Impact of Accounting Records on Business Performance: A Case Study of Registered SMEs in Osogbo, Osun State

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Abstract

This study focused on the impact of accounting records on business performance of selected SMEs in Osogbo, Osun State. Specifically, the study evaluated the influence of accounting records on turnover, profitability, return of assets of some selected SMEs in Osogbo, Osun State. A descriptive research design was adopted. Questionnaire was administered to 146 registered SMEs selected by simple random sampling approach while only 108 copies were returned and used for the study. Both descriptive and inferential statistics were adopted to analyse the data. The results of the study showed that accounting records had positive influence on turnover, profitability and the return on asset of the selected registered SMEs. The study concluded that adequate accounting records that followed relevant accounting standards and guidelines would positively impact on business performance of the registered SMEs. It was recommended that effective accounting records were needed to enhance performance of the SMEs.

Keywords: *Accounting Records, Performance, Turnover, ROA, Profitability, Manual Record, Computerized Record*.

Introduction

The impact of accounting records on business organizations performance has continued to generate serious discourse in the field of accounting, and in particular with regard to Small and Medium Scale Enterprises. Many

of these business organizations are either using unqualified accountants or book-keepers in the recording of their accounting transactions or using their own personal intuition in the preparation of their accounting books. This according to Olorunleke (2020) has led to failure of many small businesses in Nigeria. Inadequate accounting records have made many small businesses to remain stagnant and their ability to raise additional capital for growth to be constrained due to poor accounting entries Some schools of thought believe that accounting records may influence the level of enterprises turnover while others do not agree with this concept. Folorunsho (2016) argued that it is not actually that accounting records contribute to turnover in an enterprise but the adequacy of the records can enable an enterprise to determine whether its turnover has improved or not. In the works of Ogunwole and Emmanuel (2015), Okeowo (2017) and Mohammed and Adeniyi (2018), a positive relationship was found between accounting records and performance of SMEs. Akanbi (2015), Adenigbagbe (2016), Afinotan (2017) and Olorunleke and Ogunjana (2020) observed a negative relationship between accounting records and performance of small businesses in Ondo State, Nigeria. Thus, all these studies used questionnaire to get data for their studies, hence, this study intends to fill the gap in the existing works by examining the impact of accounting records on business performance in Osogbo, Osun State due to scantiness of research on it, using primary source of data. On this basis, the broad objective of the study is to examine the impact of accounting records on business performance. To critically evaluate the paper, the study is divided into five sections, namely, introduction, literature review, methodology, results and discussion and conclusions and recommendations.

Literature Review

This section focuses on review of literature under three sub-divisions which are; conceptual, theoretical and empirical review of literature.

Definition and Meaning of Accounting Records

According to Ademola et al (2012) cited in Ashiru (2020) record keeping is essential to business management. Record keeping involves

identification, classification, storage and protection, receipt and transmission, retention and disposal of records for preparation of financial statements. Accounting records include entries from day to day transactions of business .Proper record keeping provides evidence of how the transaction was handled and
substantiates the steps that were taken in order to comply with business standards.

Accounting Record Keeping Procedures
Record keeping cycle involves a process that is followed by Accountants and book keeping staff in processing raw financial data into output information inform of financial statements. Record keeping and good record management is also essential for any corporate body to function effectively (Ademola et al, 2012). According to Weber (2011), accounting record keeping can be classified into two basic categories: Manual accounting and Computerized Accounting System. The manual record keeping is a bookkeeping system in which records are kept by hand rather than utilizing a computer system is known as manual record keeping. This manual record keeping at times may be more prone to errors. These drawbacks in the manual accounting system have led to the introduction of Computerized Accounting System (CAS). CAS tends to reduce the problems in book record keeping practice (Akande, 2016). The computerized accounting system makes use of a computer to track their financial transactions with computerized software rather than to rely on a manual system of book keeping recording entries in large books (Gupta, 2008) .

Concept of Small Scale Enterprises
Small scale enterprise has been defined variously by many individuals and institutions using various yardsticks such as numbers of employees, volume of sales, value of assets, or the volume of deposit in banks (Ademola, Samuel & Ifedolapo, 2012). The Federal Ministry of Industry (in respect of the small scale industries credit scheme) sees small scale industry as any manufacturing, processing or service industry with capital

investment not exceeding N150,000 in machinery and equipment alone. Central Bank of Nigeria (2020) defined small scale enterprises as all businesses with a total assets investment of less than one million, an annual turnover of less than one million and with a total number of employees of less than fifty (World Bank Mapping, 2001) cited in Ojo (2020).

Musah and Ibrahim (2014) observed that some business owners have the tendency to rely on their memory rather than keep proper books of accounts, while some business owners believe that keeping proper business records will expose them to pay more tax (Amoako,2013).
Onalapo and Adegbite (2014) observed that most SME owners recruit unskilled account clerks who cannot prepare accurate financial statements; while Ibrahim (2015) opined that recruitment of incompetent accountants can lead to inaccurate record keeping. In a research carried out by Amoako, (2013), respondents gave the following reasons for not keeping accounting records: It is time consuming, expensive, requires technical skills and knowledge, additional staff, exposure of financial position, payment of more taxes, no need to keep accounting records and difficulty in maintaining an accounting system.

Relationships between Accounting Records and Performance
Performance of business refers to the ability of business to meet the required standards, increased market share, improve facilities, ensuring returns on profitability, and total reduction of cost,and once this is achieved, a business is believed to be performing effectively (Fitzgerald et al, 2016). Fitzgerald et al (2016) argued further that business enterprises must improve production if they are to effectively compete in this era of rapid economic and technical change .Bititei et al (2001) asserts that performance is as a result of workers because they provide the strongest linkage to strategic goals of the business enterprise, customer satisfaction and economic contribution that affects the business. According to Ikechukwu (2020), keeping records is crucial for the successful performance of a business. A comprehensive record keeping system

makes it possible for entrepreneurs to develop accurate and timely financial reports that show the progress and current condition of the business.

Theoretical Framework

The theoretical framework on which this study is anchored is decision usefulness theory**.** Decision usefulness theory states that decision useful information is the fundamental objective of financial reporting. According to Wang (2012), decision usefulness is defined in terms of relevance, reliability, comparability, and understandability. Fellinghan (2005) observed that accounting is viewed as the measuring activity that makes available financial reports in support of decision makers and their business decisions.

Empirical Review

Amaoko (2013) studied the accounting practices of SMEs in the Kumasi metropolis of Ghana. The study was based on data collected through structured questionnaire from a sample of 210 SMEs. The study found that majority of SMEs fail to keep proper accounting records as they feel that it is not necessary; it exposes their financial position; it is time consuming; and expensive. Onaolapo and Adegbite (2014) investigated the impact of accounting records on SMEs performance in Nigeria. Data were collected through interviews and questionnaire from a sample of 113 SMEs using a mixture of stratified and purposive sampling techniques. Descriptive statistics, Chi-square and analysis of variance (ANOVA) were used for data analysis. The findings of the study revealed that there is a strong positive relationship between accounting records keeping and SMEs performance.

Adurayemi (2016) analysed the effects of financial record keeping on the performance of small and medium scale enterprises in Nigeria using descriptive method of research with questionnaire being distributed, analysed and interpreted to know the minds of SME owners in keeping financial records of their daily transactions. It was found out that there

was positive relationship between financial record keeping and SMEs performance in Nigeria. Mwebesa ,Kansiime , Asiimwe, Mugambe and Rwego. (2018) revealed that 67 (67.7%) knew the type of financial books recognized by International Accounting Standards Board (IASB). 36 (36.4%) respondents reported keeping money in boxes while 22 (22.2%) kept money in the bank. Findings revealed a significant positive relationship between the financial record keeping and financial performance (r=0.297**, P>0.05). Notwithstanding the above findings, there is need to train group leaders in financial recordkeeping.

Nassiuma (2019) explored a positive influence of record keeping practices on the performance of SMEs in Uganda. Further, it concluded that in order for SMEs to perform, there has to be an investment on financial management practices particularly financial reporting and analysis by stakeholders 'especially financial institutions in Uganda.

Methodology

This study was carried out among Small and Medium Scale Enterprises in Osogbo, Osun State, Nigeria. A survey research design was adopted for this study. The choice was based on the fact that the population of Small and Medium Scale Enterprises (SMEs) is known and well defined. For this research, the entire registered SMEs in Osogbo is the population for the study. According to Osun State Chamber of Commerce, Industry, Mines and Agriculture (OSUCCIMA) (2022) there are 230 registered SMEs in Osogbo. According to Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) (2013), accounts and finance department/section of these SMEs have 1 to 3 staff operating within it. Therefore, for this study, and from investigation it was discovered that each of the 230 registered SMEs had one accountant and supported by book-keeper in the accounts/finance department, Meanwhile, book-keepers were not considered for the study, because of their limited knowledge in analysing business performance. This revealed that there were 230 accountants that represented the population to be used for the study. Hence, the population for this study were 230 respondents.

Sample size is defined as the proportion of sample needed for a study. It is the total selected representatives from a population with distinct characteristics that are required for study in order to make accurate inference concerning the population. Therefore, due to time constraint and financial limitation, the researcher only considered 146 Accountants drawn from 230 registered SMEs for the study. The selection of the 146 registered SMEs operators is obtained using Yamane Taro formula (1964). The formula is defined as:

$$n = N/(1 + N(e2)) \text{--- (1)}$$

Where, n= sample size

N= population size and e= level of significance.

The level of significance used for this research is 5%.

Therefore, for the 230 accountants, the sample size considered was;

N= 230 and e=0.05 into equation above, we have:

$$n = 230/(1 + 230(0.05)2 = \quad 230/1.575 \text{ ----------------- (3.2)}$$

Therefore, solving equation would give, n= 146.03

This was approximately equal to, 146

Thus, a sample size of 146 accountants from 230 registered SMEs was used for the study. Moreover, a simple random sampling technique was used to select 146 Accountants that were familiar with the operations of accounting records at the selected registered SMEs tin order to be representative of the entire population of the study.

This study makes copious use of primary source of data. The primary source of data was obtained through the administration of questionnaire to the SMEs operators or their representatives in order to collect information pertaining to the business operation. Hence, the use of questionnaire to collect necessary information on turnover, profitability, return on assets and other related indicators becomes essentially necessary. More so, the validity of the test instrument was carried out by giving a draft copy of the questionnaire to a lecturer in Test and Measurement in Faculty of Education, Department of Curriculum Studies, Obafemi Awolowo University. All necessary corrections made by the lecturer were

incorporated in the final draft of the test instrument. This reaffirmed that the test instrument was reliable. Moreover, the reliability of the test was confirmed with the aid of Cronabach coefficient which produced a very high coefficient of 0.93. The value reaffirmed that the instrument was reliable. The study made use of both descriptive and inferential statistics to analyse the data collected for the study and in particular, the descriptive statistics of mean and standard deviation was used to meaningfully describe the data collected for the study, while the inferential statistics of Ordinary Least Square, Logit regression and Two-Stage Least Square were used to achieve the first, second and third objectives of the study.

Results and Discussion

Table 1:
Frequency Distribution of Respondent Demographic Variable

Demographic Characteristics of Respondent	Frequency	%
Age in years		
Below 30 years	10	9.26
30-39	68	62.96
40-49	18	16.67
50 and above	12	11.11
Nature of Business		
Service Business	9	8.33
Trading	18	16.67
Manufacturing	19	17.59
Wholesale	40	37.04
Others	22	20.37
Highest Educational Qualification		
Primary	2	1.85
Secondary	12	11.11
Tertiary	60	55.56
Others	34	31.48
Type of Accounting Records		
Single Entry	51	47.20

Double Entry	57	52.80

Source: Authors (2022)

Table 1 presented the result of the frequency distribution of respondents' demographic characteristics. The result in the table indicated that the SMEs used for the study met the needed attributes of SMEs required for the final survey. For instance, the result revealed that information given by respondents on variables such as; age in years of SMEs practitioners, marital status, business experiences, educational level and information on type of accounting records kept by the SMEs might all contributed meaningful to the outcome of the study.

Table 2
Descriptive Statistics on Accounting Records

S/N	Variable	N	Mean	Std	Rank	Remark *
1	Your accounting records are fully computerized	108	3.92	0.92	2nd	Adopted
2	Manual accounting records are used by your SMEs	108	3.97	0.95	4th	Adopted
3	Your enterprise accounting records are prepared in accordance with specific accounting standards and relevant laws	108	4.18	0.68	1st	Adopted

Source: Authors(2022)
*Acceptable mean =3.00. A test item was said to be adopted if mean calculated> or equal to 3.00 or otherwise

Table 2 presented the mean and standard deviation computed for the variable of accounting records looking at the result in the table, it could be asserted that substantial numbers of the SMEs observed standard accounting records that made determination of certain performance variables easy for the organization. This inferred was based on the fact

that the mean values computed for sufficient numbers of the test items were quite greater than the acceptable mean of 3.00.

Table 3
Descriptive Statistics on Performance

	Performance Measures	N	Mean	Std	Rank	Remark
	Turnover					
1	Over dependence of SMEs operators on their intuition and memory have made the compilation of transactions leading to determination of accurate credit sales difficult	108	4.22	0.81	2nd	Enhanced Turnover
2	The use of manual system of accounting records by substantial numbers of SMEs operators in Osogbo has a negative impact on their sales revenue	108	4.06	0.86	3rd	Enhanced Turnover
II	Profitability					
3	A fully computerized accounting records can enhance the determination of SMEs profitability quickly	108	4.18	0.72	1st	Enhanced Profitability
4	Transactions leading to the compilation of SMEs profitability may be easily derived if accounting records abide by the double entry principles.	108	4.10	0.76	2nd	Enhanced Profitability
III	Return On Asset					
5	Adequate accounting records influence greatly the return on assets of SMEs operators	108	3.96	0.97	6th	Enhanced ROA
6	Under/over estimation of return of asset may be avoided by SMEs operators if qualified accountants are employed to manage their books of accounts	108	4.04	0.83	2nd	Enhanced ROA

*Source: Authors(2022).*A test item was said to be Sign if mean calculated> or equal to 3.00 or otherwise. Ranking was done on the basis of STD

Table 3 presented the mean and standard deviation computed for the variable of performance. Looking critically at the result in the table, it

could be inferred that accounting records of the selected registered SMEs correlated well with performance such as; turnover, profitability and sales. This inferred was premised on the fact that the mean values obtained for substantial numbers of the test items were greater than the acceptable mean of 3.00 with standard deviations that indicated insignificant variation from the mean. The implication of this was that with a well prepared accounting records that followed laid down procedures and relevant accounting guidance, performance of the selected registered SMEs might be enhanced and accurately determined.

Hypotheses Testing
Hypothesis One: The influence of accounting records on turnover of SMEs in Osogbo, Osun State.

Table 4:
Ordinary Least Square (OLS) Regression Result
Dependent variable = Turnover

Variable	Coefficient	Standard Error	t-Calculated	P-value
c	0.039008	0.190051	0.205252	0.8378
ACR	0.996651	0.009426	105.7359	0.0000
	Other	Test	Statistics	
R-squared	0.990608	Mean dependent var	19.91667	
Adjusted R-squared	0.990519	S.D. dependent var	2.976936	
S.E. of regression	0.289861	Durbin-Watson stat	1.658090	
Sum squared resid	8.906063			
Log likelihood	-18.49382			
F-statistic	11180.08			
Prob(F-statistic)	0.000000			

Source: Authors(2022) ACR= Accounting Records TURN= Turnover
Table 4 above presents the result of the Ordinary Least Square computed for the null hypothesis one. Looking critically at the table, it was found

that the p-value of the t-statistics calculated for the variable of accounting records of 0.0000 was less than the critical value of 5%. This indicates that the null hypothesis which stated that accounting records was not significant on turnover of the selected SMEs operators was rejected. It was saved to infer that accounting records was significant on turnover of the selected SMEs operators. The accuracy of accounting records might influence the correctness of sales/turnover of the selected SMEs. With accounting records prepared in accordance with laid down rules and regulations, sales figures of the SMEs operators considered for the study could be accurately determined and predicted on the basis of past performance. Adenigbagbe (2016) argued that the quality of accounting records might determine greatly the accuracy of accounting indicators in a business organization. Thus, accounting records improve the correctness, appropriateness and adequacy of sales values and other performance indicators needed to arrive at an informed business decision by the SMEs operators. More so, with enhanced accounting records prepared by qualified accountants, transactions needed for the determination of sales figure of the selected SMEs operators might be quickly extracted and identified.

Generally, it was not that accounting records add to sales performance but the correctness of the records could serve as a signal for corrective action on sales balances. It indicates to a business operator possible factors that had been affecting his/her sales negatively in order to take adequate accounting actions. The regression coefficient obtained for the test variable of accounting records was 0.996 and positive with significant t-statistics value of 105.74. The values revealed that there was a significant positive relationship between accounting records and turnover of the selected SMEs operators. This further implied that a 1% increase in the adequacy and quality of accounting records might improve turnover estimation by 0.996%. The sign of the variable of accounting records was in conformity with a priori expectation and hence, accounting records could be a determinant of turnover in the selected SMEs.

The result of other test statistics obtained indicates that accounting records could be a good predictor for turnover. For instance, the coefficient of determination (R^2) calculated for the test of 0.99 shows that approximately 99% of turnover recorded in the selected SMEs might be as a result of accounting records. Thus, accounting records and turnover of the selected SMEs were directly related. Also, the p-value of the F-statistics computed for the test of 0.0000 was less than the critical value of 5%. This implied that the joint null hypothesis which stated that there was no significant influence of accounting records on turnover of SMEs in Osogbo, Osun State was rejected. It was saved to assert that there was a significant influence of accounting records on turnover of SMEs in Osogbo, Osun State. The result of the information criterion obtained showed that accounting records provided better information on turnover. The Durbin Watson statistics computed for the test was 1.658090. This indicates that the test item was freed from the problem of auto-correlation; hence, accounting records and turnover of the selected SMEs were positively correlated.

Hypothesis Two: The impact of accounting records on profitability of SMEs in Osogbo, Osun State.

Table 5:
Regression Result (Logit Regression)
Dependent variable = Profitability (Profit)

Variable	Coefficient	Standard Error	Z-Calculated	P-value
C	1.042965	1.639938	0.635979	0.5248
ACR	0.219022	0.081733	2.679725	0.0324
McFadden R-squared	0.746507	Other	Test	Statistics
S.D. dependent var	0.397618		Restr. log likelihood	-53.2012
Akaike info criterion	8.021744		Avg. log likelihood	-0.492354
Schwarz criterion	8.071414		Total observations	108

Hannan-Quinn criter.	8.041883
Restr. Deviance	106.4024
LR statistic	87.53991
Prob(LR statistic)	0.000
Observation with dependent 0	21
Observation with dependent 1	87

Source: Authors(2022)

Table 5 presents the result of the logit regression analysis computed for the test of hypothesis two. From the table, it was observed that the p-value of the Z-statistics calculated for Accounting Records of 0.0342 was less than the critical value of 5%. This indicates that the null hypothesis which stated that accounting records was not significant on profitability of the selected SMEs was rejected. It was reasonable to assert that accounting records was significant on the profitability of the SMEs operators. The accuracy, adequacy and quality and quantum of the prepared accounting records by SMEs might influence greatly the determination and correctness of the business profitability. It had been discovered that profitability level of SMEs operators could be difficult to ascertain due to the format many of the practitioners prepared their accounts. More so, failure of the SMEs operators to engage the service of qualified accountants could also make the profit position of the enterprise to be accurately determined. High incidence of bad and doubtful together with that of goods consumed by the owners themselves could make the determination of profitability level of the business difficult. Although, accounting records did not in any way contribute physically to better the profitability position of any business but the preparation of the records in accordance with relevant accounting standards could make the determination of profit easy and enhance the identification of transactions needed in the computation of profit before and after tax of the operators.

Also, the desired of the SMEs operators to know the exact profit they realised in their enterprises could be realised through adequate accounting records prepared and presents in line with the principle of double entry system of accounting. The regression coefficient obtained for the test variable was 0.22 and positive with significant Z-statistics value of 2.68. This indicates that there was a significant positive relationship between accounting records and profitability of the selected SMEs operations. As a result of this, a 1% increase in the quality and adequacy of accounting records prepared by SMEs operators could bring about 0.22% increase in the estimation of profitability of these enterprises. The sign of the variable of accounting records was in tandem with a priori expectation and, hence, the adequacy of accounting records might be one of the factors that enhances accurate estimation of profitability of the selected SMEs operators.

The results of the other test statistics computed for this test indicates that accounting records and profitability of the SMEs operators were positively related. For example, the McFadden R^2 obtained for the test of 0.75 shows that approximately 75% of correct estimation of profitability in SMEs could be traced to accounting records. Thus, accounting records was a good explanatory variable for profitability of SMEs. The p-value of the LR-statistics computed the test of 0.0000 was less than the critical; value of 5%. This implied that the joint null hypothesis which stated that there was no significant impact of accounting records on profitability of SMEs in Osogbo, Osun State, was rejected. On this premise, it was reasonable to assert that there was a significant impact of accounting records on profitability of the selected SMEs operators. All deviances computed for the test were within the acceptable limit. As a result of this, accounting records positively impacted on the profitability of the selected SMEs operators.

*HypothesisThree: T*hat accounting records have effect on return on asset of SMEs in Osogbo Osun State

Table 6:
Regression Result (Two-Stage Least Square)
Dependent Variable = ROA

Variable	Coefficient	Standard Error	T-calculated	P-value
C	7.111945	8.377020	0.848983	0.4650
ACR	0.318059	0.117892	2.697895	0.0081

	Other	Test	Statistics	
R^2	0.864254		Mean Dependent va	23.46296
Adjusted R^2	0.855426		S.D. dependent var	3.730215
S.E. of regression	3.625365		Sum squared resid	1393.187
F-statistic	7.278635		Durbin-Watson stat	2.165038
Prob(F-statistic)	0.008121		Second-Stage SSR	1393.187
J-statistic	106.0000		Instrument rank	3
Prob(J-statistic)	0.000000			

Source: Authors(2022)

Table 6 above presents the result of the regression analysis obtained for the test of hypothesis three. From the table, it was discovered that the p-value of the t-statistics calculated for the test item of accounting records of 0.0081 was less than the critical value of 5%. This indicates that the null hypothesis which shows that accounting records was not significant on the return on asset of the selected SMEs was rejected. On this premise, it was reasonable to state that accounting records was significant on return asset of the selected SMEs. The determination of return on asset of any business enterprise could only be possible if the accounting records were prepared adequately and reflected seriously all necessary indicators that might aid the evaluation of ROA. One of the greatest benefits of accounting records was that it shows the financial events in a business enterprise at a given

period of time. These financial events reflected not only the performance of the business at a gaze but also the cost implication of this performance must be shown. Thus, accounting records were very essential in the verification, evaluation and determination of ROA and without these records the accuracy of ROA might be in doubt. Thus, accounting records that were prepared in line with laid down rules and relevant accounting standards facilitated the determination of ROA quickly. Although, the law did not require SMEs to publish their accounts but essentially the quality of preparation and recording of this category of enterprise might go a long way in enhancing accurate determination of ROA. The regression coefficient obtained for the test item of accounting records was 0.32 and positive with significant t-statistics value of 2.70. The values indicate that there was a significant positive relationship between accounting records and ROA. The implication of this was that a 1% increase in the quantum and quality of accounting records might lead to 0.32% improvement in the estimation of ROA of the selected SMEs. The sign of the variable of accounting records was in conformity with a priori expectation and, hence, accounting records might be a good determinant of ROA.

The coefficient of determination (R^2) obtained for the test was 0.86. This indicates that approximately 86% of ROA was due to accounting records. Thus, accounting records might be a good determinant of ROA. Also, the p-value of the F-statistics computed for the test of 0.008121 was less than the critical value of 5%. This shows that the joint null hypothesis which stated that there were no significant evidences that accounting records had effect on return on asset of SMEs in Osogbo, Osun State was rejected. It was reasonable to assert that there were significant evidences that accounting records have effect on return on asset of SMEs in Osogbo, Osun State. The result of the Durbin-Watson obtained for the test was 2.165038. This value shows that the variables of the test were freed from the problem of auto-correlation. As a result of this it could be inferred that there was sufficient evidence that accounting records had a significant positive effect on ROA of the selected SMEs. All deviances were within the acceptable limit.

Summary and Conclusion

The result of the study had shown that accounting records if adequately prepared and followed relevant accounting standards and regulation could enhance business performance. Thus, based on the results obtained for the study, it might be concluded that there was a significant positive influence of accounting records on turnover of the selected SMEs. This was because accounting records that was adequate and prepared by qualified accountants might show true position of the turnover of the organization unlike the accounting records prepared with no specific standards and rules followed. Accounting records had significant and positive impact on profitability of the selected SMEs. Adequacy of accounting records might make the identification of transactions that might aid the computation of profit before or after tax of the selected SMEs easy. It could be concluded that there were sufficient evidences that accounting records had positive and significant effect of return on asset of the selected SMEs.

Based on the conclusion of the study, the following recommendations are made.(1)There is need for SMEs to employ the service of qualified accountants in order to enhance true position of their turnover. A situation whereby unnecessary transactions that have no direct bearing with turnover determination may occur if SMEs operators continue to use unqualified book-keepers. Thus, these accountants may be on part-time basis in order to save cost for the operators. It may also be engaged jointly by two or more SMEs operators. In addition, for true position of the profitability of SMEs to be determined, there is need for the practitioners to engage book-keepers that know how to prepare the accounts of the operators. The existing book-keepers may be sent on training in order to enhance or improve their knowledge of accounting records. There is need also for the operators to insist on their book-keepers to follow IFRS standards in the preparation of the operators accounting records. This may enhance the truthfulness of the organization reported profitability. Transactions leading to the computation of return on asset of the selected SMEs must be clearly identified in the accounting records by their book-

keepers. This may help easy computation of ROA and improve adequate determination of the performance index.

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