IMPACT OF ACCOUNTING BEST PRACTICES ON FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN ILALA MUNICIPALITY, DAR ES SALAAM, TANZANIA

A Dissertation

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DEDICATION

This work is dedicated to my parents, the Late Mr. Masmin and Mrs. Ruth Askia Wokorach; my wife Josepher and my children: Nahori, Immaculate, Jovian, Wonders, Edward and Edwin. Without their moral and financial support this work wouldn't have reached its climax.

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I thank God for enabling me finish this work though under hectic and cumbersome situation including unexpected changes in the course of producing this work. God's words say, "Being confident of this very thing, that He who has begun a good work in you will perform it until the day of Jesus Christ." Philippians 1:6

The entire Dissertation has not been an individual work. Contributions have been made by many people whom I cannot list all, but for sure they are to remain in my memory. I must appreciate that without their support, my work could have been more difficult and impossible.

My highest appreciation goes to Dr. Wario Wako, my Supervisor, for being part of this work by tirelessly reading, correcting and guiding me by giving constructive comments.

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I thank all the SMEs which responded positively when I was collecting data. Here I want to specifically thank TEMSO Engineering and Constructions for their coordination especially at SIDO area in Vingunguti, Dar es salaam.

DECLARATION

I hereby declare that this Dissertation on "**Impact of Accounting Best Practices on financial performances of Small and Medium Enterprises in Ilala Municipality, Dar es salaam, Tanzania**" is my original work and has not been presented for any degree or any other academic award in any other university or institution of learning.

Name of Candidate *AZILI JOSEPH* ---------------------------- Signiture of Student ------------------------

Date *1/2/2019* ------

APPROVAL

I confirm that the work reported in this dessertation was carried out by the candidate under my supervision.

Name of Supervisor

Dr. Wario Wako

Signature of supervisor

Date

Name of Director of Postgraduate studies and Research ....

Signature of the Director of Postgraduate studies and Research ....

Date..................................

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LIST OF ACRONYMS

CAS		Computerised Accounting System
CEO	:	Chief Executive Officer
ICT		Information and Communication Technology
IFRS		International Financial Reporting Standards
KIUT		Kampala International University in Tanzania
OECD		Organisation of Economic Cooperation and Development
ROA		Return on Assets
ROI		Return on Investment
SMEs		Small and Medium Enterprises
SPSS		Statistical Package for Social Sciences

ABSTRACT

SMEs are one of the important economic catalysts in Tanzania. Majority of the people are either supported directly (59%) or indirectly (78%). However, these entities are collapsing in the earlier stages and some making little profit. Could it be because of accounting best practices which are causing these SMEs to collapse or earn little profit? The study was conducted about the Impact of Accounting Best Practices on Financial Performance of SMEs in Ilala Municipality, Dar es salaam, Tanzania. The specific objectives of the study were: to establish accounting practices adopted by SMEs in Ilala Municipality, to analyse the trend of SMEs financial performance and to determine the relationship between accounting practices and financial performance of SMEs in Ilala District, Dar es salaam, Tanzania. The study used mixed method research design with a descriptive nature and the primary data collected from 291 SMEs in Ilala Municipality using structured questionnaires. Proportionate random stratified sampling was used. The study revealed that accounting best practice is partially being utilized by SMEs in Ilala Municipality hence giving chance for some SMEs to collapse in the second year of their establishment. The study suggests that SMEs laws be enhanced and made mandatory for SMEs under a specific volume of sales to hire accountants and internal auditors. In case circumstances are that the volume of sales is less than the stipulated in the law, the authority (Ministry) concerned should organize special accounting and auditing staff that should assist these SMEs in keeping their book, with certificates of competence issued to SMEs best performers in accounting best practices. Also the study recommends that budgets for SMEs should be lodged or submitted to the authority (Ministry) concerned. Lastly, the authorities concerned should conduct workshops and seminars for elementary accounting best practices for SMEs owners to appreciate the whole process of accounting best practices.

CHAPTER ONE

INTRODUCTION

1.0 Overview of the Study

This chapter presents the background of the study, statement of the problem, objectives of the study, research questions, hypothesis, scope and significance of the study and definition of key terms.

1.1 Background of the Study

1.1.1 Historical Perspective

For longevity of SMEs in performance the financial aspect cannot be ignored (Long and Ombongi, 2015).

World Bank Group (2015) report indicates that formal SMEs contribute to 45 and 33 percent to total employment and Gross Domestic Product (GDP) respectively in emerging economies. According to World Bank Group (2015), there is approximately 365-445 million Micro, Small and Medium Enterprises (MSMEs) with 285-345 million belonging to informal enterprises.

In South Africa in the words of Leboea (2017) the financial performance of SMEs has faced great development problem related to the high failure rate that is present among SMEs, this is due to the fact that entrepreneurs are not able to turn their businesses into sustainable venture.

In Kenya, Musando (2013) states that SMEs have grown in the global economy during the last couple of decades. She states that inefficient financial management may damage SMEs financial performance (profitability), and as a result, complicate the difficulties of SMEs.

In Tanzania, though SMEs are contributing to the growth of the economy, their financial performance is still at stake (Lyimo, 2014). Kazimoto (2014) opines that there are more than 1.7 million SMEs projects that employed more than 3 million people. which represent 20% of labor force.

SMEs performance is measured in varied ways. Ankrah and Mensah (2015) states that SMEs Performance is not only measured to know how a business is performing but mostly to enable it perform better.

Richard et al.(2009, p. 722) defined SMEs performance as something that "encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.), (b) product market performance (sales, market share, etc.), and (c) shareholder return (total shareholder return, economic value added, etc.)".

Vijfvinkel et al., 2011 explain some of SMEs financial performance measurement such as profitability, evaluates return; others, like sales growth and market share growth, measure the growth of a firm. Some gauge profitability (return on investment, return on equity), some liquidity (quick ratio, current ratio), and still others solvency (gearing).

Kimunduu et al (2016) quoted that financial performance refers to the total economic results of activities undertaken by an organization, whether directly or indirectly (Lusch and Laczniak, 1989). It is the efficiency and effectiveness of the organization (Letting, 2009). Specifically, financial performance of a firm determines how well the business is doing in wealth creation and acquiring of resources (Komppula, 2004). Khan et al (2014) attributes performance to the competency of an organization to transform the resources within the firm in an efficient and effective manner to achieve organization goals. Vijfvinkel et al (2011) quoted Wijewarddena et al 2004 who stated that to measure financial performance, varied measure approaches have been adopted by various researchers including sales revenue, profits, return on investment/ equity.

Investopedia (2014) defines financial performance as a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. Long and Ombongi (2018) stated that profit is a proxy measurement of financial performance of SMEs.

Mutua 2015 quoted Cooley and Edwards, (1983) who contended that reported profits reflect changes in wealth of business owners. This can explain why major economic decisions in business are centered on financial performance as measured by profitability (Mutua, 2015)

Accounting practices have been advocated for in the management of business enterprises. The modern method of accounting is based on the system created by an Italian monk Fra Luca Pacioli over 500 years ago (DeSantis, 2010). The system consisted of a well-defined accounting practices on collection, recording and analysis of financial data about an organization. The Fra Luca Pacioli system was manual (Larson, 2002).

In the 1980's computerized accounting system started to evolve. Business enterprises adopted these and associated it with a number of benefits such as speed of carrying out routine transactions, timeliness, quick analysis, accuracy in accounting management and reporting (Sugut, 2012). Many companies started using this computerized system of accounting. Later the use of accounting practices trickled down to Small and Medium Enterprises (SMEs). There has been an emphasis that there is need for financial information for small and micro business all over the world due to the volatility normally associated with their situation such as unstable cash and profit positions, and reliance on short-term borrowing (Fullerton and Robbins, 1994).

In the developed world such as United States, Britain, Japan and china, the use of accounting practices by SMEs has been institutionalized. In Africa, the use of accounting practices has been hindered by several constrains such as lack of accounting skills by SMEs owners, lack of enough capital and ignorance on its help in the business enterprise. In Tanzania, the use of accounting practices according to Mkonyi (2013) by SMEs is not well understood. It is not clear whether they use accounting practices in the management of the business enterprises.

Accounting practices engulf different procedures in the processes of accounting in a wider perspective. However the main accounting best practices that are coherent to this study are the financial reporting, financial auditing and management accounting.

Financial reporting as a construct of accounting best practices considered under this study, financial reporting refer to the whole process of the preparation of the final accounts. Which process Kofi et al (2014) stated that it included recording of transactions, summarizing, extraction of trial balance and the preparations of statement of financial position (Balance sheet), the statement of comprehensive income(Profit and Loss Accounts), the statement of Cash flow and the statement of equity.

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Olusapo (2016) states that the general definition of an audit is an evaluation of a person, organization, system, process, enterprise, project or product. Audits are performed to ascertain the validity and reliability of financial information provided by the managers of the reporting entity and the assessment of the entity Internal Control System. In a practical terms audit seeks to provide reasonable assurance that financial statements are free from material errors.

Abdallah (2014) quoted that in the early 1980s in the Asia Pacific, internal auditors were perceived to be doing traditional financial auditing work (Cooper, Leung, & Wong, 2006).
Audit of Small and Medium Enterprises have proven to be among the most worrisome for professional accountants because of the inadequacy of the internal controls (Olatunji, 2013)

An external audit of a SME draws to the attention of the SME's directors, the need to understand their roles and responsibilities under cooperate legislation and particularly regarding the need to maintain their business as a going concern and to give due consideration to the prevention of insolvent trading (Olusapo et al, 2016).

The role of an internal auditor varies from providing independent assurance to acting as management advisor (Deloitte, 2010). Abdallah (2014) quoted that one of the preventive measures to situations akin to world financial crises increasingly forwarded is effective internal audit function (IAF) (e.g., Imhoff, 2003; Mohamad & Muhamad Sori, 2011).

Over the past few decades, global business management and accounting researchers demonstrate consistent effort in investigating the Small and Medium-sized Enterprises (SMEs). This sector plays a crucial role in the economic growth in both developing and developed countries (Mitchell & Reid, 2000).

International Federation of Accountant (1998) defines Management accounting as a specialized field of accounting which focuses on information for managerial planning, evaluating, and controlling in organizations.

Azudin and Mansor (2017) states that management accounting literature continues to suggest the benefits of adopting Management Accounting Practices (MAPs) in improving business sustainability.

Zheng (2012) states that management accounting system has been developing in China in the last three decades. In recent years, China is quickly stepping into a market-oriented economy which requires many facets of its economy and society to be changed

Professor Akira Nishimura (2002) developed the Sino-Japanese perspective of management accounting practices evolution also described into four stages. "Drifting" stage uses financial accounting data for business management. "Traditional" stage uses accounting techniques such as budgetary control, standard costing, break-even-point analysis and variance analysis. "Quantitative" stage utilizes quantitative and information theory such as mathematical formulas. Lastly, "Integrated" stage also known as "total package" realizes the need to integrate various organizational functions with the management accounting system such as using target costing, activity-based costing, and balance scorecard.

However, it is also imperative to mention that, within the South African context, there is dearth of research studies that have shed light on the impact of management accounting practices on the business performance of Small and Medium Enterprises in South Africa (Maziriri and Mapuranga, 2017).

Ahmad (2017) quoted Nandan (2010) who stated that despite the economic and social importance of SMEs, there is a lack of research efforts studying the provision for management accounting information and use of management accounting techniques by SMEs.

Reider (2008) believes that owners and managers of small businesses find it difficult to apply Management accounting in the day -to- day running of their organisations. According to Lavia Lopez and Hiebl (2014), the practice of management accounting in SMEs is low and different from large companies.

In Tanzania very few studies have been conducted on management accounting and financial performances of SMEs (Mpili, 2012)

1.1.2 Conceptual Perspective

This study was conceptualized to use financial reporting (Balance sheet and the Income statement), financial auditing (Both internal and external audits) and management accounting as the independent variables while the dependent variables was profitability (ROA and Net Profit margin).

1.1.3 Contextual Perspective

Small and Medium Enterprises (SMEs) play an important role in any economy through generation of employment, contributing to the growth of Gross Domestic Production (GDP), embarking on innovations and stimulation of other economic activities (Akande, 2011). Therefore, for the developing countries, it is important to accelerate the growth of SMEs in order to gain sustainable development. In the context of SMEs, accounting information is important as it can help firms manage their short-term problems in critical areas like costing, expenditure and cash flow by providing information to support monitoring and control (Mitchell et al., 2000). Therefore, any issue that seems to hinder their performance should be investigated in order to mitigate the problem at budding stage.

In Tanzania SMEs employ over 59% of the working population and supports over 78% households either directly or indirectly. That is to say in a nutshell, SMEs are major source of livelihoods in Tanzania. In line with the government policy of growing the economy for Tanzania to become a middle earning economy and to eradicate poverty the performance of SMEs is a critical issue (Mkonyi 2013).

According to Tanzania Investment Centre Report (2017) 38% of the SMEs collapse in the second year of establishment, while 40% remains dormant making little profits. Also, 28% remain stagnated with limited growth, expansion and innovative methods of new products and services. Further, in a pilot investigation by the researcher, most of the owners of the SMEs complain of constrains towards the growth of their SMEs.

Although, there are many factors that may lead to collapse and non-performance of SMEs, this study opted to investigate accounting best practices because of their integral use in the management of business finances.

1.2 Statement of the Problem

The performance of Small and Medium enterprises (SMEs) are said to be faced with myriad of constrains in developing countries as observed by Akande and Yunus (2013). SMEs in Africa have been considered to be a very important engine for obtaining national development goals, such as poverty alleviation and economic growth (Mokaddem, 2006). Tanzania as a developing country is not exempted from these constrains.

Turyahebwa et al (2013) pointed that poor business performance has for long remained unexplained most especially in the third-world countries perspective where the Small and Medium Enterprises occupy the large part of the economy. However, some studies from developed nations such as Nguyen, (2001) cite inefficient financial management practices to contribute immensely to SMEs poor business performance.

Data from Tanzania Investment Centre shows that, 38% of the SMEs collapse in the second year of establishment, while 40% remains dormant making little profits. The trend might be caused by different constrains such as, lack of capital, lack of business skills, lack of innovation, un-favourable government policies, and underutilization of accounting practices to guide the enterprises on financial matters (Tanzania Investment Centre, 2017).

It is believed that the growth of SMEs would offer employment opportunities to people and spur economic development in Dar es salaam and Tanzania in general as stated by Mokaddem (2006). The government of Tanzania has done a lot of efforts to create a suitable environment for profitability of SMEs. Some of this effort includes enactment of laws for the creation of microfinance institutions and the introduction of entrepreneurship course to curriculums of schools and colleges.

Moreover, resource based theory advocates for good accounting best practices to be in place by having abundant resources but did not address the collapse of the SMEs and their ascertainment of little profit.

Despite the government putting a lot of efforts the problem of SMEs of either making little profit or collapsing still persist. This raises the question "Could SMEs closure or making little profit is caused by underutilization of accounting practices?" This prompted the researcher to design this study to assess the impact of accounting practices adopted by SMEs on financial performance of SMEs in Ilala District, Dar es salaam, Tanzania.

1.3 Purpose of the study

To assess whether best accounting practices are the cause of collapse of SMEs in Ilala District, Dar es salaam, Tanzania

1.4 General Objective

The general objective was to assess the impact of accounting practices on financial performance of SMEs in Ilala District, Dar es salaam, Tanzania.

1.4.1 Specific Objectives

i.   To assess the accounting best practices adopted by SMEs in Ilala District, Dar es salaam, Tanzania.

ii.   To analyze the trend of financial performance of SMEs in Ilala District, Dar es salaam, Tanzania during the time scope.

iii. To determine the relationship between accounting practices and financial performance of SMEs in Ilala District, Dar es salaam, Tanzania.

1.5 Research Questions

i.   What are the accounting best practices adopted by SMEs in Ilala District. Dar es salaam, Tanzania?

ii.   What is the trend of financial performance of SMEs in Ilala District, Dar es salaam, Tanzania?

iii. What is the relationship between accounting practices and financial performance of SMEs in Ilala District, Dar es salaam, Tanzania?

1.6 Hypothesis .

H_0: There is no significant relationship between accounting Best Practices and financial performance by SMEs in Ilala District, Dar es salaam, Tanzania.

H_1: There is significant relationship between accounting Best Practices and financial performance by SMEs in Ilala District, Dar es salaam, Tanzania.

1.7 Scope of the Study

The scope of the study is divided into geographical, content, theoretical and time scopes.

1.7.1 Geographical scope

This study was conducted at selected SMEs in Ilala Municipality. Ilala Municipality is one of the five Municipalities of Dar es salaam region in Tanzania. Ilala Municipality is one of the areas concentrated with SMEs in Dar es salaam region. Key markets in Dar es salaam are situated here, for example, Ferry fish market, Kariakoo Market and shopping areas, Karume markets, Ilala Markets, and Buguruni Markets. The area was chosen because of the information by Tanzania Investment Centre (2017) that 38% of SMEs in this region collapse in the second year of establishment. Also, the area was chosen because the researcher is able to frequent the area for data collection easily since he resides from the area.

1.7.2 Content Scope

This study focused on SMEs accounting best practices and impact on their financial performance specifically dwelled on financial reporting, financial auditing and management accounting.

1.7.3 Theoretical Scope

This study used resource based theory as its theoretical foundation. This theory calls for abundance of resources to have a competitive advantage over SMEs rivals.

1.7.4 Time scope

This study observed SMEs accounting practices for period of five years from 2013 to 2018 as this period constitutes clamor for revitalization of SMEs development to alleviate poverty in Tanzania.

1.8 Significance of the Study

i) To SMEs Owners

This study may benefit the owners of SMEs by enabling them understand how accounting best practices are important to their business.

ii) To Policy Makers

This study may also benefit policy makers and various leaders in determining how intervention on best SMEs can be guided on use of accounting best practices to increase their financial performance.

iii) To future scholars

Also this study may be helpful to researchers who will use it as their platform, literature for their studies.

iv) To KIUT

This study may also enable the university to organize curriculum to meet SMEs needs on accounting best practices.

v) To the researcher

This study enabled the researcher to acquire degree of Master of business Administration (Finance and Accounting).

1.9 Definition of Key Terms

1.9.1 Small Enterprises

This is an economic organization with 1-49 employees and having capital of 5millions to 200 million (Tanzania SMEs Policy Review, 2003).

1.9.2 Medium Enterprises.

This is an economic organization with 50-99 employees and having capital of 200millions to 800 million (Tanzania SMEs Policy Review, 2003).

1.9.3 Financial Performance

Financial performance is traditional and most commonly used tool to measure organizations' performances which includes profitability (ROA, Net profit) (Kirsten et al, 2015).

1.9.4 Return on Total Assets.

The ratio of net income to total assets measures the return on total assets after interest and taxes. The ratio indicates the efficiency with which management has used its resources to obtain income: Return on total assets (ROA) = Net profit after taxes/ Total asset X 100

1.9.5 Net Profit Margin Ratio:

Net profit margin meanwhile indicates what percentage of a company sales revenue would remain after all costs has been taken into account (Michalisin et al, 1997). Net Profit Margin Ratio = Net Profit / Sales x 100%.

CHAPTER TWO

LITERATURE REVIEW

1.0 Introduction

This chapter describes the theoretical literature review, empirical literature review and the research gap.

2.1 Theoretical Literature Review

This study will be guided by resource based theory.

2.1.1 Resource Based Theory

The term "resources" was conceived broadly as "anything that can be thought of as a strength or a weakness" of the firm (Wernerfelt, 1984:172). The theory addresses the central issue of how superior performance can be attained relative to other firms in the same market and posits that superior performance results from acquiring and exploiting unique resources of the firm.

The resource-based perspective argues that sustained competitive advantage is generated by the unique bundle of resources at the core of the firm (Conner and Prahalad, 1996; Barney 1991).

The Resource-Based Theory (RBT), by contrast, can be seen as an "inside-out" process of strategy formulation. We start by looking at what resources the firm possesses. Next, we assess their potential for value generation and end up by defining a strategy that will allow us to capture the maximum of value in a sustainable way.

Resource based theory is concerned with the idea that a firm's internal resources can become a direct source of sustained competitive advantage for the firm. This is distinct from traditional notions of competitive advantage popularized first by Porter (1985) which stressed competitive advantage was attained for the firm through external means such as products, location or customer base.

Sveiby (2000) draws the distinction that while traditional views of competitive advantage, such as Porter's, are product based, Resource based theory is knowledge-based. The notion that a firm's human resources could be a source of sustained competitive advantage dates to 1984 (Fahy, 2000; Wright & McMahan, 1992) although it seems not to have gained much momentum as a mainstream theory in the academic literature until a decade later.

Yang and Konrad (2011) explain that these resources become valuable when they are used to enable the organization to implement its business strategy. It is through the implementation of business strategy that sustained competitive advantage (SCA) can be achieved.

Leiblein (2011) has observed that RBT is premised upon two observable truths. Firstly, firms vary in their ability to control access and organize productive resources. Secondly, firms' differences in resources and resource management at least partially explain performance differences among close competitors. The nature of resources and resource management are the two main issues that this section will address.

In her book, The Theory of the Growth of the Firm, Edith Penrose (1959) offered some strong principles governing the growth of firms and the rate at which firms can grow successfully. She claimed that firms are a bundle of internal and external resources that help a firm to grow and to realize a competitive advantage.

According to Penrose, firm size is incidental to the growth process, whereas firm growth is determined by the effective and innovative managerial resources within the firm. She further explained that the availability of top managerial and technical talent serves as an engine to a firm's growth. Penrose has also suggested that ignorance of these factors results in failure and loss of competitive advantage.

According to Yang and Konrad (2011) resource based theory (RBT) is concerned with organizational performance heterogeneity. The objective is to bring together a range of internal resources which combined and deployed strategically can create competitive advantage for the organization. Internal resources include various types of capital: Physical capital (buildings; machinery; stock); financial capital (investments; cash reserves; operating capital); human capital (the knowledge, qualifications, skills and experience of employees) and corporate capital (trademarks; patents; systems).

The unique bundle of qualified human resources especially in Accounting and finance spheres enable proper accounting best practices within the SMEs. Hence this study used this theory to assert on the use of unique and qualified accounting professional to enable the ascertainment of profits and maintain an optimal competitive advantages.

2.2 Conceptual Framework

Conceptual framework is a graphical or diagrammatic representation of the relationship between independent and dependent variable in a study. It helps the researcher see the proposed relationship between the variables easily and quickly (Mugenda and Mugenda 2003). The conceptual framework of this study is shown in figure 2.1

Independent Variables

Dependent Variables

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┌──────────────────────────────┐                 ┌──────────────────────────────┐
│ Accounting Best Practices    │                 │ Financial Performance        │
│                              │   ────────▶     │                              │
│   ● Financial Reporting      │                 │   ● Profitability (ROA, Net  │
│   ● Financial Auditing       │                 │     Profit Margin)           │
│   ● Management Accounting     │                 │                              │
└──────────────────────────────┘                 └──────────────────────────────┘
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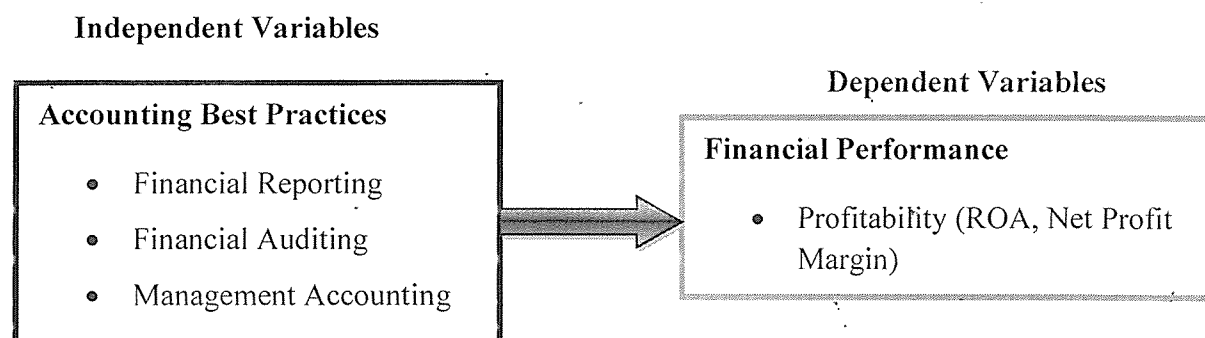
Figure 2.1 Conceptual Framework

Source: Researcher (2018)

The conceptual framework in figure 2.1 has accounting practices as independent variable with three constructs (Financial reporting, Financial Auditing and Management accounting) and financial performance of SMEs (Profitability) as the dependent variable. Financial reporting included preparation of financial statements which includes the statement of financial position, the statement of comprehensive income and the statement of cash flows. Financial auditing included internal auditing and external auditing. Management accounting included budgeting and budgetary control. Profitability on the other hand includes the net profit earned for SMEs operations which help them to expand and acquire more assets. As aforementioned from the data of Tanzania Investment Centre, that 38% of the SMEs are collapsing in the second year and 40% are running with little profit, this study assumes that the cause of this mayhem could be underutilization of accounting best practices. Therefore, the independent variable with its constructs financial reporting, financial auditing and management accounting helped us determine the dependent variable in the construct of profitability. In knowing the dependent variable we can ascertain the profitability of this study.

Financial Reporting

As a construct of accounting best practices considered under this study, financial reporting refer to the whole process of the preparation of the final accounts. Which process Kofi et al (2014) stated that it included recording of transactions, summarizing, extraction of trial balance and the preparations of statement of financial position (Balance sheet), the statement of comprehensive income(Profit and Loss Accounts), the statement of Cash flow and the statement of equity.

Financial auditing

In this study, financial auditing is referring to the internal and external audit practices in SMEs.

Management Accounting

In this study, this involved management use of the accounting information and even budget and budgetary control in SMEs.

Profitability

This is the ability for the SMEs to generate profit which later help them to increase their assets and expansion purposes.

2.3 Empirical Literature Review

Maseko and Manyani (2011) in their study entitled Accounting practices of SMEs in Zimbabwe investigated accounting record keeping practices for performance measurement employed by SMEs in Zimbabwe. The survey research design was used. The target population comprised of 100 SMEs. The study revealed that the majority of SMEs do not keep complete accounting records because of lack of accounting knowledge and as a result there is inefficient use of accounting information in financial performance measurement. This study is different as it was done in Zimbabwe and not in Tanzania.

Uddin et al (2017) in a study Accounting Practices of Small and Medium Enterprises in Rangpur, Bangladesh used empirical studies. The findings of the study reveal that only 20% of enterprises follow the accounting system directly and the other 80% of the enterprises follow the accounting system indirectly. However, the study was done in a foreign country.

Olajunji (2013) conducted a study titled The Impact of Accounting System on the Performance of Small and Medium Scale Enterprises ·in Nigeria -A Survey of SMEs in Oyo State-Nigeria. It was aimed to examine the impact of sound accounting system on corporate performance of small and medium scale enterprises. This was done by a survey carried out through questionnaire and analysed using the F-Statistic (ANOVA). Results showed that adoption of sound accounting system enhances performance of small and medium scale businesses. But the SMEs' polices in Nigeria are different from those in Tanzania so the results cannot be replicated.

Ibrahim (2015) studied Impact Assessment of Accounting System on the Performance of Small and Medium Enterprises (SMEs) in Bauchi Metropolis, Nigeria. The study used a survey method of data collection. It was established that most of the SMEs do not keep proper accounting record. The study recommends that to ensure a sound accounting system, SMEs operators should compel themselves to employ qualified accounting personnel. The current study assessed the impact of accounting practices on performance of SMEs in Ilala District in Tanzania.

Bismark et al (2018) studied Impact of Financial Management Practices on the Growth of Small and Medium Scale Enterprises in Ghana: The Case of Birim Central District, Ghana. A descriptive survey was used. Both quantitative and qualitative approaches were adopted for the study. The results further revealed that most of the respondents totally agreed to the importance of financial management Practices.

Karunananda and ·Jayamaha (2011) in a study conducted titled Financial Practices and Performance of Small and Medium - sized Enterprises in Sri Lanka establish some associations that exist between the comprehensiveness of financial practices adopted by SMEs. In the study sample and measures of SME performance and the relationship were evaluated by using correlation coefficients. The findings suggest a significant difference in comprehensiveness of financial practices between small enterprises and medium-sized enterprises in study sample, with these practices being more extensive in medium-sized concern.

Amoako (2013) studied Accounting Practices of SMEs: A Case Study of Kumasi Metropolis in Ghana. In this study investigation was on the record keeping strategies utilized by SMEs in Kumasi (Ghana) through data based on responses to a structured questionnaire from 210 SMEs

in Kumasi. The results reveal that SMEs do not maintain proper books of accounts because owners do not appreciate the need to keep accounting records, lack the necessary accounting knowledge and blame the cost of hiring accounting professional. The current study used accounting practices; financial reporting, auditing and management accounting.

Mkonyi (2013) studied Impact of Accounting Records on Small and Medium enterprises' performance; a case of small and medium enterprises in Ilala District, Dar es salaam. The study used qualitative approach with a sample of 100 SMEs and found out that SME owners are not aware of the procedures of keeping accounting records and most of them prefer to keep accounting records themselves rather than hiring a professional which is expensive but more efficient because professional accountants are well aware of every procedure involved in keeping accounting records. The study assessed the impact of accounting best practices on the financial performances of SMEs in Ilala District, Dar es salaam, Tanzania.

Mpili (2013) studied investigation of availability and uses of financial statements in small businesses in Tanzania; the case of dare s salaam region. In the study which involved 92 SMEs located in Dar es salaam, the study revealed that there was need to investigate approach to study financial management and decision making in entrepreneurship courses as capacity building to enable effective operations of SMEs.

Astutie and Fanani (2016) conducted a study on small to medium sized enterprises and their financial report quality in Malaysia and concluded that many SMEs in central Java still do not understand the financial accounting system and Information technology in financial report, but they have the intention to learn and implement it.

Mpoma (2017) conducted a study on the compliance and challenges of implementing International Financial Reporting Standards (IFRS) for SMEs in Tanzania. In the study conducted in Dar es salaam and Mbeya regions in Tanzania, a descriptive survey was applied and random sampling technique was used to selected 50 SMEs operating in the two regions. The study revealed that there was low compliance to IFRS for SMEs due to quite high costs of implementing and ignorance about the existence of IFRS for SMEs. Lack of basic accounting knowledge was one of the challenges faced.

Rathnasiri (2014) conducted a study on financial reporting practices of small and medium enterprises (SMEs) in Sri Lanka. The researcher selected the target sample of 60 SMEs. Analysis of the study reveals that SMEs pay more consideration in preparation and monitoring of three components of financial statements balance sheet, statement of profit and loss account and cash flow statement. Thus Sri Lankan SMEs prepare the reports which help the owner/mangers to control the financial position and performance of the business. Results demonstrated that the highest importance is placed on preparation and monitoring of cash flows of the businesses which is critical to the success and survival of SMEs. But most of the SMEs have maintained the informal accounting systems and lack of comprehensive set of financial reports. SMEs in Sri Lanka must cope with the uncertainty of the business environment, therefore up to date financial information for decision making is paramount importance.

Asaduzzaman (2016) conducted a study titled accounting and Financial Reporting Practices of SMEs: Bangladesh Perspective. The primary data were collected from the total number of 100 Accountants/ managers using a structured questionnaire. The study revealed that 44% of SMEs keep accounting records which are mainly Profit and loss Account, Bank Statement, Balance Sheet, Cash Flow statement etc respectively and the main purpose of keeping records is to track the receivables and payables, to support in accessing credit/finance and to evaluate performance. 56% of SMEs do not keep accounting records because they perceive that it is difficult to maintain the system as well as unnecessary even It makes the enterprise to pay more tax.

Ntim et al (2014) conducted a study titled Accounting practices and control systems of small and medium size entities: A case study of Techiman municipality. The researchers sampled 50 firms operating in various sectors of economic activity. A structured questionnaire was used to collect primary data from the respondents which were analyzed to generate frequencies and percentages. The study revealed that SMEs kept at least one book of account to record business transactions. The results also revealed that, the need to prepare a complete set of financial statements is determined by the size of the firm, age of business and engagement of accounting personnel.

Amoah et al (2014) studied accounting practices of SMEs in Sunyani: an investigative study of record keeping for performance measurement. The aim of the study was to contribute to the body

of knowledge in the area of SMEs accounting by analyzing the types of accounting records SMEs keep and maintain as well as the types of financial statements SMEs prepare using a sample of 120 respondents selected based on convenient sample method. Primary data was collected using structured self-designed and self-administered questionnaire. Primary data was analysed using percentages, frequencies and presented using tables. The findings indicate that SMEs in the survey keep purchases day book than the other books identified. Statement of account is the most prepared financial statement.

Ezeagba (2017) conducted a study titled financial reporting in SMEs in Nigeria, Challenges and options. Survey method and time series data were used and data were collected through the use of questionnaire and CBN statistical bulletin. Data generated were analyzed with simple percentage table. The study found that the challenges facing SMEs in preparation and presentation of financial reports are: inadequate accounting books and records, manpower, accounting system and non-running their transactions through the banking system.

Kofi et al (2014) conducted a study titled assessing financial reporting practices among small scale enterprises in Kumasi metropolitan assembly. The aim of this research is to access financial reporting practices among small scale enterprises. The study further considered the problems faced by Small Scale Enterprises in preparing financial reports. The researchers used both qualitative and quantitative method, supported by statistical analysis of the survey data. The primary instruments used to collect data were interviews, observation and questionnaire. The findings confirmed that there is poor financial record keeping and financial reporting practices among small scale enterprises

Rutto and Oluoch (2017) studied the effect of budgetary control on financial performance of savings and credit cooperative organizations in Nairobi County. The specific objectives of the study were; to determine the effect of human capital budgetary control on financial performance of savings and credit cooperative organizations and to establish effect of cash flow budgetary control on financial performance of savings and credit cooperative organizations. Theory of budgeting and budgetary control model informed the study. This study employed explanatory research design. The target group of the study was 40 Savings and Credit Cooperative Organizations (SACCOs) in Nairobi County registered under Sacco Societies Regulatory

Authority (SASRA). The study used questionnaire to collect data. Findings showed that human capital budgetary control and Cash flow budgetary control had significant effect on financial performance of savings and credit cooperative organization.

Suárez (2016) conducted a study on best management practices: SMEs' organizational performance management based on internal controls in Mexico. The paper aims to analyze the best management practices that may enable small and medium organizations in Mexico to achieve desired organizational performance. The study opted for content analysis and a review of the literature. The paper provides a conceptual framework for small and medium sized enterprises (SMEs) to achieve organizational performance. It lays groundwork for the development and implementation of best management practices that could provide important opportunities for SMEs to enhance productivity and performance. It is essential that these firms select the management focus and detect the existing associations among managerial practices to build the capacity for strategic and efficient assessments to influence competitiveness.

Mwanza and Benedict (2018) conducted a study on Challenges in utilizing budgets among SMEs in the manufacturing sector is the Cape Metropole.
As management accounting tools, budgets are internationally recognised for their role in planning of activities, and efficient allocation of resources in business entities. Preparation and utilisation of budgets for managing businesses is not without challenges. The purpose of the study was to establish the extent of preparation and utilisation of budgets by SMEs in the manufacturing industry in the Cape Metropole, with a focus on identifying the challenges faced by these entities in using these management accounting tools. The study pursued a descriptive research design, collecting data from 108 owners/managers of SMEs in the manufacturing industry in the Cape Metropole. The results of the study show that, close to 30 % of SMEs in the manufacturing industry in the Cape Metropole do not prepare budgets at all. Amongst the 70% who prepare budgets, 67% face challenges in utilizing budgets. Overall, only 23% of the surveyed SMEs prepare budgets and utilize them without facing challenges

Mustapha and Yaen (2013) conducted study on demand for voluntary audit by small companies in Malaysia. The study aimed at investigating the perception and expectations of these small business owners on the value of audits to their businesses when they voluntarily have their financial statements audited.   About 62 samples are obtained from sole proprietors and

partnerships in Malaysia. Multiple regression analysis is used to estimate the relationship between the variables. The results of the study indicate that owners perceived that the voluntary audit conducted would be able to improve the quality of their financial statements. Among others, the managerial ownership and total number of employees are the characteristics that significantly influence the demand for voluntary audit

Nakhaima (2016) conducted a study on the Factors that Affect Financial Performance of Small and Medium Enterprises in Kenya. The purpose of the study was to determine factors that affect financial performance of SMEs in Kenya. A descriptive research design was adopted for this study. The target population of the study included the 4,560 SMEs in Nairobi County. The study findings showed that there were 2500 SMEs in Manufacturing, 1500 SMEs Trading and 560 SMEs in the service industry. Stratified sampling technique was used to determine a sample size of 100 from the total population. Results led to the conclusion that corporate governance is a key determinant of financial performance. Results also led to conclusion that the SMEs had embraced and put into practice the structures of corporate governance and it worked for their good. The study came to a conclusion that access to finances was a key determinant of financial performance. Accessing bank loans easily improved the financial status of SMEs that subsequently led to reduction on the cost of finance which included higher interest rates, application fees, loan insurance premium, and legal fees. This in turn made it easy for SMES to grow as accessing finance became easier and less costly.

2.4 Research Gap

Studies have been done in the area of accounting practices and performance of SMEs such as Maseko and Manyani, (2011); Uddin et al, (2017); Olajunji, (2012); Ibrahim, (2015); Bismark et al, (2018); Karunananda and Jayamaha, (2011) among others. Maseko and Manyani (2011) studied accounting practices which they took it to be record keeping practices on performance in Zimbabwe This study dealt with accounting best practices whose constructs as financial reporting, financial auditing and management accounting. Also they studied performance while this study dwelt on financial performance of SMEs in Ilala Municipality

Uddin et al (2017) conducted in Bangladesh and this study was conducted in Tanzania in which each country has its own definition of SMEs. Also Uddin et al (2017) used the construct accounting system to constitute accounting practice and not financial reporting, financial

auditing and management accounting which have been used in this study. Olasunji (2012) in a study conducted in Nigeria used SMEs performance which is too general. This can mean corporate performance or even other performances. This study however used financial performance constituted by profitability of SMEs.

Ibrahim (2015) assessed accounting system on the performance of SMEs and did not tackle accounting best practices and financial performance as this current study did. Bismark et al (2018) studied impact of financial Management practices for SMEs in Ghana while this study viewed accounting best practices in Ilala Municipality, Dar es salaam.

Karunananda and Jayamaha (2011) studied financial practices on performance in Sri Lanka which was different from this study. However, these studies have been done in foreign countries and did not utilize the three constructs of accounting best practices to be used by this current study. As such there are literatures though differ in scope, content and abstract from the issue of accounting best practices and financial performance in Tanzania. Studies were done in Tanzania but did not use the same construct as in this study. Therefore, this study intended to fill gaps left by previous.

The theoretically the theories have not solved the tendency of SMEs collapsing; it just guided the study to establish the significance of the predicting variables. Resource based theory deals mainly with having a bundle of resource to have competitive advantage of its competitors. The collapsing and having little profits did not addressed.

This study contributes to the theory of the firm by propounding that accounting best practices are of significance to establish whether profits have not only been earned but maximized.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter describes research design, population, sample size, measurement of variables, data collection, reliability and validity of the instruments, and data analysis.

3.1 Research Philosophy

The selection of research design is rooted in the various philosophical underpinnings of different research paradigms. Each paradigm derives from a number of underlying philosophical assumptions, which help researchers to address the way they understand and inquire into social phenomena (Babbie, 2007). On a continuum of paradigms, positivism and interpretivism are two distinct philosophical stances. Positivism advocates the application of the methods of the natural sciences into the study of phenomena (Bryman and Bell, 2007). It requires theoretical concepts and hypotheses being developed before testing them, so it is viewed as hypothetical-deductive generalization (Patton, 1990). Interpretivism, on the other hand, believes that social phenomena derive from meanings in the minds of people and that individuals interact by their own wishes, perceptions, and interests (Robson, 2002). It seeks interpretive understanding of social phenomena, leading to the development of theory (Bryman & Bell, 2007; Collis & Hussey, 2009).

In the words of Cohen, Manion and Morrison (2000), research paradigm can be defined as the broad framework, which comprises perception, beliefs and understanding of several theories and practices that are used to conduct a research. In this study the researcher will observe Positivism philosophical approach to arrive at valid arguments to the set objectives and research questions. In this study positivism philosophical approach entails that financial reporting; financial auditing and management accounting are the main causers of the closure of SMEs

3.2 Research Design

A mixed methods research design was adopted in which quantitative approach used questionnaires to obtain data and qualitative approach used observation of what SMEs liked compared with accounting best practices. The study also adopted a Cross sectional study to observe and analyze the trend of financial performance of SMEs within the time scope. The approach triggered the study to use concurrent nested (embedded) design where questionnaires

were administered to SMEs while the qualitative approach was embedded to observe the trend of the profit earned by SMEs. This design was appropriate to this study because of the researcher wanted to add value to the quantitative data collected and hence have a conclusive view of SMEs accounting best practices.

The strata were SMEs which operate fabrication units, those dealing in goods and services, those dealing in services only and those dealing in goods only,

3.3 Population

The population of this study was total number of registered SMEs in Ilala District. In a communication with an officer at Ilala Municipal office, there were 1,065 registered SMEs. So the population of this study was 1,065 (Ilala Municipality monthly Review, 2018)

3.3.1 Sample Size

Saunders et al, (2003), states that selection of a sample should reflect representativeness of the targeted population. The sample strata were SMEs dealing in Goods only, Services only, Manufacturing, Goods and services and Fabrications. The sample size was calculated using Slovene's formula as below:

$$n = \frac{N}{1+N(e)^2}$$

$$= \frac{1,065}{1+1,065(0.05)^2}$$

$$= \frac{1,065}{1+1,065(0.0025)}$$

$$= \frac{1,065}{1+2.66}$$

$$= \frac{1,065}{3.66}$$

$$= 291$$

Where: N is the Population; n is the sample size; e is the level of significance or error term at 0.05. Therefore, the sample size was 291 SMEs.

3.3.2 Sampling Technique

Ngechu (2004) underscored the importance of selecting a representative sample through making a sampling frame. From the population frame the required number of subjects, respondents, elements or firms were selected in order to make a sample. Stratified proportionate random sampling technique was used to select the sample. Stratification aims to reduce standard error by providing some control over variance. From each stratum of the study, the researcher used simple random sampling to select 50 respondents. This sampling technique has been chosen to give equal chances to all categories of SMEs to be involved in the study.

3.4 Data Collection Instrument

Data were collected using a questionnaire.

3.4.1 Questionnaire

According to Kothari (2004), use of questionnaire is one of the most common data collection tools employed in research works. Questionnaires were used as it is relatively cheap when a large sample is used as recommended by Mugenda & Mugenda (2003). The questionnaire contained both closed and open ended questions. Questionnaire gave the respondents the ability to air their view while guided by the questions.

3.5 Validity and Reliability of Data Collection Instrument

3.5.1 Validity

The validity of an instrument is the degree to which an instrument measures what it is intended to measure Wario and Khalfan (2015). The questionnaire was taken to experts in accounting to crosscheck if the questions are valid (relevant and irrelevant) against the objectives of the study. There after the researcher used the Content Validity Index, to test the validity of the instruments. The result was that r = 0.821. Amin (2005) observe that this methods ensures only valid instrument is used to collect data since if the Content Validity Index is below 0.796 then the instruments must be revised accordingly before proceeding to collect data.

3.5.2 Reliability

A pilot study was administered on ten (10) potential respondents. Reliability was actualized by use of the test-retest method. The sample of ten respondents from different but distant time points was subjected to the instrument; correlation coefficient between the two time data was set and established. A correlation coefficient of 0.837 was realized and the study concluded that the instrument was highly reliable. Wario and Khalfan (2015) asserted that if a high coefficient was realized then the instrument was said to be highly reliable.

3.6 Data Processing and Analysis

The researcher checked for completeness of returned questionnaires. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS version 20 and presented through percentages, means, standard deviations and frequencies. The information was displayed by use of tables, bar graphs and pie charts and in prose-form.

Content analysis was used to analyze data that is qualitative in nature or aspect of the data that was collected from the open ended questions. According to Baulcomb, (2003), content analysis uses a set of categorization for making valid and replicable inferences from data to their context. Also regression analysis was used to determine the relation of the independent and the dependent Variables. The following regression model was used in this study;

$$Y = \beta_0 + \beta_1 FR + \beta_2 FA + \beta_3 MA + \varepsilon$$

Where

Y = Dependent Variable (Financial performance of SMEs; measured by return on assets and net profits of the firm)

β_0 = Constant (α = Alpha)

β_1 to β_3 = Coefficients

FR = Financial Reporting (was measured by the comprehensiveness of financial reporting practices used by SMEs. This was measured using various statements on Likert scale on financial reporting).

FA = Financial Auditing (measured by the comprehensiveness of financial auditing practices used by SMEs)

MA = Management accounting, this was measured by the comprehensive of management accounting practices used by small and medium enterprise.

ε = error term

The assumptions under this model are that the variables have a linear relationship; it has multivariate normality, no or little multi co-linearity and homoscedasticity. The variables where adopted from previous studies. Fixed effects model was used as shown in the equation above.

Qualitative details of the analysis

Khan and Khalique (2014) posits that in determining the firm's performance in modern times, organizations cannot solely rely on quantifiable measures such as cost and schedule performance, while ignoring qualitative measures such as customer satisfaction and innovation. Qualitative research is concerned with words rather than numbers, where the meanings of the words will create the context (Bryman and Bell, 2007).

Omar et al (2011) posits that the lack of knowledge in qualitative research area also prohibits further action to improve managerial skills and competencies level among SMEs. They added that it is worth investigating the performance measurement issues in SMEs in order to provide new empirical evidence to the body of knowledge.

However, Bryman and Bell (2007) argue that qualitative research is too subjective and impressionistic, which means that the findings depend on the researcher's view and ends with the open ended manner.

Kamuzora (2013) states that qualitative research, on the other hand, is concerned with qualitative phenomenon, i.e., phenomena relating to or involving quality or kind. It is a form of research that involves description, for example, describing and analyzing the culture and behavior of humans and groups from the point of those being studied.

Memo

The very nature of qualitative research requires the researcher to assume a reflexive stance in relation to the research situation, participants and data under study. As the researcher becomes immersed in the world of their participants, reflexivity facilitates an understanding of the impact of their own subjective influences on the collection and interpretation of data (Primeau, 2003).

The memos became a running reflexive history of understanding of themes as they emerged in the research (Snyder, 2012)

The data collected from the stratified sample showed negative responses to use of accounting best practices as a means of enhancing financial performance of SMEs in Ilala Municipality; answers given by the middle management running SMEs dealing in Goods, Services, Manufacturing, Goods and services, and fabrications. It showed that the majority of SMEs have no accounting best practices utilized. Data were collected in the municipal sub-urban, that is semi-rural areas in which negative responses have been given of which this could have disparity in responses. As observed, SMEs take seriously income earning as a means of enabling them earn profit. Customers were dealt with in a special focus than researchers.

Coding

According to Saldaña (2016), a code is "a word or short phrase that symbolically assigns a summative, salient, essence-capturing, and/or evocative attribute for a portion of language-based or visual data" (p. 4). Coding connects the qualitative data collection phase with the data analysis phase of a study.

Saldaña (2016) suggests, "As you code and recode, expect...your codes and categories to become more refined and, depending on your methodological approach, more conceptual and abstract" (p. 12).

This study coded lack of seriousness in trend of SMEs profit within the scope of time, accounting best practices and answering of questionnaires while taking seriously their customers.

Theme

From the study, SMEs in Ilala Municipality lack seriousness in accounting best practices and answering of questionnaires as compared to dealing with customers.

Theory

Theory-building programs also allow the field researcher to assemble and integrate all data, codes, memos, and more finished analyses in one file (Birks, 2008).

Constant comparison is the basis of theoretical analysis where the goal is theory generation (Green and Thorogood, 2004).

Charmaz (2001) stated that the earliest versions of the grounded theory approach depicted analysis as a dear cut; almost autonomous activity with the researcher "discovering" theory in field notes and other qualitative data. This approach seemed to imply that concepts and analytic categories lurked in field note data; waiting to emerge and be discovered by the field researcher. But contemporary grounded theory practitioners, while remaining strongly committed to inductive procedures, no longer emphasize the "discovery" of theory; rather, they recognize that analysis pervades all phases of the research enterprise as the researcher makes observations, writes field notes, codes these notes in analytic categories, and finally develops explicit theoretical propositions (Ibid)

From the observations conducted, this study purports that, "SMEs have high affinity for earnings than accounting best practice". Most SMEs preferred dealing with customers than having accounting best practices. This contravenes accounting best practices as SMES advocated for abundance of resources rather than accounting best practices causing no clear trend of the profits they earn.

Resource based theory should include the inherent ascertainment of profits as a way of increasing the resources of the firms to have competitive advantages.

3.7 Ethical Consideration

A letter of introduction to the SMEs from KIUT was sought. Respondents' consent was in consideration before allowed to participate in the study. Respondents were informed about the purpose of the study. Anonymity and confidentiality was maintained throughout the study.

3.8 Limitations of the study

This study was conducted in Ilala Municipality in Dar es salaam, Tanzania where the main language is Swahili. Language barrier was one of the limitations as not all respondents were fluent in English. However, the researcher translated the questions in to Swahili. Also the respondent showed signs of reluctance in responding to the questionnaire causing the researcher to have a close follow up which had bearing on costs. However, this limitation was tackled by producing more questionnaires than the required sample and the number of those who filled was monitored on collection.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

4.0 Introduction

The purpose of this chapter is to describe data analysis and the interpretation on the impact of accounting best practices on financial performances of SMEs in Ilala Municipality, Dar es salaam. This chapter focuses on the data obtained from the questionnaires administered at SMEs within Ilala Municipality. Also, this chapter presents the profile of the SMEs as respondents. Furthermore it gives detailed information on the findings which are presented in tabular, chart and graph formats which have been analyzed using SPSS version 20. Due to unavailability of secondary data regarding SMEs' financial statements, the research embraced primary data to collect same data. This concurred with Long and Ombongi, 2018.

4.1 Profile of the SMEs and respondents.

Under the profile of the SMEs and respondents, this study obtained information on the type of SMEs, ages of the respondents and the responding official.

4.1.1 Types of SMEs

In order to have proportionate representation and avoid biasness, each category of SMEs in Ilala Municipality involved was selected as shown in figure 2.2.

Pie Chart 4.1: Types of SMEs Business

- Fabrication 7%
- Service(s) 23%
- Manufacturing 23%
- Goods 23%
- Goods and Services 24%
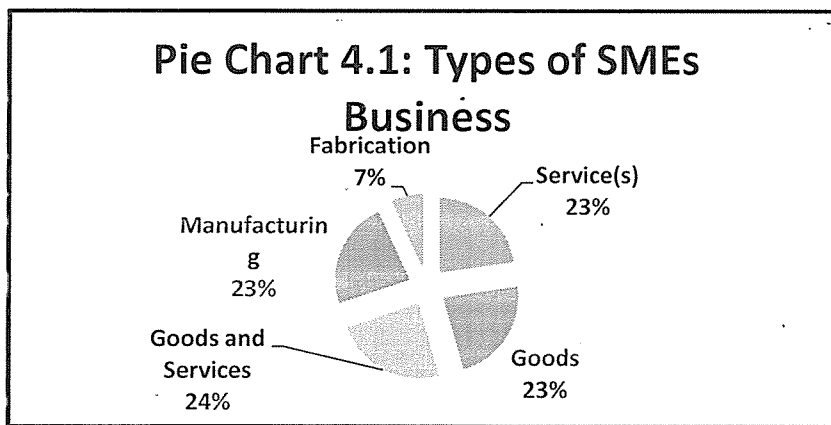
Source: Researcher, 2018

Figure 2.2

Figure 2.2 shows that, SMEs operating in goods and services were 70 ,equal to 24.1%, those dealing in Manufacturing were 68 equal to 23.4%, those dealing in services were 66 which was equal to 22.7%, those dealing with fabrication were 20 equal to 6.9%. In this study, the majority of SMEs were those of goods and services due to the ease by which they were able to be reached compared to fabrication. It was very important to have proportionate size of the SMEs of different types to avoid basing our conclusion on one type of SME to draw conclusions.

4.1.2 Duration in operation by SMEs

Figure 2.3 shows the duration of operation by SMEs and the result are shown below:-

Duration in Operation by SMEs
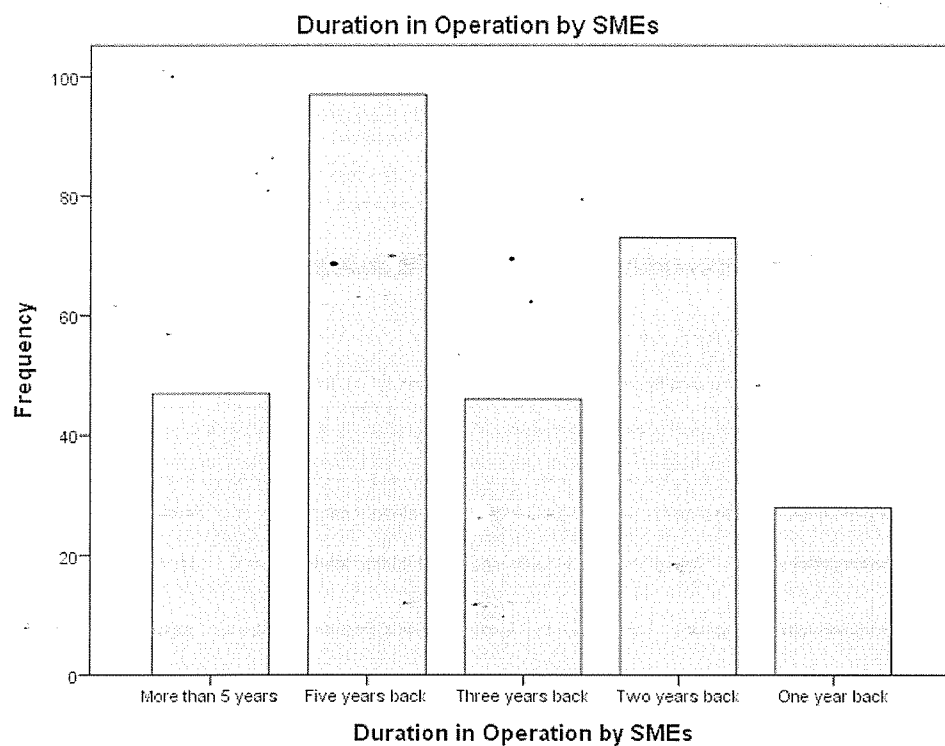
Source: Researcher, 2018
Figure 2.3

Figure 2.3 shows that, 97 SMEs which equals to 33.3% were in operation for 5 years were the highest. Followed by 72 SMEs which equal to 25.1% were in operation for 2 years; then those which had been in operation for 5 years and above were 47 equal to 16.2%. Those which had been in operation for 3 years were 46 equal to 15.8% while those who were in operation for 1 year were 28 equal to 9.6%. The results are similar to those of Mkonyi (2013) who conducted a study of 100 SMEs, and found that the majority of them had been in operation for 5 years. This data helped to gauge and evaluate SMEs which were in operation while knowing how they prospered in business taking into account the accounting best practices.

4.1.3 Ages of the Respondents

Age of the respondents was investigated to know which age bracket the respondent belonged to. Table 4.1 shows the summary of the results.

Table 4.1: Ages of the respondents

Ages in years	Frequency	Percent
Below 25	2	0.7
26 – 31	56	19.2
32 – 38	154	52.9
39 – 45	50	17.2
45 and above	29	10.0
Total	291	100.0

Source: Researcher, 2018

In Table 4.1, the majority of the ages which are more involved in running SMEs are the ages ranging from 32 years old to 38 years old which has 52.9%. They are followed by age group of 26 – 31 years with 19.2%. The age group of 39 – 45 years old was 17.2% while 45 and above years consist of 10%. Those below 25 years were the fewest with 0.7%.

The age of the respondents is also important in this study in that we can know which age groups are vigorously active in running SMEs. This can prompt any planning, as far as SMEs is concerned, to channel interventions bearing in mind the age group. Nakhaima (2016) also observed that age was important while dealing with financial practices of SMEs.

4.1.4 Responding Officials

The Figure 2.4 shows the officials who responded to the questionnaire in this study.

Responding Offcial
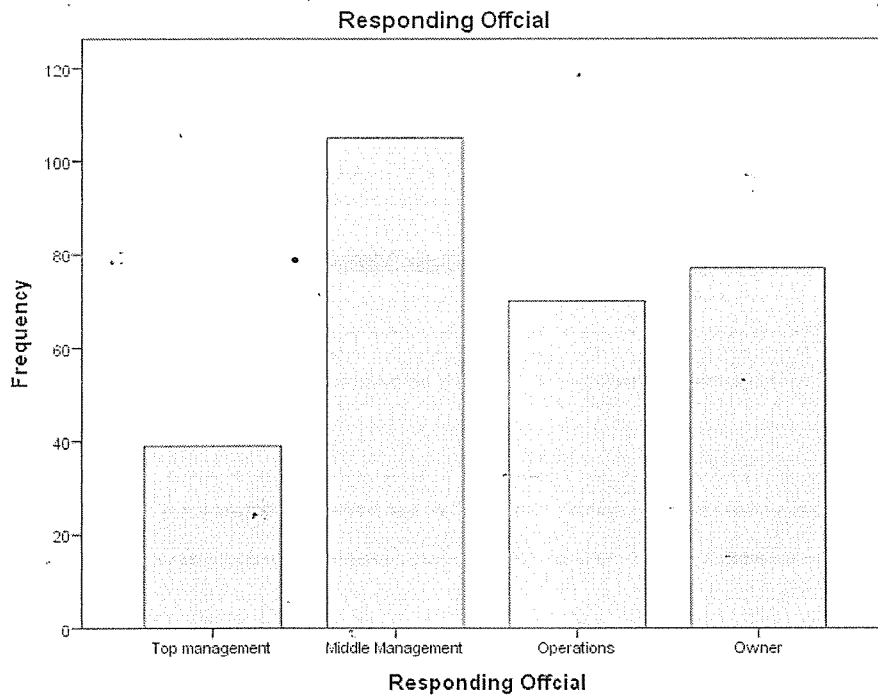
Source: researcher, 2018
Figure 2.4

Figure 2.4 shows that, middle management were the respondents with highest number of respondents, followed by owners, then operation officials and lastly were the top management of the SMEs in Ilala Municipality. The result shows that, the information given by respondents came from the reliable persons who are amidst the operations of the SMEs in Ilala Municipality.

4.2 Accounting practices adopted by SMEs in Ilala District, Dar es salaam, Tanzania.

This was the first objective of the study. The study wanted to assess the accounting practices adopted by SMEs.

4.2.1   Presence of Accountants in SMEs

The study sought to establish the presence of accountant in SMEs to enable gauge if accounting best practices were being carried out. Table 4.2 shows summary of the results.

Table 4.2: Presence of accountants in SMEs

Variables	Frequency	Percent
Strongly Agree	10	3.4
Agree	42	14.4
Neutral	59	20.3
Disagree	165	56.7
Strongly Disagree	15	5:2
Total	291	100.0

Source: Researcher, 2018

The result for the mean was as follows:

	Mean	Standard deviation
SMEs have accountants to keep their books of account	1.457	0.9214

Table 4.2 shows that 165 respondents equal to 56.7 % disagreed that they have accountants. 59 respondents equal to 20.3% were neutral, 42 respondents equal to 14.4% agreed that they have accountants, 15 respondents equal to 5.2% strongly disagreed to having accountants in their SMEs and 10 respondents equal to 3.4% agreed that their SMEs have accountants. Accountants are the custodian of the accounting best practices. Their being in the operations of the SMEs in Ilala is vital for keeping good track of accounting best practices. This result showed that, most SMEs don't have accountants.

According to Turyahebwa et al (2013), the mean results were arranged as follows:

Mean Range	Response Mode	Interpretation
3.26 - 4.00	Strongly Agree	Very High
2.51 - 3.25	Agree	High
1.76 - 2.50	Disagree	Low
1.00 - 1.75	Strongly Disagree	Very Low

The mean of this result was 1.457 and the standard deviation was 0.9214; which according to Turyahebwa et al (2013) it was low and concur with the above result that most SMEs didn't have accountants. The result supports the findings of Amoako (2013) who studied Accounting

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Practices of SMEs: A Case Study of Kumasi Metropolis in Ghana and found that SMEs did not maintain proper books of accounts. The result also supports Mkonyi (2013) who found out that most of SMEs do not keep accounting records. This signifies that there were no accountants in those SMEs. She cited one of the challenges as being ignorance and poor support from the workers responsible with records in the organizations.

Also the result rhymes with the findings of Senzu and Ndegubri (2018) which stated that several of the SMEs do not keep legitimate book of accounts and few once keep records such as petty cash book and Sales day book, which seems to agree with the findings of Abudu & Azeko (2015) that only a minute of SMEs keep good accounting records due to lack of accountants.

4.2.2   Whether SMEs outsource bookkeeping activities

The study evaluated whether SMEs outsource their bookkeeping activities. Table 4.3 shows the summary of the findings.

Table 4.3: Whether SMEs outsource bookkeeping activities

Variables	Frequency	Percent
Strongly Agree	19	6.5
Agree	68	23.4
Neutral	10	3.4
Disagree	50	17.2
Strongly Disagree	144	49.5
Total	**291**	**100.0**

Source: Researcher, 2018

The mean for the results were:

	Mean	Standard deviation
We report yearly our Financial report	2.2027	1.4203

Table 4.3 shows that 144 respondents equal to 49.5% strongly disagreed to outsourcing of their bookkeeping activities, 68 respondents equal to 23.4% agreed, 50 respondents equal to 17.2%

disagreed, 19 respondents equal to 6.5% strongly agreed and 10 respondents equal to 3.4% were neutral. By strongly disagreeing to this, means that the accounting best practices of SMEs in Ilala Municipality was not practice.

The table by Turyahebwa et al (2013) affirmed that the result for the mean which showed 2.2027 and with standard deviation of 1.4203 affirms that the majority of the respondents disagreed.
The result differs from Ploybut (2012) who asserted that lack of accounting skills of their in-house accountant led them to outsource bookkeeping and statutory compliance tasks to the accounting firm. This finding also differs from the findings of Maseko and Manyani (2011) in their study entitled Accounting practices of SMEs in Zimbabwe investigated accounting record keeping practices for performance measurement employed by SMEs in Zimbabwe which found out that the majority of SMEs outsource their accounting practices.

Also, Amoako (2013) findings stated that most SMEs don't keep accounting record because it was expensive for them in that case they mostly outsource their accounting activities. Everaert et al. (2006), Jayabalan and Dorasamy (2009) however argue that the high cost of hiring professional accountants leaves SME owner-managers with no option but to relegate accounting information management. The results of this study differ from the work of Everaert, Sarens, and Rommel (2007). They found that the need of accounting expertise of SMEs was another reason for using services from external accountants.

Mpoma (2017) stated that there over 27 taxes and levies to be adhered by SMEs in Tanzania, which brings complexity in compliance, and forces the SME's to hire expensive external accountants to prepare their tax returns. However, the study supports Mkonyi (2013) who stated that SME owners are not aware of the procedures of keeping accounting records and most of them prefer to keep accounting records themselves rather than hiring a professional which is expensive but more efficient because professional accountants are well aware of every procedure involved in keeping accounting records.

4.2.3 SMEs yearly financial reporting

Analysis of SMEs financial reporting was done and table 4.4 shows summary of results

Table 4.4: SMEs yearly financial reporting

·Variables	Frequency	· Percent
Strongly Agree	50	17.2
Agree	80	27.5
Neutral	101	34.7
Disagree	40	13.7
Strongly Disagree	20	6.9
Total	291	100.0

Source: Researcher, 2018

The result for the mean was:

	Mean	Standard deviation
We report yearly our Financial report	2.6564	1.1229

Table 4.4 shows 101 equal to 34.7% of SMEs were neutral as to the accounting practices of yearly financial reporting. 50 respondents equal to 17.2% strongly agreed to the statement and 80 respondents equal to 27.5% agree to the same statement. 40 respondents equal to 13.7% disagreed and 20 respondents equal to 6.9% strongly disagreed. The result helped the study to establish whether SMEs report yearly their financial information. The mean and the standard deviation showed 2.6564 and 1.1229 respectively. With this mean, according to Turyahebwa et al (2013), the interpretation is high which means the respondents agreed. This result supports Ploybut (2012) who found out that some SMEs do not report their financial status yearly. According to Karunananda and Jayamaha (2011) their study establishes that the comprehensiveness of financial practices may have some potential as an explanatory factor for business performances in SMEs. Overall, findings seem that SMEs who are complying with

financial practices are performing well than the SMEs, who are not complying with financial practices.

Modugu and Eragbhe (2013) affirmed that SMEs contribute over 90% of the private sector production and they are the prime sources of jobs in developing countries and play a crucial role in income generation especially for the poor. There is currently no clear cut definition of an SME in Nigeria. In the context of International Financial Reporting Standards, SMEs are entities that do not have public accountability and publish general purpose financial statements or follow generally accepted accounting principles.

4.2.4   Frequent financial reporting and tracking of SMEs net profit

In this section the study sought to establish whether frequent financial reporting has assisted in tracking SMEs net profit. Table 4.5 shows the results.

Table 4.5: Frequent financial reporting and tracking of SMEs net profit

Variables	Frequency	Percent
Strongly Agree	77	26.5
Agree	109	37.5
Neutral	9	3.1
Disagree	47	16.2
Strongly Disagree	49	16.8
Total	**291**	**100.0**

Source: Researcher, 2018

The following were the mean and standard deviation

	Mean	Standard deviation
Frequent financial reporting and tracking of SMEs net profit	2.5945	1.4529

Table 4.5 shows that 107 equal to 37.5% of the respondents agreed that frequent financial reporting helped them track their net profit. 77 respondents equal to 26.5% agreed, 49

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respondents equal to 16.8% strongly disagree, 47 respondents equal to 16.2% disagreed and 9 respondents equal to 3.1% were neutral. The results for the mean and standard deviation were 2.5945 and 1.4529 respectively showing agreement with the statement.

This result supports Margaretha and Supartika (2016) who stated that financial reporting is a main aspect in a company's financial reporting. The profitability of a company showed a company's ability to generate earnings for a certain period at a rate of sales, assets and certain of capital stock established from financial reports. The study also supports Nguyen (2001) who affirmed that the frequency of financial reporting in the SMEs and found that there was a clear tendency towards more frequent financial reporting as the business grew and became public companies.

4.2.5 Transactions endorsement by Internal auditor(s)

The study sought to establish if transactions were endorsed by internal auditors. Table 4.6 shows the summary.

Table 4.6: Transactions endorsement by internal auditor(s)

	Frequency	Percent
Strongly Agree	5	1.7
Agree	40	13.7
Neutral	10	3.4
Disagree	196	67.4
Strongly Disagree	40	13.7
Total	291	100.0

Source: Researcher, 2018

The following were the mean and standard deviation

	Mean	Standard deviation
All transactions are first endorsed by internal auditor(s)	2.2315	0.9106

Table 4.6 shows that, most SMEs transactions were not endorsed by internal auditors. This is because 196 respondents equal to 67.4% disagreed, 40 respondents equal to 13.7% both agree and strongly disagreed, 10 respondents equal to 3.4% were neutral and 5 respondents equal to

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1.7% strongly agreed. By disagreeing by 67.4%, it shows that there are internal auditors within SMEs to endorse their transactions; a situation where irregularity is bound to take place and profits ascertained may not be exact. The results for the mean and standard deviation were 2.2315 and 0.9106 respectively showing disagreement to the statement. The results were similar to Mpoma (2017) who observed that most transactions by SMEs were not endorsed by internal auditors since the majority of SMEs lacked internal auditors.

4.2.6   Internal Auditing section in SMEs

In Table 4.7, the study looked at SMEs whether they have internal auditing section in their entity.

Table 4.7: Internal auditing Section in SMEs .

	Frequency	Percent
Strongly agree	50	17.2
Agree	47	16.2
Neutral	7	2.4
Disagree	180	61.9
Strongly Disagree	7	2.4
Total	291	100.0

Source: Researcher, 2018

The mean and standard deviation were as follows:

	Mean	Standard deviation
SMEs have an internal auditing section	1.7231	0.4529

Table 4.7 shows that most 180 respondents equal to 61.9% disagreed that they have internal audit section. 50 respondents equal to 17.2% strongly agreed, 47 respondents equal to 16.2% agreed and 7 respondents equal to 2.4% were both neutral and disagreed respectively. This means that SMEs have not seen the importance of internal audit section as one of the accounting best practices. The results for the mean and standard deviation were 1.7231 and 0.4529 respectively showing disagreement with the statement. The result supports the findings of Mustapha and Yaen (2013) who stated most SMEs don't have internal auditing system.

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4.2.7 Whether SMEs use external auditors

Most stakeholders of accounting information view that a report to be relied on is that which was audited by external auditors. Table 4.8 shows the result if the reports are audited by external auditors.

Table 4.8: Whether SMEs use external auditors

	Frequency	Percent
Strongly agree	20	6.9
Agree	50	17.2
Neutral	2	0.7
Disagree	179	61.5
Strongly Disagree	40	13.7
Total	291	100.0

Source: Research data, 2018

The following were the mean and standard deviation

	Mean	Standard deviation
Before SMEs report to stakeholders, their Financial statements are audited by external Auditor	2.4521	1.3033

Table 4.8 shows that 179 respondents which equals to 61.5% disagreed SMEs prepare financial statements and are audited by external auditor. 50 respondents equal to 17.2% agreed that their financial statements are audited by external auditors, 20 respondents equal to 6.9% Strongly agreed, 40 respondents equal to 13.7% strongly disagreed and 2 respondents equal to 0.7% were neutral. The results for the mean and standard deviation were 2.4521 and 1.3033 respectively showing disagreement with the statement.

This is a clear that no accounting best practice in place. This result differs from the findings of Rathnasiri (2014) who stated that SMEs pay more consideration in preparation and monitoring of

three components of financial statements which are balance sheet, statement of profit and loss account and cash flow statement. The result supports Olusapo (2016) findings revealed that absence of standard accounting system and detailed financial records has been a major impediment to Statutory Auditing of many SMEs, and by extension negatively affect their performance as they find it difficult to convince stakeholders (creditors, supplier, tax authorities etc.), that there has been regular oversight by an independent expert into the affairs of the firms.

4.2.9 Budget preparation by SMEs

Budget is one of the determinants of Management accounting practices. The study looked into whether this practice is conducted by SMEs. Table 4.9 shows the results.

Table 4.9: Budget preparation by SMEs

Variables	Frequency	Percent
Strongly Agree	40	13.7
Agree	98	33.7
Neutral	10	3.4
Disagree	103	35.4
Strongly Disagree	40	13.7
Total	291	100.0

Source: Researcher, 2018

The following were the mean and standard deviation

	Mean	Standard deviation
SMEs prepare budgets for sales, production and cash	2.5214	1.3402

Table 4.9 shows that, 103 respondents equal to 35.4% disagreed that they prepare budgets for Sales, production and Cash, 98 respondents equal to 33.7% agreed. 40 respondents equal to 13.7% both strongly agreed and strongly disagreed respectively while 10 respondents equal to 3.4% were neutral.

According to Turyahebwa et al (2013), the results for the mean and standard deviation were 2.5214 and 1.3402 respectively showing disagreement with the statement. The results supports

the findings of Maduekwe and Kamala (2016) who stated that budgets were perceived to be effective but the lack of top management support and qualified personnel were the main factors that inhibit SMEs from using budgets. Mwanza and Benedict (2018) also affirmed that majority of SMEs do not prepare budgets at all.

However, this study results differ from Dima (2013) who stated that budgets facilitate management by exception, as the decision- makers are able to isolate problem areas that need urgent attention, an approach that results in effective problem resolution. This study also differs from results of Ploybut (2012) who asserted that techniques such as budgeting and variance analysis were employed by the majority of the respondents. Kofi et al (2014) stated that SMEs both prepare and some do not prepare budgets.

4.2.10 Management use of financial reports

This section evaluated management frequent use of various financial reports for their day today running of SMEs.

Table 4.10: Management use of financial reports

	Frequency	Percent
Agree	4 .	1.4
Neutral	13	4.5
Disagree	267	91.8
Strongly Disagree	7	1.4
Total	291	100.0

Source: Researcher, 2018

The following were the mean and standard deviation

	Mean	Standard deviation
Management frequently ask for various financial reports for decision making	2.3162	0.8071

Table 4.10 shows that, 267 respondents equal to 91.8% disagrees that management use financial report. 13 respondents equal to 4.5% were neutral, 7 respondents equal to 2.4% strongly disagreed and 4 respondents equal to 1.4% agreed. The mean and the standard deviation showed

2.3162 and 0.8071 respectively. With this mean, according to Turyahebwa et al (2013), the interpretation is low which means the respondents disagreed. This result differs from the notion stated by Rathnasiri (2014) that management's understanding of the financial information could be correlated with business success on one hand or the resistance to failure on the other.

The results supports Ploybut (2012) who stated that the results of their study showed that the primary users of SME financial statements were tax authorities, entities' managements and financiers (e.g. banks).

Discussion

Most SMEs in Ilala Municipality don't have accountants and most of its bookkeeping activities are do not outsourced while are also neutral about yearly financial reporting. Preparation of the financial statements, which were important to the users were very expensive though they believe that frequent financial reporting made them keep track of their profit. Outsourcing of the accounting and preparation of financial statement could have been caused by no proper accounting knowledge within the SMEs. This is supported by Maseko and Manyani (2011) in their study titled accounting practices of SMEs in Zimbabwe concluded that 62% of SMEs faced challenge of keeping proper accounting records due to lack of accounting knowledge. Also the result supports Uddin et al (2017) in a study titled Accounting Practices of Small and Medium Enterprises in Rangpur, Bangladesh. The findings of the study revealed that only 20% of enterprises follow the accounting system directly and the other 80% of the enterprises follow the accounting system indirectly. They further state that 56.7% of the entrepreneurs didn't have accounting knowledge.

Also, Mpili (2013) in a study titled investigation and availability and uses of financial statements in small businesses in Tanzania, the case study of Dar es salaam, stated that most SMEs did not prepare financial reports, and those who did normally had two sets of financial reports, one for taxation and another for loan request (where applicable) thus was not for general use.

Financial reporting requirements for all companies incurred not only costs of preparation and dissemination of statutory reports such as audit fees and staff salaries but also indirect costs, for example, opportunity costs for use of limited resources, competitive disadvantages and breach of privacy resulting from publication and disclosure of the company accounts (Arrunada, 2008; Carsberg et al., 1985). It is often argued that the requirements to prepare and publish the

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accounts impose disproportionate costs on smaller entities. Much of the regulatory compliance costs are fixed, while small entities lack time and expertise to administer such legal requirements and are unable to spread the costs across large scale of operation, so smaller entities are typically subject to proportionately higher costs than larger firms (Kitching, 2006). Arrunada (2008), however, contended that proprietary costs for small companies were likely to be small, in comparison with that of large and medium companies. For privacy costs, it was difficult to quantify and incorporated businesses which benefit from limited liability need to disclose some financial information for the benefit of potential creditors.

In this study, most SMEs in Ilala Municipality didn't use internal auditors to endorse their transactions. Also most of the SMEs didn't have internal audit section in their entities and they see no need for internal audits. However, the majority used the service of external auditors for the financial statement prepared by outsourcing. This statement supported by Karunananda & Jayamaha (2011) who stated that financial audits are apparently undertaken by only 45% of the SMEs while 55% which are the majority are not undertaking financial audits.

The challenge here was proper accounting records and internal control systems which were weak hence the presence of internal audit could streamline their business which might cause the SMEs to have purported freedom to use their resources. The result supports Ezeagba (2017) who in a study conducted with the title "financial reporting in SMEs in Nigeria, challenges and options", asserted that audits of SMEs have proven to be among the most worrisome for professional accountants because of the inadequacy of the internal controls.

Although management relied on financial reports and other management reports for making their decision, they didn't entertain the preparation and use of budget as part of management accounting best practices. Management accounting is vital not only in an area but wholly. Ahmad (2017) in a study titled "the implementation of Management Accounting Practices and its relationship with performance of SMEs sector in Malaysia", was supported by the above discussion and stated that SMEs performance had been repeatedly claimed to be connected with their incapability to exploit proper management accounting practices whilst the ability of management accounting practices to reduce the business failure risk by supplying efficient information that may increase the competitive advantages of the business.

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Karunananda & Jayamaha (2011) in a study conducted in Sri Lanka with a study titled Financial Practices and performance of SMEs, support that inadequate related budgeting & reporting system indicated many companies failed to use accounting information systematically for clearly defined and useful purposes. The final view of this objective, accounting best practices within SMEs of Ilala Municipality are the preparation of financial statements which were outsourced, audited by external auditors and tracking yearly net profits while management required various frequent financial and management reports to base their decision on.

4.3 Financial Performance of SMEs in Ilala Municipality

This part of the study discussed the data in relation to the second objective which is to analyze the trend of financial performance of SMEs in Ilala District, Dar es salaam, Tanzania.

4.3.1 Profit Earnings

In this part, the study sought to know if SMEs had been earning profit since 2013.

Table 4.11: Response if SMEs have been earning profit

	Frequency	Percent
Strongly Agree	10	3.4
Agree	167	57.4
Neutral	40	13.7
Disagree	59	20.3
Strongly Disagree	15	5.2
Total	291	100.0

Source: Researcher, 2018

The mean and the standard deviation were as follows:

	Mean	Standard deviation
SMEs have been earning profits since 2013	2.6564	1.1229

Table 4.11 shows that, 167 respondents which was equal to 57.4% of SMEs agreed that they have been earning profits since 2013. 59 respondents which was equal to 20.3% disagreed, 40

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respondents which was equal to 13.7% were neutral, 15 respondents which were equal to 5.2% strongly disagreed and 10 respondents which were equal to 3.4% strongly agreed.

The mean and the standard deviation showed 2.6564 and 1.1229 respectively. With this mean, according to Turyahebwa et al (2013), the interpretation is high which means the respondents agreed.

4.3.2 Response on whether profit earned was due to Auditing

In this section, the study looked at what enable the SMEs to earn profits. The study wanted to establish whether profits earned were a result of accounting (auditing) best practices of the financial statement of the SMEs.

Table 4.12: Response on profit earned due to Auditing

Variables	Frequency	Percent
Strongly Disagree	65	22.3
Agree	50	17.2
Neutral	10	3.4
Disagree	146	50.2
Strongly Disagree	20	6.9
Total	291	100.0

Source: Researcher, 2018

The mean and the standard deviation were as follows:

	Mean	Standard deviation
SMEs have been earning profits due to auditing carried out	1.8213	1.1233

Table 4.12 shows that, 146 respondents equal to 50.2% disagreed that profit was earned due to auditing. 65 respondents equal to 22.3% strongly agreed, 50 respondents equal to 17.2% agreed, 20 respondents equal to 6.9% strongly disagreed and 10 respondents equal to 3.4% were neutral. In a nutshell, to SMEs in Ilala Municipality, auditing had nothing to do with profit earning ability. The mean and the standard deviation showed 1.8213 and 1.1233 respectively. With this mean, according to Turyahebwa et al (2013), the interpretation is low which means the respondents disagreed. The above results differ from findings of Karunananda and Jayamaha

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(2011) who stated that there was significant positive correlation between the financial auditing and the enterprises' performance within SMEs in Sri Lanka. This meant it was very important to have audited financial report to ascertain profit that can be accepted by the users of the same information.

Olasupo (2016) findings revealed that absence of standard accounting system and detailed financial records has been a major impediment to Statutory Auditing of many SMEs, and by extension negatively affect their performance as they find it difficult to convince stakeholders (creditors, supplier, tax authorities etc.), that there has been regular oversight.

4.3.4 Profits ascertainment through keeping books of Accounts

The study looked into whether profits earned were from keeping of the books of accounts. Table 4.13 shows the results.

Table 4.13: Profits ascertainment through keeping books of accounts

	Frequency	Percent
Strongly Disagree	50	17.2
Agree	47	16.2
Neutral	7	2.4
Disagree	180	61.9
Strongly Disagree	7	2.4
Total	**291**	**100.0**

Source: Research data, 2018

The mean and the standard deviation were as follows:

	Mean	Standard deviation
Profits were ascertained through keeping books of accounts	2.4211	1.2421

Table 4.13 shows that, 180 respondents equal to 61.9% of SMEs in Ilala Municipality disagreed and 7 respondents equal to 2.4% strongly disagreed that profit due to keeping books of accounts. 17.2% strongly agreed, 16.2% agreed and 2.4% were neutral.

The mean and the standard deviation showed 2.4211 and 1.2421 respectively. With this mean, according to Turyahebwa et al (2013), the interpretation is low which means the respondents disagreed

This supports Mutua (2015) who stated that SMEs do not keep complete accounting records because of lack of accounting knowledge and the cost of hiring professional accountants. He added that there is inefficient use of accounting information to support financial performance measurement by SMEs. This made it difficult for the entrepreneurs to calculate their business profit efficiently. He quoted Germain (2009) that failure to record business financial transactions (bookkeeping) leads to collapsing of the business within few month of its establishment.

Discussion

The results show that, SME's have been earning profits but the right profit is unknown due to practice of auditing which was not well articulated. Popa and Ciobanu (2014) studied the financial factors that influence Profitability of SMEs in Romania and states that companies' performance is directly correlated with the SMEs chance of keeping books of accounts properly. Shosha (2014) conducted a study titled profitability of SMEs in Albania (focusing in the city of Tirana) states that there are many factors determining the success and the growth of an enterprise. The study added that profit is one of the most important factors and an important indicator of performance for an enterprise to survive in a competitive environment.

Ezeagba (2017) in a study titled financial Reporting in SMES in Nigeria, challenges and Options, stated that why SMEs prepare financial statements and argue that on the list, SMEs assess profitability second to the purpose of tax returns. The author continued to state that SMEs owners consider profit maximization as the most important financial objective. SMEs owners pay attention to profitability and measurement of net profit when they evaluate their performances. Accordingly it shows SME's in Ilala Municipality may be failing due to failure to keep books of accounts.

From the qualitative approach, the study observed that SMEs were earning profit that were not known if they were maximizing those profits because SMEs were continuously in operation with no proper accounting in place.

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4.4 Relationship between accounting best practices and financial performance of SMEs

In this part, the study dwelt on the third objective of the study which sought to establish the relationship between accounting practices and financial performance of SMEs in Ilala District, Dar es salaam, Tanzania.

4.4.1 Accounting Best Practices and SMEs Profit earnings.

In this section, the study established whether accounting best Practices make it easy for SMEs to know their profit.

Table 4.14: Accounting Best Practices and SMEs Profit earnings

	Frequency	Percent
Strongly Agree	10	3.4
Agree	60	20.6
Neutral	40	13.7
Disagree	166	57.0
Strongly Agree	15	5.2
Total	**291**	**100.0**

Source: Research data, 2018.

The mean and the standard deviation were as follows:

	Mean	Standard deviation
SMEs accounting best practices contributed to SMEs profit earnings	1.8675	1.1132

In table 4.14 shows that 166 respondents equal to 57% disagreed that accounting best practices made it easy to know profit. 60 respondents equal to 20.6% agreed, 40 respondents equal to 13.7% were neutral, 15 respondents equal to 5.2% strongly agreed and 10 respondents equal to 3.4% strongly agreed. Majority of the SMEs saw that no accounting practices enabled them to know their profit. This concludes that they don't keep books of accounts. The mean and the standard deviation showed 1.8675 and 1.1132 respectively. With this mean, according to Turyahebwa et al (2013), the interpretation is low which means the respondents disagreed

The results differed from the findings of Karunananda and Jayamaha (2011) who stated that there was significant positive correlation between the financial auditing (Accounting Best Practice) and the enterprises' performance within SMEs in Sri Lanka.

Mpoma (2017) stated that given that SMEs are micro and small entities, they lack the capacity to hire professional accountants or outsourcing the work to accounting and auditing firms. This might stretch them to incur more cost and employ more resources in enabling them to carry out their business operations.

4.4.2 Contribution by auditors enhanced financial Performance

Auditing is one of the important accounting best practices to show the financial performance of SMEs. In this section the study saw the contribution by auditors to good performance in Ilala Municipality.

Table 4.15: Contribution by auditors enhanced financial Performance

Variables	Frequency	Percent
Strongly Agree	20	6.9
Agree	50	17.2
Neutral	10	3.4
Disagree	143	49.1
Strongly Disagree	68	23.4
Total	291	100.0

Source: Researcher, 2018

The mean and the standard deviation were as follows:

	Mean	Standard deviation
Auditors contributed to SMEs profit earnings	1.8814	1.0051

Table 4.15 shows that 143 respondents equal to 49.1% disagreed that contribution by auditors enhanced financial performance of their business. 68 respondents equal to 23.4% strongly

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disagreed, 50 respondents equal to 17.2% agreed, 20 respondents equal to 6.9% strongly agreed to the statement and 10 respondents equal to 3.4% were neutral. The mean and the standard deviation showed 1.8814 and 1.0051 respectively. With this mean, according to Turyahebwa et al (2013), the interpretation is low which means the respondents disagreed

As in the previous analysis, it shows that there are no internal audit sections and transactions were not endorsed by internal auditors. This result supports Olasupo et al (2016) whose study revealed that several of these enterprises (SMEs) prematurely die, before they can achieve their goals due to poor management arising from inadequate, weak, undependable accounting and financial information as well as absence of regular auditing and risk assessment.

However, in the words of Olasupo et al (2016) auditors revealed the following challenges:

> *"Inadequacy of financial records significantly affects the statutory auditing of Small and Medium Scale Enterprises in; absence of regular statutory auditing significantly affects the performances of Small and Medium Scales Enterprises; many of the SMEs firms do not have a standard accounting department; where accounting department exists, unqualified personnel are engaged to record cash received and paid, make banking payment and a little bit of book keeping; external auditors in many instances have to prepare the accounts from scratch with inadequate information; many of the firms surveyed considered statutory audit, unnecessarily overhead necessitated by law; audit recommendations on internal control weakness, accounting systems were never implemented; the same anomalies are raised year after year by the external auditors with little or no improvement and due to the closeness of the auditors and the owner/manager, the management reports prepared after the audit exercise are usually an unqualified report, certifying that all is well with company (even when it is not so)."*

These challenges constitute the accounting best practices which auditors' contribution towards ascertainment of profit. They concluded that effective and proper accounting system has a profound impact in successful auditing of Small and Medium Enterprises and by extension on the performances of the firms.

4.4.3 Whether accounting best practices relates to SMEs performances

In this section the study saw whether the SMEs financial reports are demanded by users especially customers and Financing institutions.

Table 4.16: Whether accounting best practices relates to SMEs performances

	Frequency	Percent
Strongly Agree	20	6.9
Agree	47	16.2
Neutral	40	13:7
Disagree	104	35.7
Strongly Disagree	80	27.5
Total	**291**	**100.0**

Source: Researcher, 2018

The mean and the standard deviation were:

	Mean	Standard deviation
Accounting best practices relates to SMEs performances	1.2566	1.4341

Table 4.16 shows that, 104 respondents equal to 35.7% disagreed. 80 respondents equal to 27.5% strongly disagreed, 40 respondents equal to 13.7% were neutral, 20 respondents equal to 6.9% strongly agreed and 47 respondents equal to 16.2% agreed. The results for the mean and standard deviation were 1.2566 and 1.4341 respectively showing disagreement to the statement.

The results affirms Asaduzzaman (2016) who quoted McMahon (1999) who found that financial reporting practices in SMEs appear to fall short of the standards recommended by various external financial information users imperatives that exist for them, and further claim that SME managers/owners appear mostly reluctant to produce financial reports which might become accessible to outside parties either through the regulatory authorities or directly.

Ntim et al (2014) point out that the absence of statutory requirement to prepare financial statements, SMEs could do without financial reporting of their business activities. Mpili (2013) added that financial statements were powerful enough to inform appropriate prediction of the future and influence correct decision making.

4.4.4 Management Accounting enabled profit generation

In this section, the study looked at the frequency at which management follow up the profit generated. Table 4.17 shows the results.

Table 4.17: Management Accounting enabled profit generation.

	Frequency	Percent
Strongly Agree	5	1.7
Agree	10	3.4
Neutral	40	13.7
Disagree	161	55.3
Strongly Disagree	75	25.8
Total	**291**	**100.0**

Source: Researcher, 2018

The mean and the standard deviation were as follows:

	Mean	Standard deviation
Use of Budget contributed to earning of the profits	2.3162	0.8071

Table 4.17 shows that, 161 respondents equal to 55.3 % of SMEs in Ilala Municipality disagrees that Management Accounting enabled profit generation. 75 respondents equal to 25.8% strongly disagree, 40 respondents equal to 13.7% were neutral, 10 respondents equal to 3.4% agreed and 5 respondents equal to 1.7% strongly agreed. The results for the mean and standard deviation were 2.3162 and 0.8071 respectively showing disagreement to the statement.

4.4.5 Accounting Best Practices enable SMEs ascertain profit

Under this section, in table 4.18, the study viewed whether SMEs business was based on profits contributed by auditing, financial reporting and management involvement in the accounting of the business.

Table 4.18: Accounting Best Practices enable SMEs ascertain profit

	Frequency	Percent
Strongly Agree	40	13.7
Agree	102	35.1
Neutral	98	33.7
Disagree	10	3.4
Strongly Disagree	41	14.1
Total	**291**	**100.0**

Source: Researcher, 2018

The mean and the standard deviation were as:

	Mean	Standard deviation
Our business is based on profits contributed by auditing, financial reporting and management accounting.	1.4522	1.1884

Table 4.18 shows that 102 respondents equal to 35.1% strongly agreed that accounting best practices enable SMEs ascertain their profit, 40 respondents equal to 13.7 strongly agreed ,98 respondents equal to 33.7% were neutral, 41 respondents equal to 14.1% strongly disagreed and 10 respondents equal to 3.4% disagreed. The results support the findings of Karunananda and Jayamaha (2011) who stated that there was significant positive correlation between accounting Practices and the enterprises' performance within SMEs in Sri Lanka

4.5 Linear Regression Model

Also regression analysis was used to determine the relation of the independent and the dependent Variables. The following linear regression model was used to test the predictive power of the study variables, from the hypothesized model in this study;

$$Y = \beta_0 + \beta_1 FR + \beta_2 FA + \beta_3 MA + \varepsilon$$

Where

Y = Financial performance of SMEs (Measured by return on assets and net profits of the firm)

FR = Financial Reporting (was measured by the comprehensiveness of financial reporting practices used by SMEs. This was measured using various statements on Likert scale on financial reporting).

FA = Financial Auditing (measured by the comprehensiveness of financial auditing practices used by SMEs)

MA = Management accounting, this was measured by the comprehensive of management accounting practices used by small and medium enterprise.

β_0 = Constant (α = Alpha)

β_1 to β_3 = Regression Coefficients

ε = error term

Table 4.19: Regression Coefficient

Coefficients [a]

Model	Un-standardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Constant (α)	1.778	.490		3.628	.000
Financial reporting	.033	.072	.027	.455	.650
Financial Auditing	.187	.088	.125	2.126	.034
Management Accounting	.149	.060	.147	2.503	.013

a. Dependent Variable: The profit earned was because of accounting best practices (Y)

The results on table 4.19 shows that the three constructs for accounting best Practices have positive significant relationship with financial performance of SMEs in Ilala Municipality, Dar es salaam. This means that when the independent variable increases, the dependent variable also increases OR when the independent variable decreases, the dependent variable also decreases. From the results, the following regression model was generated

$$Y = 1.778 + 0.033FR + 0.187FA + 0.149MA + \varepsilon$$

where Y is the dependent variable (financial performances) and; Financial Reporting, Financial Auditing and Management Accounting are the constructs for independent variables (Accounting best Practices). This model can then used to provide a trajectory for improving financial performance of SMEs of Ilala Municipality, Dar es salaam.

The model shows that in order to predict financial performance (Y), that is, profitability, SMEs management need to add up the constant of 1.778 to the respective coefficients of 0.033 of financial reporting, 0.187 of financial auditing, 0.149 of management accounting and keeping the standard error for social science , that is, alpha = 0.05.

The variable that constitute financial performance (Y) are positive, meaning that any increase in the used of financial reporting, financial auditing and management accounting could cause SMEs financial performance to increase. It showed that in order to have sound financial performance, SMEs need to have financial reporting, financial auditing and management accounting in place.

From the model above, we can reject the null hypothesis and accept the alternative hypothesis as there is significant relationship between accounting best practices and financial performance.

Observations results

The study observed what system apart from accounting best practices were in place in the SMEs in Ilala municipality. Using the concurrent embedded or nested approach in which observations of SMEs which responded promptly and those who delayed to respond as customers (business) oriented; of which the results were as shown in the table below:

Table 4.20: showing results of observations

Observations	Respondents	Percent
Customers orientation	183	63
Prompt response	108	37
TOTAL	291	100

Source: Researcher, 2018

The results in table 4.20 shows that 183 respondents equal to 63% attended to customers more than other matters, that is, they showed much affinity to earnings by keeping close contact to Customers and business. Those respondents who responded promptly questionnaires were 108 equal to 37% . These results supports Ibrahim (2015) who stated that SMEs seek to have good earnings compared to financial reporting. They take much of their time to do business than other issues.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents summary, conclusions drawn from findings and recommendations made based on conclusions and contributions of the study to the body of knowledge on the variable of the study.

5.1 Summary

The research objectives were to establish accounting practices adopted by SMEs in Ilala District, Dar es salaam, Tanzania, to analyze the trend of financial performance of Ilala District, Dar es salaam, Tanzania during the time scope and to determine the relationship between accounting practices and financial performance of SMEs in Ilala Municipality, Dar es salaam, Tanzania.

The findings of the study show that, 165 respondents equal to 56.7 % disagreed that they have accountants. 59 respondents equal to 20.3% were neutral, 42 respondents equal to 14.4% agreed that they have accountants, 15 respondents equal to 5.2% strongly disagreed to having accountants in their SMEs and 10 respondents equal to 3.4% agreed that their SMEs have accountants. Also 144 respondents equal to 49.5% strongly disagreed to outsourcing of their bookkeeping activities, 68 respondents equal to 23.4% agreed, 50 respondents equal to 17.2% disagreed, 19 respondents equal to 6.5% strongly agreed and 10 respondents equal to 3.4% were neutral. The findings also show that, 101 equal to 34.7% of SMEs were neutral as to the accounting practices of yearly financial reporting,

Further the study found that, 37.5% of the respondents agreed that frequent financial reporting helped them track their net profit. 77 respondents equal to 26.5% agreed, 49 respondents equal to 16.8% strongly disagree, 47 respondents equal to 16.2% disagreed and 9 respondents equal to 3.1% were neutral.

Most SMEs transactions were not endorsed by internal auditors. This is because 196 respondents equal to 67.4% disagreed, 40 respondents equal to 13.7% both agree and strongly disagreed, 10 respondents equal to 3.4% were neutral and 5 respondents equal to 1.7% strongly agreed.

180 respondents equal to 61.9% disagreed that they have internal audit section. 50 respondents equal to 17.2% strongly agreed, 47 respondents equal to 16.2% agreed and 7 respondents equal to 2.4% were both neutral and disagreed respectively. Also 179 respondents which equals to 61.5% disagreed SMEs prepare financial statements and are audited by external auditor. 50 respondents equal to 17.2% agreed that their financial statements are audited by external auditors, 20 respondents equal to 6.9% Strongly agreed, 40 respondents equal to 13.7% strongly disagreed and 2 respondents equal to 0.7% were neutral.

The findings further shows that, 103 respondents equal to 35.4% disagreed that they prepare budgets for Sales, production and Cash, 98 respondents equal to 33.7% agreed. 40 respondents equal to 13.7% both strongly agreed and strongly disagreed respectively while 10 respondents equal to 3.4% were neutral. Findings show 267 respondents equal to 91.8% disagreed that management use financial report. 13 respondents equal to 4.5% were neutral, 7 respondents equal to 2.4% strongly disagreed and 4 respondents equal to 1.4% agreed.

The study also found that, 146 respondents equal to 50.2% disagreed that profit was earned due to auditing. 65 respondents equal to 22.3% strongly agreed, 50 respondents equal to 17.2% agreed, 20 respondents equal to 6.9% strongly disagreed and 10 respondents equal to 3.4% were neutral. Also, 180 respondents equal to 61.9% of SMEs in Ilala Municipality disagreed and 7 respondents equal to 2.4% strongly disagreed that profit was ascertained due to keeping books of accounts. 17.2% strongly agreed, 16.2% agreed and 2.4% were neutral.

The findings show that 166 respondents equal to 57% disagreed that accounting best practices made it easy to know profit. 60 respondents equal to 20.6% agreed, 40 respondents equal to 13.7% were neutral, 15 respondents equal to 5.2% strongly agreed and 10 respondents equal to 3.4% strongly agreed. Also 143 respondents equal to 49.1% disagreed that control by auditors enhanced financial performance of their business. 68 respondents equal to 23.4% strongly disagreed, 50 respondents equal to 17.2% agreed, 20 respondents equal to 6.9% strongly agreed to the statement and 10 respondents equal to 3.4% were neutral.

The findings show that, 161 respondents equal to 55.3 % of SMEs in Ilala Municipality disagreed that Management Accounting enabled profit generation. 75 respondents equal to 25.8% strongly disagree, 40 respondents equal to 13.7% were neutral, 10 respondents equal to 3.4% agreed and 5 respondents equal to 1.7% strongly agreed. Also, 102 respondents equal to 35.1% strongly agreed that accounting best practices enable SMEs ascertain their profit, 40 respondents equal to 13.7 strongly agreed ,98 respondents equal to 33.7% were neutral, 41 respondents equal to 14.1% strongly disagreed and 10 respondents equal to 3.4% disagreed.

Regression results found that, financial performance (Y), that is, profitability, SMEs management need to add up the constant of 1.778 to the respective coefficients of 0.033 of financial reporting, 0.187 of financial auditing, 0.149 of management accounting and keeping the standard error for social science , that is, alpha = 0.05.

The variable that constitute financial performance (Y) are positive, meaning that any increase in the used of financial reporting, financial auditing and management accounting could cause SMEs financial performance to increase. It showed that in order to have sound financial performance, SMEs need to have financial reporting, financial auditing and management accounting in place.

Findings from qualitative data through observations showed 183 respondents equal to 63% attended to customers more than other matters, that is, they showed much affinity to earnings by keeping close contact to Customers (business). Those respondents who responded promptly to the questionnaires were 108 equal to 37%. That say, SMEs in Ilala Municipality have high affinity for earnings by attending to customers than accounting best practices.

5.2 Conclusion

The conclusions have been drawn based on findings from each of the study objective. The study concluded that SMEs in Ilala Municipality didn't use accounting best practices in running their SME's. These results were consistent with results of Matovu (2005) who found that small and medium enterprises did not use accounting practices in Ghana and thus their profit margin was low. The study also concluded that there was relationship between accounting best practices and financial performance of SME's in Ilala Municipality. Also a study done by Karunananda and Jayamaha (2011) in Sir-Lanka also supports the conclusion of this study that there was relationship between best accounting practices and financial performance of SME's in Ilala Municipality. As observed by Khan and Khalique (2014) that in determining the firm's

performance in modern times, organizations cannot solely rely on quantifiable measures such as cost and schedule performance, while ignoring qualitative measures, such as customer satisfaction and innovation, the majority of middle managements were the ones much involved in the running of SMEs. Also, the majority of SMEs in Ilala Municipality have high affinity for earnings as compared to other issues inherently irrelevant to their business. This purported the notion that these SMEs didn't have a proper follow-up trend of their profits.

5.3 Recommendations

Based on the findings on objectives of this study, the following recommendations were observed:

i. SME's laws be enhanced and made mandatory for SMEs to hire accountants and internal auditors or the government to have a pool of accountants responsible for assisting SME's in the use of best accounting practices.

ii. Also the study recommends that budgets for SMEs should be lodged or submitted to the authority (Ministry) concerned which will monitor the quarterly report and advice where possible on use of best accounting practices and keep trend of the profits of SMEs.

iii. The government should conduct workshops and seminars for concerning the use of accounting best practices for SMEs owners.

5.4 Areas for further research

In areas for further research, SMEs in Ilala Municipality showed lack of harmony between owners, accounting best practices and the profitability of their entities. This study suggests area of further research to include Owners of SMEs accounting ability and the financial performance of their business. This will bring cohesion between the owners of SMEs knowing what is transpiring in their entities and growth of SMEs.

SMEs in Ilala Municipality have shown signs of acknowledgement of the presence of profit, but the determination of the profits not done in all the three constructs (Financial Reporting, Financial auditing and Management accounting) of accounting best practices under this study. Also the trend of the profit during the time scope was not clear if not there. Thus this study suggests that further area for research should be SMEs accounting and their profit trend determination.

Also, management accounting on the part of budget and budgetary control was poor, this study suggests that another further areas of study should be budgeting and budgetary Control in determination of financial performance of SMEs in Ilala Municipality, Dar es salaam, Tanzania.

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APPENDICES

Appendix 1:   Budget

Appendix 2:   Time frame

Appendix 3:   Research instrument

Appendix 4:   .Means and Standard deviations

Appendix 5:   Map showing Ilala Municipality

Appendix 6:   Map showing wards where data were collected

Appendix 7:   Letter of Introduction from KIUT

Appendix 8:   Swahili Version of Letter of introduction from KIUT

Appendix 9:   Letter of Response from SME.

APPENDIX 1: Budget for the Research

SN	PARTICULARS		AMOUNT TSHS
1	**Stationery**		
	3 reams of plain papers @15,000	45,000	
	Pens	5,000	
	Flash Disk	30,000	**80,000**
2	**Secretarial Services**		
	Printing Costs 6 @ 15,000	90,000	**90,000**
3	**Meals**		
	Breakfast and Lunch for 5 days per week x 6 weeks	150,000	**150,000**
4	**Travel Expense**		
	Bus fare to and from home (Sh 2,000 x 5 days x 5 weeks) x 2	100,000	**100,000**
5	Communications and miscellaneous	100,000	100,000
		TOTAL	**520,000**

APPENDIX 2: Time Frame

ACTIVTIES	MONTHS					
	1	2	3	4	5	6
To prepare topics	███					
To prepare research proposal		███				
To collect data			███			
To enter data				███		
To Analyze data					███	
To report						███

APPENDIX 3: RESEARCH INSTRUMENT

QUESTIONNAIRES (Dodoso)

The researcher is conducting a study on the **Impact of Accounting best practices on the financial performances of SMEs in Ilala District, Dar es salaam, Tanzania.** You are given a questionnaire which has two sections A and B. You are required to fill both sections. This information will not be used for other purposes other research for the attainment of Masters Degree at Kampala International University in Tanzania.*(Mtafiti anafanya utafiti juu ya njia bora ya kiuhasibu inayoleta mabadiliko kwenye utendaji wa kifedha katika taasisi ndogo na kati katika manisipa ya Ilala, Dar es salaam, Tanzania. Umepewa dodoso hili yenye sehemu kuu mbili. Sehemu A na Sehemu B. Unahitajika ujaze kila sehemu. Taarifa zitakazopatikana hapa hazitasambazwa popote ila ni kwa matumizi ya utafiti huu ambao unapelekea kupata digrii ya uzamili kutoka chuo kikuu cha kimataifa cha Kampala nchini Tanzania .)*

SECTION A *(Sehemu A)*

In this section, write the number corresponding to your choice in the box provided. *(Katika sehemu hii andika tarakimu husika tu unavyoona inafaa mfano 1 au 2 n.k katika kisanduku cha hapo pembeni)*

A. Type of business involved in (TYB) *(Aina ya Biashara unayofanya)*

1. Service(s) *(Huduma)*

2. Goods *(Bidhaa)*

3. Goods and Services *(Bidhaa na huduma)*

4. Manufacturing *(Utengengezaji wa Bidhaa)*

5. Fabrication *(Sekta upotoshaji)*

B. Duration in operation by SMEs *(Muda kwenye biashara)*

1. More than Five years back *(Zaidi ya Miaka mitano)*

2. Five years back *(Miaka mitano iliyopita)*

3. Three years back *(Miaka mitatu iliyopita)*

4. Two years back *(Miaka Miwili iliyopita)*

5. One year back *(Mwaka Mmoja Uliopita)*

C. Ages of the Respondents *(Umri wa anayejibu)*

1. Below 25 years Old *(Chini ya Miaka 25)*

2. 26 – 31 years Old *(Miaka 26 – 32)*

3. 32 – 38 years old *(Miaka 32 – 38)*

4. 39 – 45 years old *(Miaka 39 – 45)*

5. Above 45 years old *(Miaka 45 na zaidi)*

D. Responding Official (RO) *(Afisa anayejibu)*

1. Top Management *(Menejimenti ya Juu)*

2. Middle Management *(Menejimenti ya kati)*

3. Operations *(wachakalikaji)*

4. Owner (*Mwenye Biashara*)

SECTION B

In this section, you have five point scales (Strongly agree = 1; Agree = 2; Neutral = 3; disagree =4; Strongly Disagree = 5) to select from. Put a tick (√) in one the numbers which fit best to you to answer the statements provided. Write for example 3 or 1 etc in the boxes provided against each statement *(Katika sehemu hii, weka alama ya √ katika mojawapo ya majibu matano ambayo ni 1= nakubaliana sana; 2= nakubaliana; 3= siko upande wowote; 4 = sikubaliani nayo; 5 = Sikubaliani sana nayo. Andika tarakimu mfano 3 au 1 n.k katika kisanduku)*

Establishment of the accounting practices adopted by SMEs

Strongly agree = 1; Agree = 2; Neutral = 3; disagree =4; Strongly Disagree = 5

1= nakubaliana sana; 2= nakubaliana; 3= siko upande wowote; 4 = sikubaliani nayo; 5 = Sikubaliani sana nayo.

Code	Question/statements to be responded to.	1	2	3	4	5
AP1	Our firm have an accountant to keep our books of accounts *Taasisi yetu ina mhasibu ambaye anatunza vitabu vya uhasibu*					

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AP2	We outsource our book keeping activities *Kazi ya kutunza vitabu tunawapa watu wa nje*					
AP3	We report yearly our Financial report *Kila mwaka tunatoa taarifa ya fedha*					
AP4	Frequent financial reporting has enabled us to keep track of the net profit *Utoaji taarifa ya fedha Mara kwa mara imetuwezesha kufuatilia faida inayopatikana*					
AP5	All transactions are first endorse by our internal Auditor(s) *Miamala yetu yote yanapitiwa na kuthibitishwa na mkaguzi wa ndani*					
AP6	We have an internal audits section *Tuna kitengo cha ukaguzi wa ndani*					
AP7	Before we report to stakeholders, our financial statements are audited by an external auditor. *Kabla ya kutoa taarifa kwa wadau, taarifa zetu za Fedha zinakaguliwa na mkaguzi wa nje*					
AP8	Contribution by auditors enhanced financial performance					
AP9	We prepare budgets for sales, Production and Cash budgets) *Tunaandaa Bajeti (makisio) ya mauzo, uzalishaji na Fedha taslim*					
AP10	Management has frequently asked for various reports to make decisions. *Mara kadhaa menejimenti/kiongozi wa biashara ameuliza taarifa mbali mbali ya biashara*					
AP11	Management accounting enabled profit generation *Uhasibu wa menejiment umewezesha kupata faida*					
AP12	Controlling our budgets has enable increase in our net profits since the start of this business *Usimamizi wa makisio yetu umewezesha ongezeko la faida*					

halisi tangu biashara hii inazishwe.					

The trend of financial performance of SMEs in Ilala Municipality, Dar es salaam,Tanzania

Strongly agree = 1; Agree = 2; Neutral = 3; disagree =4; Strongly Disagree = 5

1= nakubaliana sana; 2= nakubaliana; 3= siko upande wowote; 4 = sikubaliani nayo; 5 = Sikubaliani sana nayo.

Code	Question/statements to be responded to.	1	2	3	4	5
TRE1	We have been earning profits since year 2013 *Tumeendelea kupata faida kila mwaka tangu mwaka 2013*					
TRE2	Profit was because of control from auditors *Faida imesababishwa na usimamizi wa ukaguzi wa mahesabu*					
TRE3	Profit is ascertained by keeping books of accounts *Tunajua kuwa tunatengeneza faida au hasara kwa kutunza vitabu vya mahesabu*					
TRE4	We ascertain profit with the accounting best practice in place *Tunapata faid kutokana na utaratibu bora ya kiuhasibu uliopo*					

Determination of the relationship between accounting practices and financial performance of SME's in Ilala District of Tanzania.

Strongly agree = 1; Agree = 2; Neutral = 3; disagree =4; Strongly Disagree = 5

1= nakubaliana sana; 2= nakubaliana; 3= siko upande wowote; 4 = sikubaliani nayo; 5 = Sikubaliani sana nayo.

Code	Question/statements to be responded to.	1	2	3	4	5
REL 1	Accounting best Practices relates to financial Performance *Utaratibu bora wa kiuhasibu una uhiano na upatikanaji wa faida*					
REL 4	Accounting best Practices relates to financial Performance *Utaratibu bora wa kiuhasibu unawawezesha wafanya biashara ndogo ndogo kupata faida*					

REL 5	Our business is based on profits contributed by auditing, financial reporting and management involvement in the accounts of the business *Biashara yetu imesimamia faida inayotokana kazi ya ukaguzi wa mahesabu, utoaji taarifa za Fedha na juhudi za menejimenti /Kiongozi kusimamia uhasibu katika kampuni yetu.*					

APPENDIX 4

Means and Standard deviation

Financial Reporting (FR)	Mean	Standard Deviation
Our firm has an accountant to keep our books of accounts	1.457	0.92142
We outsource our bookkeeping activities	2.2027	1.42034
We report yearly our Financial report	2.6564	1.12286
Frequently financial reporting has enable us keep track of our net profit	2.5945	1.45288
Financial Auditing (FA)		
All transactions are first endorse by our internal auditor(s)	2.2315	0.91063
We have an internal auditing Section	1.7231	0.4529
Before we report to stakeholders, our financial statements are audited by an external auditor	2.4521	1.30332
Contribution by auditors enhanced financial performance ·	1.8814	1.0051
Management Accounting (MA)		
We prepare budgets for Sales, Production and Cash	2.5214	1.34024
Management has frequently asked for various reports to make decisions	2.3162	0.80711
Management Accounting enabled profit generation	2.3162	0.8071
Profitability		
Since 2013 profit was being earned	2.6564	1.12286
We have been earning profits due to auditing carried out	1.8213	1.23275
Profit is ascertained by keeping books of accounts	2.4211	1.24209
We ascertained profit with accounting practices in place	1.8675	1.1132
Accounting best Practices relates to financial Performance	1.2566	1.4341
Accounting best Practices enable SMEs ascertain Profit	1.4522	1.1884

Source: Researcher, 2018

APPENDIX 5: Map Showing Ilala Municipality

Ward Boundaries

Wards in the Unplanned Land Property Register Project

Municipalities

Ilala

Kinondoni

Temeke

0   5   10   20 Kilometers
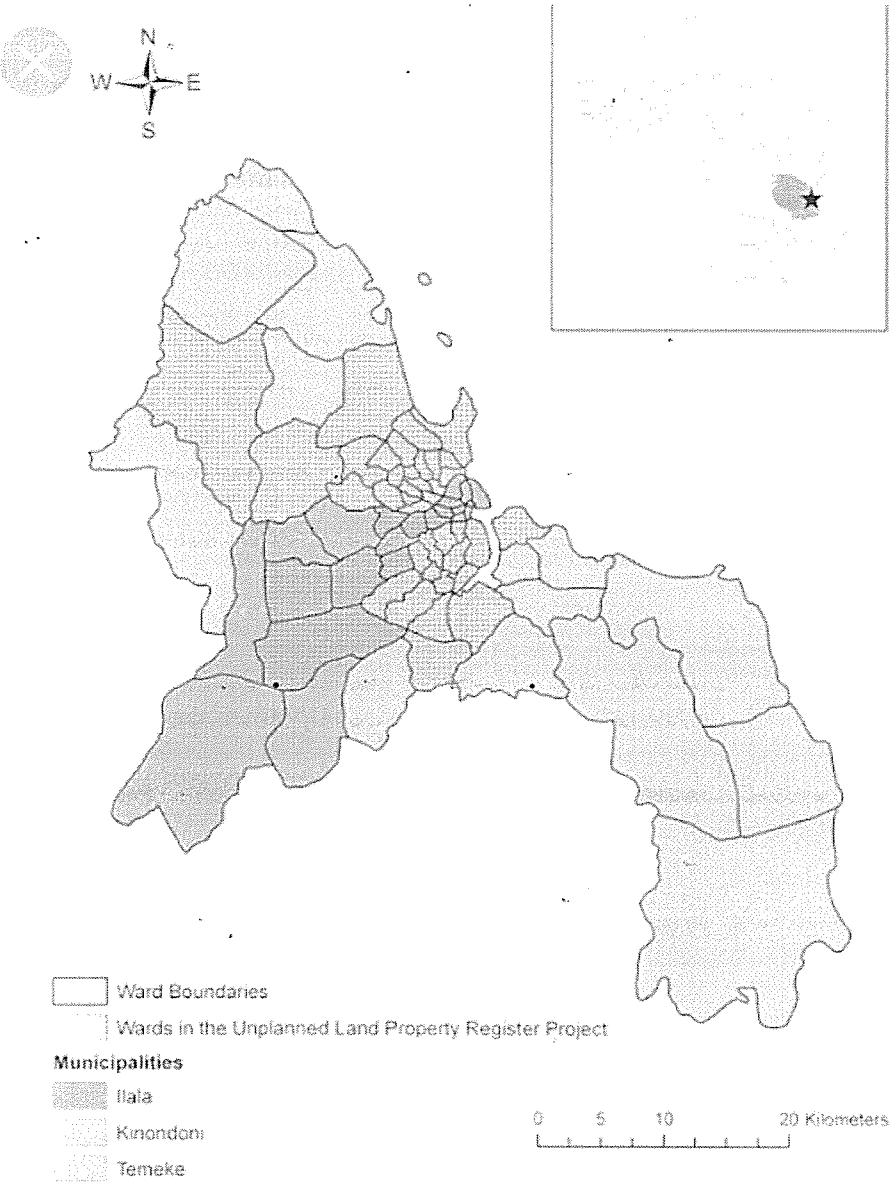
APPENDIX 6: Wards where Data were collected

GONGOLAMBOTO WARD

PUGU WARD

BUGURUNI WARD

VINGUNGUTI WARD

CHANIKA WARD

Appendix 7

KAMPALA
INTERNATIONAL
UNIVERSITY
IN TANZANIA
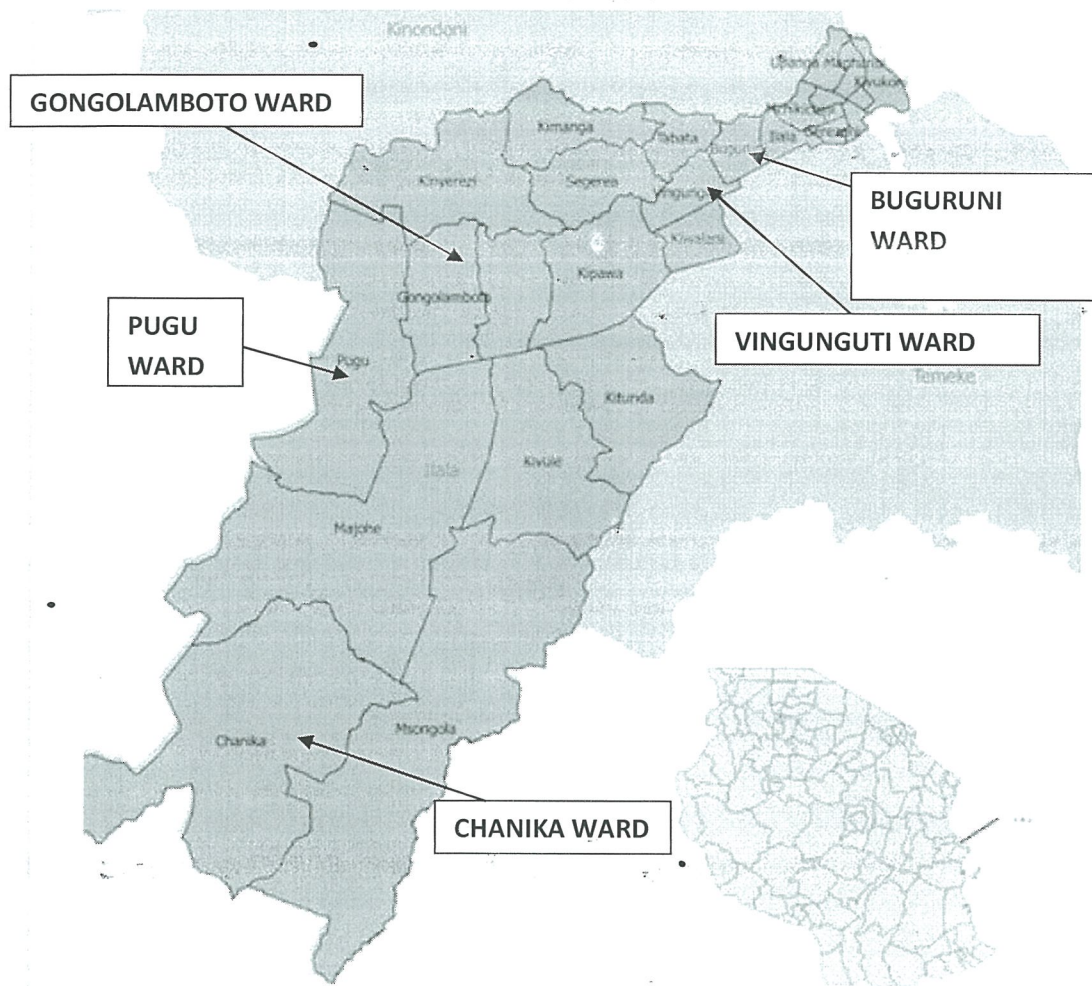
Gongo La Mboto, Pugu Road
P.O Box 9790, Dar es Salaam–Tanzania
Tel: +255-689 510 920
Fax: +255-222 843 252
E-mail: director_pgsr@kiu.ac.tz
Website: www.kiu.ac.tz

DIRECTORATE OF POSTGRADUATE STUDIES AND RESEARCH

30th Aug 2018

Dear Sir/Madam,

RE: Request for Alili Joseph of Reg:No.MBA/14850/602/DT to Conduct Research in your Institution.

The above mentioned is a bonafide student of Kampala International University in Tanzania pursuing Masters of Business Administration in Finance and Accounting.

He is currently conducting field research the title of which is "**Impact of Accounting Best Practices on Financial Performances of SMEs in Ilala Municipality, Dar es Salaam- Tanzania**".
As part of his research work, he has to collect relevant information through questionnaires, interviews and other relevant reading materials.

Your institution has been identified as a valuable source of information pertaining to his research dissertation. The purpose of this letter is to request you to avail him with the pertinent information he may need.

Any information shared with him will be used for academic purposes only and the data you provide shall be kept utmost confidentially.

Any assistance rendered to him will be highly appreciated.

Yours truly,

Dr.Joseph Sambali
Director (PGSR)

Appendix 8

... ...go La Mbolo, Pugu Road
... O Box 9790, Dar es Salaam-Tanzania
Tel: +255-787903567, +255-68353535...
E mail. info@kiut.ac.tz
Website: www.kiut.ac.tz

... ...NZI LA UZAMILI ... ...AFITI)

...

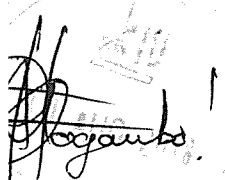**OMBI KWA AJILI YA AL ILI JOSEPH (MBA/14850/602/DT) KUFANYA UTAFITI KATIKA ... YAKO**

... hapo juu ni mwanafunzi wetu katika Chuo Kikuu cha Kimataifa cha Kampala inchini Tanzania ...ca Uzamili katika Utawala wa Biashara, maswala ya Fedha na Uhasibu.

...a mtajwa anakusanya takwimu ya utafiti wenye kichwa kinachosema *"Utaratibu wa kiuhasibu na ... yake juu ya utendaji wa taasisi ndogo na kati katika manisipaa ya Ilala, Dar es salaam Tanzania"* ...ama schemu ya utafiti wake, anahitajika kukusanya maelezo muhimu kupitia maswali kwenye karatasi ... na virali vingine.

...ako imetombulisa ... ...a ... wa kukusanya ... ...ezo hayo muhimu kwa ajili ya ... ...
Dhamuni ia barua ... ... umsaidie mtajwa hapo juu kumpatia taarifa zote ... ...
dkuomba.

...zote utakazompa ziuatumika kwa ajili ya Utafiti wake tu na takwimu zote utakazompa itakuwa siri

shukuru sana kwa misaada yoyote utakayompa.

...ph Sambali
...nz...

Appendix 9

TEMSO ENGINEERING AND CONSTRUCTION COMPANY LIMITED

P.O BO 90162

DAR ES SALAAM

Date: 7th September 2018

Mr. Alili Joseph

Kampala International University in Tanzania

P.o Box 9790

Dar es salaam

REF: CONDUCTING YOUR RESEARCH WITHIN OUR.COMPANY

Refer to the heading above.

We have received the letter dated 30th August 2018, introducing you to our company so that you conduct your research titled "the impact of accounting best practices on financial performance of SMEs in Ilala Municipality, Dar es salaam, Tanzania. We are pleased to inform you that the management of our company has given a go ahead for you to conduct the said research in our company and its branches.

With this letter therefore, our branches at Pugu Kajiungeni, Chanika and SIDO- Vingunguti should accord you the required cooperation so as to accomplish your task.

We hope all that you are going to do research on remains confidential and only utilized for the purpose of your study.

We wish you the best in conducting your research in our company.

Yours

MR. RAYMOND TEMBA

Managing Director