

A Study On The Effect Of Financial Records Management On Financial Reporting In Organisations: A Case

Study Of Kenjoy Supermarket In Nansana

Wasswa Christopher¹, Zikusooka Enock²

1, 2 Metropolitan International University

ABSTRACT

The study sought to establish The Effect of Financial Records Management on financial reporting in organizations. The research was carried out using descriptive, analytical design and explanatory basing on the literature available to obtain quantified and qualified data 133 respondents expected to provide data. Data was collected by use of a self-administered questionnaire, and interview guide. Quantitative data was analyzed at univariate level basing on the mean and frequencies, bivariate level using correlation coefficient and multivariate using spearman's rank correlation with the help of Statistical Package for Social Sciences (SPSS). Qualitative data were analyzed by content analysis by composing explanations and substantiating them using the respondents' open responses. The study found that revenue and expenditure accounts play a major role in ledger accounts. For ledger accounts to be effective, revenue and expenditure accounts must be well prepared to limit chances of negative financial performance at Kenjoy supermarket in Kampala- Uganda. It found that an improvement in keeping and preparing purchases and sales ledgers can result in improved financial performance. It also found that Kenjoy supermarket keeps purchases and sales ledger, cash book, revenue and expenditure accounts, statement of income and balance sheet. The research concluded that Kenjoy supermarket continues maintaining cash books because they keep track of the daily transactions made within the business this helps to determine the level of profitability from period to period and also reduces embezzlement of the organization's funds hence leading to the growth and development of the company. Therefore, the researcher recommended that a basic record keeping system, whether on paper or an off-shelf computer software program, — should be simple to use, easy to understand, reliable, accurate, and consistent and designed to provide information on a timely basis.

Key words: Financial record Management and financial reporting.

Background of the study

Before the end of the 19th century, the domestic industry dominated Europe's economy, mostly small and medium-sized enterprises (Lydia et al., 2023). The Industrial Revolution changed the status quo and introduced mass production. The twin oil shocks of the 1970s undermined the mass production model, prompting an unexpected reassessment of the role of

the importance of small and medium-sized enterprises in the global economy (B. District et al., n.d.). Kenjoy supermarkets supermarket is located in Kampala City. It has three branches and more than 100 employers. Kenjoy supermarket has six deaf employees; they are employed in different branches (Mulunzi et al., 2023). The owner of the Kenjoy supermarket saw the need to

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come up with a large shopping center. This led to the existence of Kenjoy supermarket which was officially opened on April 4, 2012. In Uganda, business is the main backbone and dominant of the Ugandan economy. However, many businesses in the country tend to underperform (Lydia et al., 2023; Rigan & Enock, n.d.). Most businesses have been found to have a high failure rate: up to 95 percent of small businesses fail within the first five years of operation. According to (Brian & Kalinaki, n.d.; Irumba, 2023) and (Patrick et al., n.d.), there is a low level of record keeping in most businesses. In Uganda The poor performance shown in business in Uganda could therefore be due to deficiencies in the quality of record keeping and hence the need for investigation (David et al., 2023).

The findings of economists over the years show that small firms and enterprises play a much more important role in economic growth and development (Ronald & Julius, 2023; Sarah & Kazaara, 2023) Many developed and developing economies have realized the value of small and medium enterprises. (Brian & Kalinaki, n.d.) described proper accounting as one way an organization can monitor its financial activities to ensure proper financial discipline. There is no correct definition of a small business; however, it can be defined as one that is independently owned and operated and is not dominant in its field of activity. According to (W. District et al., 2023a, 2023b), there are also certain characteristics that distinguish small businesses from other businesses (Nelson, Christopher, Teddy, et al., 2022). It is independently owned and operated and is therefore not part of any larger enterprise. It is usually managed by its owner(s) in a personalized manner without the need for a formalized management structure. (Košťě et al; 2018). These transactions are recorded in cash books, journals and ledgers. However, Pandey (2016) defined record keeping as the day-to-day correct recording of events in the necessary books of accounts and their precise manipulation to produce accurate and constant financial statements (Racheal et al., 2023).

Statement of the Problem

Although accounting leads to the preparation of good and timely financial reports, this is not the case for Kenjoy supermarkets as they produce poor quality financial reports that are irrelevant, unreliable and undesirable for good decision making in the organization (Mulunzi et al., 2023). The management hired accountants and trained employees to improve the situation, but this escalated and if the situation does not improve (Christopher et al., 2022), the company may lose the trust of its stakeholders and those interested in investing in the company and may not live to its maturity (Bera & Richard, 2023; Irumba, Bakaaki, et al., 2023). Kenjoy Supermarket maintains financial records, increasing

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the timely efficiency and quality of financial reporting, and the researcher wants to find out whether these records are incomplete, inaccurate and out of date (Sharon et al., n.d.). However, Mega management attempted to hire accountants, train staff, introduce computers, policies and procedures for processing financial records (Akankwasa et al., 2022). Stakeholders will not be able to make economic decisions such as setting taxes, obtaining credit, putting in more capital for investment if records are not well kept (Irumba, Mugabi, et al., 2023). This necessitated the conduct of this research study.

Objective of the study.

1. To determine the effects of maintaining Cash Books on profitability of mega standard supermarket.
2. To find out the impact of computerized financial techniques on financial reporting at mega Standard Supermarket.
3. To examine how general ledger, play an important role in the prevention of fraud at mega standard supermarket.

Research questions

1. What is the effect of maintaining cash books on profitability of mega standard supermarket?
2. What is the impact of computerized financial techniques on financial reporting at mega standard supermarket?
3. How do ledgers play an important role in the prevention of fraud at mega standard supermarket?

Methodology.

The research was carried out using descriptive, analytical design and explanatory basing on the literature available to obtain quantified and qualified data. Data was collected from primary sources and secondary sources using questionnaires and interview guides and analysis of documents. The study targeted the management and employees of in 3 shops in Kenjoy supermarket of which employer who are the business directors, manager, accountants, sales staff and customers this is simply because of the fact that the research is carried out around Kampala particularly in the center. The sample was 80 in order to secure data on the effect of financial records management on financial reporting in mega standard supermarket. Also, the sample will provide enough information and data in relation to the topic under study. For this study, the researcher employed random probability sampling so as to be able to achieve the representative results. To some extent, deliberate sampling method was employed. The researcher used both primary and secondary data from the library, internet and newspapers. Past research proposals and project reports were also used as a reference in the study. Primary data was collected from respondents of population at in shops in Kenjoy supermarket using a questionnaire to obtain perceptions of the respondents. This was because the type of data source is original and collected specifically for the study. Literature was reviewed using secondary data sources from publications of small-scale business commission, journals, reports, internet, and research projects and from the library. Necessary information was used and detailed description to analyze the data of the study. After collection of data, the

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data was checked, edited, organized and then presented for supervision and verification. The instruments that were used to collect data included questionnaires and interviews. The researcher used quantitative data processing. Data obtained from the field in raw form was edited and coded, and then in put into the computer using proper and correct order which facilitated easy analysis. Data was edited to check the accuracy, consistency and completeness of the information. The researcher used a computer for data entry, editing, coding, data summary and presentation. The edited data was then analyzed both quantitatively and qualitatively. Quantitative data was grouped and statistical description such as tables showing frequencies and percentages and pie- charts as well as graphs for better interpretation. However, qualitative data was analyzed in a way of identifying the responses from respondents that were relevant to the research problem and such data is analyzed by explaining the facts collected from the field under which the researcher enable to quote respondents responses. All the analysis was carried out in STATA (Nelson, Christopher, & Milton, 2022).

Results.

The relationship between Cash book maintenance and financial reporting

Table 1: The relationship between Cash book maintenance and financial reporting

		Cash book maintenance	Financial reporting
Cash book maintenance	Pearson Correlation	1.000	.581**
	Sig. (2-tailed)		.000
	N	80	80
Financial Reporting	Pearson Correlation	.581**	1.000
	Sig. (2-tailed)	.000	
	N	80	80

Source: **primary data**, 2022

Results in table 1 indicated that that there was a strong positive correlation ($r = 0.581$) between cash book maintenance and financial reporting. The relationship was statistically significant since the associated P - Value (0.00) was less than 0.05 at 95% level of significance (Nelson et al., 2023). This therefore indicated evidence of a relationship between Cash book maintenance and financial reporting.

The relationship between Computerized financial techniques and financial reporting

Table 2: Shows the relationship between Computerized financial techniques on financial reporting.

		Computerized financial techniques	Financial reporting
Computerized financial techniques	Pearson Correlation	1.000	.422**
	Sig. (2-tailed)		.021
	N	80	80

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Financial Reporting	Pearson Correlation	.422**	1.000
	Sig. (2-tailed)	.021	
	N	80	80

Source: **primary data**, 2022

Results in table 2 indicated that that there was a strong positive correlation ($r = 0.581$) between Computerized financial techniques and financial reporting. The relationship was statistically significant since the associated P - Value (0.021) was less than 0.05 at 95% level of significance.

The relationship between a general ledger and financial reporting

Table 3: showing the relationship between a general ledger and financial reporting

		General ledger	Financial reporting
General Ledger	Pearson Correlation	1.000	.373**
	Sig. (2-tailed)		.010
	N	80	80
Financial Reporting	Pearson Correlation	.373**	1.000
	Sig. (2-tailed)	.010	
	N	80	80

Source: **primary data**, 2022

Results in table 3 indicated that that there was a strong positive correlation ($r = 0.373$) between general ledger and financial reporting. The relationship was statistically significant since the associated P - Value (0.010) was less than 0.05 at 95% level of significance.

The relationship between financial records management on financial reporting

Table 4: showing relationship financial records management on financial reporting

		Financial records management	Financial reporting
Financial Records management.	Pearson Correlation	1.000	.422**
	Sig. (2-tailed)		.021
	N	80	80
Financial Reporting	Pearson Correlation	.422**	1.000
	Sig. (2-tailed)	.021	
	N	80	80

Source: **primary data**, 2022

Results in table 4 indicated that that there was a strong positive correlation ($r = 0.581$) between Financial Records management and financial reporting. The relationship was statistically significant since the associated P - Value (0.021) was less than 0.05 at 95% level of significance.

Model Summary.

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.616(a)	.576	.570	3.530

a Predictors: (Constant), Financial Records management, General Ledger, Computerized financial techniques and Cash book maintenance.

b Dependent Variable: Financial reporting.

Findings revealed that 61.6% of the variations in the financial reporting were explained by the predictors above. The R-squared value (0.576) is greater than the adjusted R-squared value (0.570) because it takes into consideration the degrees of freedom.

Summary of findings

The researcher found out that cash books Assist in preparing financial statements quickly and accurately, Provides information to enable the control of cash in the business, Provides management information on which to base business decisions, Contributes promptly to assessing the financial situation of the business at any time, Saves a lot of time and effort, Keeps a good track of the costs of staff and their performance (Christopher et al., 2022), Measures the business performance against the projections that were originally set down in the business plan., Highlights quickly areas where problems could arise and enable remedies to be put in place, Fulfils the obligations as to taxation law, Assists you in calculating how much tax you have to pay, Assists in providing information required by your bankers. The researcher found out that Computerized financial techniques help in effective performance of at mega standard supermarket (Moses et al., 2023). It is very crucial in the effective administration of VAT regime in Uganda. In order for a firm to register and to comply with the requirements of law, it must keep good accounting records. Some credit sales and purchases records are maintained but irregularly most regularly maintained records kept are those that have high capital investment and their stock levels were high. Findings from, the researcher concluded that Kenjoy supermarket should continue maintaining cash books because they keep track of the daily transactions made within the business this helps to determine the level of profitability from period to period and also reduces embezzlement of the organization's films hence leading to the growth and development of the organization. The researcher concluded that, since the General ledger, is a ledger that contains all accounts. needed to prepare financial statements, it facilitates

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accurate financial record keeping at Kenjoy supermarket this led to proper accountability and clear VAT administration by the revenue authority in the country.

Conclusion.

The researcher found out that cash books Assist in preparing financial statements quickly and accurately, Provides information to enable the control of cash in the business, Provides management information on which to base business decisions, Contributes promptly to assessing the financial situation of the business at any time, Saves a lot of time and effort, Keeps a good track of the costs of staff and their performance (Christopher et al., 2022), Measures the business performance against the projections that were originally set down in the business plan., Highlights quickly areas where problems could arise and enable remedies to be put in place, Fulfills the obligations as to taxation law, Assists you in calculating how much tax you have to pay, Assists in providing information required by your bankers, The study also noted that a reluctance in the use of payment vouchers leads to more errors thus impacting the business performance negatively. The study went further and discovered that use of cash books leads to proper entry of transactions thus avoiding errors. Therefore, record keeping (cash books) improves the public image of Kenjoy supermarket in Kampala-Uganda. The researcher further found out that journal entries help in the maintenance of good accounting records is usually the most important variable in effective performance of small-scale enterprises. It is very crucial in the effective administration of VAT regime in Uganda. In order for a firm to register and to comply with the requirements of law, it must keep good accounting records.

Recommendations

A basic record keeping system, whether on paper or an off- shelf computer software program, should be simple to use, easy to understand, reliable, accurate, and consistent and designed to provide information on a timely basis. It generally needs; a basic journal to record transactions, a basic journal to record transactions (receipts, disbursements, sales, purchases, etc.) accounts receivable records, accounts payable records, payroll, petty cash records, inventory records and all these documents and all these documents should reflect accurate information.

The researcher further recommended that the organization employs experts in the field of accounting who have the knowledge and skill in financial analysis and book keeping, this mistake made in the books of original entry which may lead to wrong interpretation of the organization's financial performance. This helps management to make rational decision for the growth and expansion of the organization.

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