-benefits analysis so as to identify the various significant benefits that come along with the system.
- Results of this study demonstrated that, though the majority of the respondents are not challenged by their accounting systems, there are a worrying number of those that are neutral in this regard, and this could be as a result of lack of training. In this regard, it is recommended that management should train their employees on CAS regularly.

- The results of the study as per table 5.9 demonstrated that the majority of the respondents considered the effectiveness, accuracy and timeliness of the system to provide management with reports. The respondents on the other hand value the efficiency and effectiveness of the system as well as the volume of work performed before the decision made with regard to the type of accounting system to be chosen. It is for that reason, recommended that the level of skills of the users be equally considered, since the system cannot operate itself.

It is believed that the SMMEs and other business enterprises willing to implement a CAS would take a look at these recommendations in order to overcome the problems and challenges to be able to enjoy the full benefits of using a Computerised Accounting System.

6.4 LIMITATIONS

The limitations of the study have been a research done at one local municipality instead of all municipalities in the province. The study could be extended by taking all SMMEs operating in the district municipality. It can also be done for the whole province taking into consideration all Small businesses operating in the district municipalities. This can also be applied in a single industry such as agriculture.

6.5 AREA FOR FUTURE RESEARCH

As most research studies cannot be comprehensive enough to cover all areas in the universe on a particular subject, there will always be gaps that need to be closed further. Some of the areas of future research in the use of Computerised Accounting Systems that could be investigated further include the following:

- The impact of Computerised Accounting Systems on the profitability of the business.
- Governmental support in the area of subsidising initial cost of installation of CAS by SMMEs.
- The suitability of CAS to a particular type of business.

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APPENDIX A

Accounting systems usage: Small businesses in Maluti-a-Phofung in the Free State considered.

PLEASE NOTE:

I am **Poello Elias Katsi**, a student at North West University pursuing a degree in Masters in Business Administration. I am carrying out a research on the effectiveness of accounting systems usage. And looking at a case study of small businesses in Maluti-a-Phofung in the Free State. I therefore, request you to avail me with genuine responses and I also ascertain to you that, your responses to this research will be highly valued and will be used by the researcher strictly for academic purposes and treated with utmost confidentiality.

SECTION A: COMPANY'S PROFILE

1. Indicate the legal status of your business (form of business ownership)

1.1 Sole proprietorship	1
1.2 Partnership	2
1.3 Close corporation	3
1.4 Company (private)	4
1.5 Other (Please specify)	5

2. In which industry does your business operate?(Please tick one)

2.1 Retail trade	1
2.2 Wholesale trade	2
2.3 Manufacturing	3
2.4 Construction	4
2.5 Transport/distribution	5
2.6 Accommodation and restaurant (guest houses, hotel)	6
2.7 Food industry	7
2.8 Agriculture/forestry/fishing	8
2.8 Services	9

3. When was the businesses established? _____

4. Indicate your path to business ownership

4.1 Started (founded) the business	1
Purchased the business	2
4.2 Join the family business	3
4.3 Inherited the business (from the family)	4
4.4 Other: (Please specify)	

5. Indicate how the main capital to start the business was raised

5.1 Personal savings	1
5.2 Borrowed or donated from relative or friend	2
5.3 Household/spouse	3
5.4 Sold previous business	4
5.5 Bank loan	5
5.6 Other: (Please specify)	

SECTION B: ACCOUNTING SYSTEM

Please indicate whether you agree or disagree with the following statements using the scale of 1 to 5 (Strongly Disagree = 1, Disagree = 2, Neither Agree nor Disagree = 3, Agree = 4, Strongly Agree = 5):

6. Using the scale of 1 to 5 points indicated how will you describe your accounting system?

6.1 Accounting system is Computerised	1	2	3	4	5
6.2 Accounting system is integrated	1	2	3	4	5
6.3 Only financial functions are computerised	1	2	3	4	5
6.4 Only operation functions are computerised	1	2	3	4	5

7. How would you rate the role and function of your Accounting system applied to record your business transactions

7.1 Sales or revenue generated are easily recorded as and when recognised	1	2	3	4	5
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7.2 Expenditures incurred are easily recorded as and when recognised	1	2	3	4	5
7.3 Helps managers to easily determine profit or loss for a given period of time	1	2	3	4	5
7.4 Measures, records, and controls the flow of resources to and from the organisation	1	2	3	4	5
7.5 Resource inflow and outflow comparison can be easily determined.	1	2	3	4	5
7.6 Records the economic events influencing the enterprise then process the information according to your demands	1	2	3	4	5
7.7 Accounting system makes it possible for units or people responsible to make decision.	1	2	3	4	5
7.8 The system greatly contributes to preparing financial statements	1	2	3	4	5

8. Businesses have to reveal or produce certain financial and management information to users for various reasons.

Therefore the system has the ability to:

8.1 Provide financial information to manager owners for decision making	1	2	3	4	5
8.2 Provide reports to investors and suppliers	1	2	3	4	5
8.3 Provide financial information to Government agencies, such as SARS	1	2	3	4	5
8.4 Provide financial information to employees	1	2	3	4	5
8.5 Perform bank reconciliation	1	2	3	4	5

9. How would you describe the way accounting cycle is performed in your business?

9.1 Obtaining information about external transactions from source documents and analysing it without any challenges	1	2	3	4	5
9.2 Ability to Recording the transactions in a journal book without any challenges	1	2	3	4	5
9.3 Posting transaction from the journal to the general ledger accounts	1	2	3	4	5

without any challenges					
9.4 Preparing an unadjusted trial balance without any challenges	1	2	3	4	5
9.5 Recording adjusting entries and posting to the general ledger accounts without any challenges	1	2	3	4	5
9.6 Preparing an adjusted trial balance and financial statements without any challenges	1	2	3	4	5
9.7 Transactions are entered into the system and the system processes and posts transactions accordingly	1	2	3	4	5
9.8 There are less room for errors and omissions as only one accounting entry is needed for each transaction rather than two	1	2	3	4	5
9.9 The accounting records are automatically updated and so account balances (e.g. customer accounts) will always be up-to-date	1	2	3	4	5
9.10 All the business transactions are made available to customers or managers without any delay	1	2	3	4	5

SECTION C: COST-BENEFIT ANALYSIS OF ACCOUNTING SYSTEM

Please indicate whether you agree or disagree with the following statements using the scale of 1 to 5 (Strongly Disagree = 1, Disagree = 2, Neither Agree nor Disagree = 3, Agree = 4, Strongly Agree = 5):

10. How does the system benefit the business with regard to time, cost, errors, communication and provision of information?

10.1 Timely Information	1	2	3	4	5
10.2 Costs Saving	1	2	3	4	5
10.3 Prevention of errors	1	2	3	4	5
10.4 Information provision	1	2	3	4	5
Effective Communication	1	2	3	4	5
10.6 Security of Information	1	2	3	4	5

10.7 Storage of Information	1	2	3	4	5
10.8 Information Processing	1	2	3	4	5

11. The system makes it possible for management and other stakeholders to access reports as and when they are needed.

11.1 Trial Balance	1	2	3	4	5
11.2 Cash flow Statement	1	2	3	4	5
11.3 Income Statement	1	2	3	4	5
11.4 Budget and Variance analysis	1	2	3	4	5
11.5 Balance sheet	1	2	3	4	5
11.6 VAT Returns	1	2	3	4	5
11.7 Payroll Analysis	1	2	3	4	5
11.8 Break-even Analysis	1	2	3	4	5

12. The following factors were considered before choosing the current accounting system

Not at all = 1, Very little = 2, Fairly well = 3, Quite well = 4, Very well = 5

12.1 Accuracy	1	2	3	4	5
12.2 Ease of use	1	2	3	4	5
12.3 Speed	1	2	3	4	5
12.4 Storage	1	2	3	4	5

13. The following factors informed the Company's decision to go in for the current accounting system

Strongly Agree = 5, Agree = 4, Not Sure = 3, Disagree = 2, Strongly Disagree = 1.

13.1 Cost effectiveness	1	2	3	4	5
13.2 Accurate and timely report	1	2	3	4	5

13.3 Voluminous operations of the company	1	2	3	4	5
13.4 Efficiency and effectiveness	1	2	3	4	5

14. Your business enterprise considered the below listed factors in their analysis, when choosing the type of accounting system

14.1 Initial Cost of installation	1	2	3	4	5
14.2 Acceptance by Workers	1	2	3	4	5
14.3 Cost-Benefit Analysis	1	2	3	4	5
14.4 Knowledge of Employees	1	2	3	4	5
14.5 Cost of training	1	2	3	4	5
14.6 Adaptability of Workers	1	2	3	4	5
14.7 Maintenance cost	1	2	3	4	5
14.8 The cost of security features	1	2	3	4	5

15. Using the scale of 1 to 5, to what extent do you agree with these statements:

15.1 The need to facilitate financial management	1	2	3	4	5
15.2 The positive impact of CAS on business performance	1	2	3	4	5
15.3 The introduction of low cost computers	1	2	3	4	5
15.4 The accounting systems are user friendly	1	2	3	4	5
15.5 Computerised Accounting Systems provides the ability to see the real-time state of the business' financial position	1	2	3	4	5
15.6 After information is entered into the system, the information is stored for an indefinite period	1	2	3	4	5

Highly Challenging = 5, Challenging = 4, Not sure = 3, Not challenging = 2, Not challenging at all = 1

16. Using the scale below, to what extent has the current accounting system posed challenges to your operations.

16.1 Lack of IT expertise	1	2	3	4	5
16.2 Technology not suited to business	1	2	3	4	5
16.3 Cost of purchase and implementation	1	2	3	4	5
16.4 Time involving	1	2	3	4	5
16.5 Instability in power system	1	2	3	4	5

17. Has your business enterprise ever considered changing the current Accounting Systems)? (Please tick one)

17.1 Not considered	1
17.2 Not really	2
17.3 Undecided	3
17.4 Somewhat considered	4
17.5 Highly considered	5

SECTION D: REPORTING

18. Through what means does the business make the reports available to the public or stakeholders?

Hardly ever = 1, Occasionally = 2, Sometimes = 3, Frequently = 4, Almost always = 5

18.1 At shareholders meeting	1	2	3	4	5
18.2 People can pick it up from the business' premises	1	2	3	4	5
18.3 Can access the report through the business' website on the internet	1	2	3	4	5
18.4 At request	1	2	3	4	5

19. How long does it take the business to report financial information to stakeholders after the financial year end?

19.1 Financial statements are completed and submitted in line with the business policies	1	2	3	4	5
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19.2 Financial statements are and always accepted without any errors and omissions	1	2	3	4	5
19.3 Financial statements are submitted and accepted without any dispute	1	2	3	4	5
19.4 The business is able to obtain financial assistance (loan) using the current accounting system	1	2	3	4	5

THANK YOU FOR YOUR TIME.