

Research Application Summary

Accounting records management and performance of small scale businesses

Apio, J.E.¹ & Akello, M.²

¹Regional Universities Forum for Capacity Building in Agriculture, Makerere University,
P. O. Box 7062, Kampala, Uganda

²Faculty of Information and Communication Technology, Makerere University, P. O. Box 7062,
Kampala, Uganda

Corresponding author: j.apio@ruforum.org

Abstract

Records management is important for organizational growth and survival. It enhances decision making, accountability and staff performance. Although organizations keep records, not all these records are well documented and stored to facilitate the above usage. The objective of this research is to establish the relationship between good records management and organization performance, identify factors enhancing the relationship and recommend changes for improvement. Case studies are being conducted at two universities, namely Egerton University in Kenya and Makerere University in Uganda. The information is being generated through focus interviews with members in the different units and analysis of management records including finance.

Key words: Accounting, records management, small scale business

Résumé

La gestion des documents est importante pour la croissance et la survie de l'organisation. Il améliore la prise de décision, la responsabilisation et la performance du personnel. Bien que les organisations tiennent des registres, tous ces dossiers ne sont pas cependant bien documentés et conservés afin de faciliter l'utilisation précitée. L'objectif de cette recherche est d'établir la relation entre la bonne gestion des documents et la performance de l'organisation, d'identifier les facteurs de l'amélioration de cette relation et de recommander des modifications pour l'améliorer. Des études de cas sont menées dans deux universités, à savoir l'Université Egerton au Kenya et l'Université de Makerere en Ouganda. L'information est générée au moyen d'entrevues avec les membres dans les différentes unités et l'analyse de la gestion des documents, notamment les finances.

Mots clés: Comptabilité, gestion des documents, petites entreprises

Background

According to Saleemi (1991), records management is the recording of business data in a prescribed manner. According to this author, accounting records include records that contain the entries from day to day transactions of the business such as invoices, vouchers, receipts expenditures, assets and liabilities. Through records, businesses are able to evaluate performance in a particular period of time normally at the end of the end year. Importance of Accounting Records Management includes guiding future development by making forecast and preparing budgets, providing data for establishing the operational efficiency of the entity as a whole, of its various sections and for comparing one firm with another or one department with another. The core principle of any business is that of growth and survival. Therefore, for businesses that have the ambition of growth and survival, they must keep an up to date accounting records to help monitor progress and future prospects of the business. Determination of the current profit level of the business also informs strategies for strengthening growth and survival ambitions of a firm. This applies also to agri-businesses.

As small businesses also aim to make profits, records management becomes essential in expanding and enabling them manage their small accounts and monitor the progress of the business. Profit is the difference between revenue and expenses. Thus the basic purpose of the profit and loss account is to provide a concise summary of the firm's revenue and expenses during a period of time. To gain profit maximization, a business needs to display more competitive aggressiveness hence providing strength and opportunities. The objective of this research is to establish the relationship between good records management and organization performance, identify factors enhancing the relationship and recommend changes for improvement. The results will be used to inform and guide organisation performance of the target institutions. Implications for small-scale agricultural enterprises will also be explored.

Literature Summary

A well designed internal control system will help safeguard assets and liabilities of the financial records. Such controls are designed to provide reasonable assurance that transactions are recorded properly and that access to assets is restricted. The system should compare records to actual asserts at reasonable intervals. With appropriate record keeping, action can be taken with respect to any difference. A design of internal control can then be done to reduce organizational efficiencies.

We hypothesize that through small-scale agriculture especially subsistence farmers do not generally keep records, they use their experiences and observations to guide their choices of options in farming. While this study will focus on established institutions with robust data managements, lessons generated will be used to design and test simple record management system to enhance profit margins of small scale farmers.

Study Description

Case studies are being conducted at two universities, namely Egerton University in Kenya and Makerere University in Uganda. The focus are the departments of finance where accounting records are key indicators as far as performance is concerned. The extent of effectiveness of data record keeping in informing decisions at central and smaller units (faculties) is being followed up.

Research Application

Several factors that enhance performance have been identified. Among them include political influence (instabilities), government policies and donor funding through government institutions. They influenced institutional performances both positively and negatively.

Preliminary feedback indicates a significant relationship between accounting records, profitability and performance of staff. The records maintained encouraged clear decision making especially in terms of reducing conflicts within the different units. However, the information flow was largely restricted to the finance units and to the Central Administrations. There appeared to be limited influence at faculty level except in terms of central budget allocation to the various units.

There was a marked relationship between accounting records management and, organisation performance especially where supplemented with regular training and vice versa. It is hoped that this research will also provide basic information to farmers and their enterprise groups about the importance of records keeping. It is hoped that this will enable small farmer groups improve their decision making in investments and capture important details of their small scale projects.

Acknowledgement

This study is financed by RUFORUM as part of the first author's Masters study at Makerere University.

Reference

Saleemi, N.A. 1991. Financial Accounting simplified. 2nd Edition
N.A Saleemi Publishers, Nairobi, Kenya.