

**ACCOUNTING PROCEDURE AND PROFITABILITY
OF SOME SELECTED SMALL SCALE
ENTERPRISES IN
MOGADISHU,
SOMALIA.**

A Thesis

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Master Business Administration
Finance and Accounting

By:

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January, 2012



DECLARATION A

"This thesis is my original work and has not been presented for a Degree or any other academic award in any University or Institution of Learning".

Shamso Ali

Name and Signature of Candidate

16/07/2012

Date



DECLARATION B

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

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16 January 2012

Date



APPROVAL SHEET

This thesis entitled "**Accounting Procedure And Profitability of Some Selected Small Scale Enterprises in Mogadishu, Somalia** " prepared and submitted by **Shamso Ahmed Hussein** in partial fulfillment of the requirements for the Degree of Master of Business Administration has been examined and approved by the panel on oral examination with a grade of **PASSED**.

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DEDICATION

I dedicated this thesis to my Dear father Ahmed Hussein, my uncle Sh. Isse Hussein, Mr Liban Muhiadin Hussein and my brothers at all.

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ABSTRACT

This study was carried out to determine accounting procedure and profitability, the study was guided by four objectives: To determine the demographic characteristics of the respondents, To find out the level of accounting procedure in the selected small scale enterprise, to determine the level of profitability in the selected small scale enterprises and to establish whether there is a relationship the level of accounting procedures and level of profitability in the selected small scale enterprise. The study was conducted through descriptive survey and a correlation research design, quantitative approach with questionnaires a target population of 200 and sample size for 133 respondents from selected small scale enterprises in Mogadishu, Somalia. The first objective the researcher indicated that the whole small scale enterprise was dominated by men. The second objective showed that the extent of accounting procedures in the selected small scale is good as the mean showed. The third objective indicated that the level profitability in selected small scale enterprises show fair as presented the mean. The researcher found through the study that accounting procedure and profitability of selected small scale enterprises are significant correlated, and the relationship between them is strong relationship. Overall, small scale enterprise in Mogadishu use FIFO method in inventory evaluation, most of the small scale enterprises in Mogadishu use JIT for stocking inventories. All in the entire researcher recommended that the selected small scale enterprise have to train their employees and as well as managers towards accounting procedure.

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CHAPTER ONE

THE PROBLEM AND ITS SCOPE

Background of the Study

International accounting literature provides evidence that accounting quality has economic consequences, such as costs of capital (Leuz and Verrecchia, 2000), efficiency of capital allocation (Bushman, Piotroski, & Smith, 2006; Sun, 2006), and international capital mobility (Young and Guenther, 2002). Despite the importance of accounting procedures, a number of Small and Medium Enterprises more so in the developing world are faced with accounting challenges. In Vietnam, SMEs are faced with financial management and accounting challenges which impact negatively on firm profitability (Nguyen, 2001). In emerging markets like Taiwan and China, Inefficient financial management has damaged SME profitability and, as a result, the difficulties of SMEs have become greater (Wong, 2000 as cited in Nguyen, 2001).

In Kenya, weaknesses in corporate governance practices, lack of pressure from the users of financial statements for high-quality information, and the general absence of transparency in the corporate sector, pervade the accounting processes and procedures in most of the SMEs (World Bank, 2001). The fact that a number of SMEs fail, and the audited financial statements do not provide early warning signals about these failures, has raised concerns among the general public about the quality of accounting and auditing in the country (World Bank, 2001).

In Uganda SMEs which contribute about 60% to GDP do not reach their fifth birthday due to a number of factors among which are poor

Specific Objectives:

1. To determine the demographic characteristics of the respondents in terms of age, gender, level of education.
2. To determine the extent of accounting procedures applied by the small scale enterprises in Mogadishu, Somalia
3. To determine the level of profitability of small scale Enterprises in Mogadishu, Somalia.
4. To establish if there is a significant relationship between the extent of accounting procedure and level of profitability of small scale enterprises.

Research Questions

The following research questions were prepared to guide the study:

1. To determine the demographic characteristics of the population in terms of: age, gender, level education?
2. What is the extent of accounting procedures applied by the small scale enterprises?
3. What is the level of business profitability of the small scale enterprises?
4. Is there significant relationship between the extent of accounting procedure and the level of profitability of small scale enterprises?

Null Hypothesis

There is no significance relationship between accounting procedure and profitability of small scale enterprises.

Scope

Geographical Scope

The research environment of this study was in Mogadishu city especially in some selected small scale enterprises of Tokiyo and Somali computer electronic.

Content Scope

The study was intended to examine and identify the variables accounting procedure and profitability of some selected small scale enterprises, and also relationship between accounting procedure and profitability.

Theoretical Scope

This study was guided by the Theory of Positive Accounting authorized and developed by Ross, R. & Jerold, Z. (1986).

Significance of the Study

The study will benefit the managers of selected small scale enterprises experiencing nowadays accounting practice problem and improving their understanding towards the role of accounting practice on company's profitability.

The study will contribute additional knowledge to the previously existing facts about the role of accounting practice on company's profitability to future researchers who are interested accounting practice for further research.

Operational Definitions of Key Terms

Accounting procedures are rules or standards that are used to prepare, present, and report the financial status of companies. Countries develop standardized procedures to enable companies to report their financial status in a way that is accurate to potential investors and creditors and to the general public.

Demographic characteristics of the respondents are attributes in terms of gender, age, qualifications, and number of year's business experience.

Profitability is the rate of increase in the net worth of a business enterprise in the amount received for a commodity or service in excess of the original cost a given accounting period. Income received from investments or property.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Concepts, Ideas, Opinions from Authors/ Experts

Accounting Procedures

Accounting procedure is a particular way of accomplishing something and established way of doing things, a series of steps followed in a definite regular order. It insures the consistent and repetitive approach to action (David ,1989).

Accounting procedure, accounting policy and accounting method refers the same meaning; accounting policy is a method of action of guide and determines present and future decision. It is a guide to decision making under given set of circumstances in the framework of the corporate objectives, goals and management philosophies (David, 1989).

1. Administrative Accounting Policies and Procedures

Contain guidelines for a variety of managerial activities from tracking and reimbursing travel and entertainment expenses to providing skilled company document management. The following administrative procedures and policies can be implemented to control your company's general accounting activities (Jones,2005).

2. Inventory and assets policies

Any change in inventory and assets means a dramatic impact on your bottom line, so accurate reporting, classification and appraisal of

inventories are critical. These inventory and assets policy and procedure templates will help you maintain guidelines to ensure a proper inventory process is in place. The inventory and assets procedures will also guarantee efficient methods for inventory counting, fixed assets control and handling customer inventory (Jones, 2005).

Inventories should be managed and controlled from excessive and inadequate levels of inventories and sufficient levels of inventories maintained for the smooth production and sales. Efforts should be made to place an order at the right source to acquire the right quantity at the right price and quality (I M Pandey 2005).

Current studies discuss two policies i.e. deterministic and stochastic inventory control models. Deterministic models can be further subdivided into stationary versus dynamic models. The former correspond to the mindset of the classical economic order quantity. As early as in 1967 Schrady proposed an extension to this model that includes item returns (Schrady, 1967). His analysis seeks optimal lot sizes for the recovery channel and "virgin" procurement, both of which involve fixed costs. For the dynamic case,, extensions to the classical Wagner-Whitin model have been presented. Beltran and Krass (2002) show that return flows increase the combinatorial complexity of this model. In particular the fundamental zero-intory-property is lost.

Related stochastic models provide the basis for our investigation. Within this class one may distinguish between periodic review and continuous review approaches. Another important differentiation concerns single versus two-echelon models. In the single echelon case, the analysis is limited to end-item stock, while the two-echelon case involves a more

detailed picture of the recovery channel, distinguishing end item and recoverable stock.

At first stream of research dates back to Whisler (1967) who analyzes the control of a single stock point facing stochastic demand and returns. He shows the optimality of a two-parameter policy that keeps the inventory level within a fixed bandwidth in each period by means of disposal and new supply. Both actions are immediate and the costs are purely linear. Simpson (1978) extends this model to a two-echelon situation.

3. *Purchasing policies*

As your business struggling to streamline its shipping procedure? Does your company have an efficient policy in place for supply purchasing? Are adequate inventory inspection procedures in place? The following Purchase Policy Procedures will help your company implement internal controls for all purchases and acquisitions (Jones, 2005).

A. The Purchasing Department

The Purchasing Department administers the procurement of products and services for all University departments by the authority delegated through the President by the State of Iowa Board of Regents. The Director of Purchasing is vested with sole authority to obligate University funds, while ensuring adherence to the statutes and administrative rules of the State of Iowa and the policies and procedures of the Board of Regents (nahmias, 1988).

B. Conflict of Interest

Is explicit regarding University business transactions with employees of Regents institutions and should be consulted directly as the need or question arises. "Employee shall mean a paid employee of the State of Iowa, the employee's spouse or minor children, and any firm of which any of those persons is a partner or sole proprietor, as well as any corporation of which any of those persons holds five percent or more stock either directly or indirectly(kuik,1998).

C. Reference Catalogs

The Purchasing Department maintains a significant file of catalogs, reflecting current prices for equipment, goods and services for the information of all departments. Negotiations for purchases, including requests for quotations, or requests for proposals, must be accomplished through the Purchasing Department. (Krass, 2002).

D. Requisitions

Requisitions are also reviewed for possible purchase based on existing contracts and, if the items ordered are under contract, the purchase is directed to the appropriate vendor for the contracted price (pyke, 1996).

4. Cash Policies

Having a strong cash policy leads to a healthy flow of cash through your company. How does your company maintain its cash balance sheet? Does it have a thorough or check authorization or credit card policy in place? Our cash policy procedures will help ensure that your company is

on the right track in controlling its cash flow and streamlining its accounts (Jones, 2005).

In order to resolve the uncertainty about cash flow prediction and lack of synchronization between cash receipts and payments, the firm should develop appropriate strategies for cash management (moinzadeh, 1991).

The firm should evolve strategies regarding the following four facets of cash management:

- **Cash planning** Cash inflows and outflows should be planned to project cash surplus or deficit for each period of the planning period. Cash budget should be prepared for this purpose.
- **Managing the cash flows** The flow of cash should be properly managed. The cash inflow should be accelerated while, as far as possible, the cash outflows should be decelerated.
- **Optimum cash level** The firm should be deciding about the appropriate level of cash balances. The cost of excess cash and danger of cash deficiency should be matched to determine the optimum level of cash balances.
- **Investing surplus cash** The surplus cash balances should be properly invested to earn profits. The firm should decide about the division of such cash balance between alternative short-term investment opportunities such as bank deposits, marketable securities, or inter-corporate lending.

5. Credit Policy

Credit policy is guideline addressing how accompany evaluates potential customers who wish to buy on credit (Grove, 2000). Writing an effective Credit Policy begins with an understanding of the financial exposure that you or your business can endure and the amount of your working capital that you would be willing to risk, or call it 'invest' in your customers.

In addition to that, when a sale takes place they are generally on credit basis i.e. the customer is given certain period of time to pay back the seller. Each company has its own way of providing credit to its customers. This is called as the CREDIT POLICY of the company. The credit terms of the company should be according to the competitive market situation otherwise the loss of customers could prove costly to the company (Fleischman, 2001).

Determinants of credit period:

- Market competition
- The financial power of the buyer
- Customer type (i.e. wholesaler, retailer or final consumer)
- Credit Risk
- Consumer Demand
- Cost, Profitability and Standardization

Components of Credit Policy

According to (Mary, 2008), Components of credit policy are those which guide establishing an effective credit system that was allow the firm to collect its outstanding amounts in time. In addition the components of credit policy are as follows:

- Development of credit standards
- Credit Terms including credit period allowed and cash discount
- Credit Limit allowed to customers Credit price Credit analysis
- Collection Procedure how long to wait past due date to initiate collection efforts methods of contact whether and at what point to refer account to collection agency

1. Credit Limit

A credit limit is one of the components of credit policy set by the authorities body for controlling the amount that a borrower could take as credit and it is the maximum amount of credit that a financial institution or other lender will extend to a debtor for a particular line of credit (Wikipedia, 2008). This limit is based on a variety of factors ranging from an individual's ability to make interest payments, an organization's cash flow and/or ability to repay the principal, to the credit standards employed by the lender. A credit limit is also based on the borrower's recoverable assets in the event of default.

According to Grove (2005) "*Credit Limits* are threshold that a company (creditor) will allow its customers to owe at any one time without having to go back and review their credit file. Credit Limit is the maximum amount that a firm is willing to risk in an account.

Credit Limits helps the creditor in the following ways:

- a. It frees up valuable time for other credit management tasks
- b. It speeds up the sales process
- c. It reduces risk and improves collection activity and efforts.

2. Credit Analysis

Credit analysis is the process of determining the probability that customers will or will not pay his/her obligation (nahmias,1981), In credit analysis process, it is process to analyze the creditworthiness of the buyer by using the 5'C of credits as follows:

- Collateral is a borrower's pledge of specific property to a lender, to secure repayment of a loan. The collateral serves as protection for a lender against a borrower's risk of default - that is, any borrower failing to pay the principal and interest under the terms of a loan obligation. If a borrower does default on a loan (due to insolvency or other event), that borrower forfeits (gives up) the property pledged as collateral - and the lender then becomes the owner of the collateral (Riter, 2001).
- Condition is the relevant economic conditions which surround you when you are granting credit.

- Character is the applicant's willingness to pay the bill when they become due.
- Capital is the financial resources obtained from financial records that a company may have in order to deal with its debt. Many a time's credit analysts would make this portion of the credit analysis the most important one. Weight is given on Balance Sheet items and components like Working Capital , Net Worth and Cash Flow.
- Capacity is the ability that borrower can the pay the obligation.

3. CREDIT ASSESSMENT PROCESS

According to (Richter, 1996), recognizes that all applicants will have had applications for finance declined by Finances Houses (this potentially excludes those students who are placed onto our Black Graduate scheme). These Finance Houses would have used Credit Scoring Models, which are based on affordability and payment behavior. MBS will therefore not make use of another Credit Scoring Model but was assess each application on its individual merits. Despite this, each application was still assessed against the following critical components:

- Affordability
- Payment behavior

➤ Affordability

According to (krass,2002),The affordability aspect takes into account the ability of the applicant or his / her sponsor to meet the

monthly installment required in terms of their total expenditure. An application will be considered to be affordable when the total monthly expenditure (including the new MBS monthly installment) does not exceed monthly income. When assessing affordability the following should be considered:

- Source of income (salary / other)
- Regularity of income
- Surplus (income less expenses)

Joint family income could also be considered as a source of income and for affordability purposes may be included in the assessment process.

➤ **Payment behavior**

The payment behavior aspect takes into consideration the applicant or his /her sponsor's behavior / tendency to honor their credit agreements repayments. When assessing this aspect an ITC check may need to be undertaken. Transitions ITC will be used where checks are considered to be appropriate. Once again, each case will need to be considered on its individual merits (inderfurth, 1997).

General

The following points should be considered for all applications:

- Where a credit application is declined, care should be exercised as to who receives the feedback and what reasons are given for declining the application.
- The Finance Committee must sign-off all approved deals.
- Declined deals must be kept on record.

- The outcome of the Finance Committee is final and no appeals will be entertained.
- The duration of the credit term approved must not be excessive and should not be longer than the duration of the qualification registered for.
- Students whose accounts are in arrears will NOT be considered for further credit.
- Interest will be charged on all credit approved.
- Any accounts falling into arrears MUST immediately be reported to the Finance Committee and will be dealt with in terms of section 9 of this document. All results will be blocked until the matter has been resolved.
- Any student / sponsor defaulting on their payments could have their details handed over to a credit bureau.
- A student is entitled to settle the credit agreement at any time and without any advance notice to MBS. The settlement amount is the total of the unpaid balance of the principal debt at the time, plus unpaid interest, and other fees and charges up to the settlement date.
- All terminations / fulfillment of credit agreements must be reported to the Finance Committee who will be required to communicate this to the National Credit Regulator.

6. SELLING POLICY

All merchandise is sold on a cash basis or is charged to a departmental charge account or to personal faculty/staff accounts. Departmental charges are billed monthly to departmental accounts. Each department receives a monthly record of charges made to its account (horale, 1986).

a. Pricing

1. The pricing of textbooks is established using the net price charged by each publisher plus a percentage mark-up not to exceed 23%. If a publisher does not structure pricing using a net price, but rather a list price less a discount, the textbook will be priced at the list price. Freight charges are not added to the price of a textbook.
2. The pricing of non-textbook merchandise is set on industry standard margins.

b. Desk Copies

Departments are responsible for ordering their own desk copies from the publisher. In cases when publishers do not furnish desk copies, faculty members may purchase these desk copies by charging them to the appropriate department or to their personal account. If the desk copies are returned within two weeks of the start of a new semester in new condition, free of all markings, full refund credit will be given (kieso, 2005).

c. Check Cashing

Checks written in payment for small scale enterprises may be written for five dollars over the amount of purchase (blomquist, 2008).

d. Special Orders

According to(ankunda,2010), The Special Orders for small scale enterprise and supply items, any specialty items that the Bookstore does not stock, and that are available from vendors used by the business , may be special ordered. The Campus Community is encouraged to make suggestions to business employees regarding the items or services they would like to have stocked or performed by business.

e. UPS Services

Any merchandise purchased in the Bookstore will be shipped via UPS at the request of the customer.

f. Office Supplies

Tokiyo staff attempts to keep the most needed office supplies in stock. If a needed item is not in stock, the store staff will try to locate the item. If requested, the Somali computer electronic staff will obtain a price quote before the item is ordered for the customer.

g. Faculty/Staff Authors

According to (Graw, 2009), stock for sale publications authored by business enterprises and staff members. The business Manager should be contacted to make arrangements to have these publications stocked in the Bookstore.

h. Services

Special Orders for Business enterprise, Supplies, and any item available from Bookstore Vendors

- Gift Certificates
- Film Processing
- Mail orders
- Promotional sales
- Departmental charge accounts
- Faculty and staff charge accounts
- Graduation invitations, announcements, and cap and gown pick-up
- UPS Service for Bookstore purchases
- FAX machine
- Ethernet hook-up boards and adapters for student computers
- American Express, Master Card, Visa, and Discover charge card acceptance
- Faculty caps and gowns

7. Revenue Policies

A successful revenue procedure is an extremely important element of your company? Income statement controls. Does your company have a streamlined customer return and refund policy? Does it have an up-to-date sales tax collection procedure in place? Is your shipping policy successfully preventing inventory problems? Our comprehensive collection of Revenue Policy Procedures should be utilized to account for and recognize all sales of your company (Jones,2005). There are two accounting methods for the recognition of revenue namely accrual and cash basis.

Cash basis method is the Accounting method in which income is recorded when cash is received, and expenses are recorded when cash is paid out. Cash basis does not conform with the provisions of GAAP and is not considered a good management tool because it leaves a time gap between recording the cause of an action (sale or purchase) and its result (payment or receipt of money). It is, however, simpler than the accrual basis accounting and quite suitable for very small firms which transact business mainly in cash (Wester,1993).

In **accrual basis accounting**, income is reported in the fiscal period it is earned, regardless of when it is received, and expenses are deducted in the fiscal period they are incurred, whether they are paid or not. In other words, using accrual basis accounting, you record both revenues and expenses when they occur (Wester, 1993).

The difference between the two types of accounting is when revenues and expenses are recorded. In cash basis accounting, revenues

are recorded when cash is actually received and expenses are recorded when they are actually paid (no matter when they were actually invoiced). Accrual basis accounting is the method of accounting most businesses and professionals are required to use by law (Wester, 1993).

Profitability

According to Schenk (2007). Profit refers to the excess of revenue over expenses. Expenses can be simply broken down into many categories and the most well known ones are CGS (cost of goods sold), salaries and wages, allowances, tax, overheads, direct costs and indirect costs and etc, while revenue is from sales of goods, service fees and any other earnings.

According to Schenk (2007) refers to "the economic definition of profit is the difference between revenue and the opportunity cost of all resources used to produce the items sold". The ultimate objective of all manufacturing controls is to realize a profit through the operation of the business. A more restricted objective of the control of material is to satisfy the customer by meeting the schedule for deliveries. Failure of deliver order on time is one principal cause of loss of business and customers. Effective control of the material throughout the manufacturing cycle reduces the chance of this problem arising. Inventories are thus a necessary part of the contemporary manufacturing environment, and they must be managed if profit is to accrue.

Maintaining an adequate inventory management to meet all of your customer requirements would be easy if you had unlimited money available to buy and produce the inventory. In most manufacturing companies, capital for inventories is limited and inventory levels must be

held within these limits. Excessive inventory investments, whether in raw materials, work-in-process, or finished goods, can tie up capital that may be sorely needed for other purposes (Schenk, 2007).

According to Hofstrand (2009) "Profitability is the primary goal of all business ventures. Without profitability the business will not survive in the long run". So measuring current and past profitability and projecting future profitability is very important. Every company strives to improve profitability.

Profitability is measured with income and expenses. Income is money generated from the activities of the business. For example, if crops and livestock are produced and sold, income is generated. However, money coming into the business from activities like borrowing money does not create income. This is simply a cash transaction between the business and the lender to generate cash for operating the business or buying assets (Hofstrand, 2009) .

Expenses are the cost of resources used up or consumed by the activities of the business. For example, seed corn is an expense of a farm business because it is used up in the production process. A resource such as a machine whose useful life is more than one year is used up over a period of years. Repayment of a loan is not an expense; it is merely a cash transfer between the business and the lender (Hofstrand, 2009).

Profitability is measured with an "income statement". This is essentially a listing of income and expenses during a period of time (usually a year) for the entire business. *Decision Tool/* Income Statement - Short Form, is used to do a simple income statement analysis. An Income

Statement is traditionally used to measure profitability of the business for the past accounting period. However, a "pro forma income statement" measures projected profitability of the business for the upcoming accounting period. A budget may be used when you want to project profitability for a particular project or a portion of a business (Hofstrand, 2009).

Theoretical Perspectives

Accounting theory and practice the nature of any theory is to provide a logical basis for the practice or procedure to which the theory is applied. Accounting theory has evolved over a long passage of time during which substantial changes in human behavior and market structures have taken place.

This study will be guided by the theory of positive accounting theory by Ross, R & Jerold, Z. (1986), which tries to explain why things are the way they are. For example, why managers choose a particular accounting method over another, or choose not to invest in research and development activities. For policy-makers to make changes to accounting systems, they not only need to know what they are trying to achieve (i.e., they need to form an opinion as to the desired outcome), they also need to understand why people are currently behaving differently and how any changes will affect them. They will refer to normative theory for the former and positive theory for the latter.

Positive accounting theory is tested by gathering and analyzing data. Usually, researchers either study a single organization in great depth over a long period of time, or they collect a smaller amount of data about a much larger number of organizations. Analyzing a single organization

may mean that the research findings are not generalizable to other organizations. However, analyzing a large number of organizations to reach conclusions about the 'average' organization, does not tell you very much about individual cases.

Related Studies

The Impact of accounting procedure on profitability

Business owners often use accounting to make business decisions and improve their company's operations. Management accounting is a primary internal function companies use to manage production processes. Management accounting is the internal function that allocates costs, creates budgets and forecasts production output. Lean accounting is a revolutionary accounting process that transforms current accounting functions. Lean accounting focuses on creating short production cycles and producing products that meet immediate consumer demand. Lean accounting impacts companies in several different ways (Roger, 1989).

Reduce Waste

Lean accounting focuses on reducing waste in a company's production process. Reducing waste can help companies improve their overall profitability. This is a significant impact, because companies that can maintain or increase production output use less business capital. These companies can then reinvest saved capital into the business and make additional improvements in the production process. Business owners may also find that reducing waste can improve the quality of their products and the company's public image (Roger, 1989).

Improve Efficiency

Business owners can use lean accounting to improve employee efficiency. Improving efficiency often allows companies to produce the same amount of goods or services with fewer employees. This is a significant benefit, as labor cost is usually the highest expense in the company, and finding ways to reduce labor will ultimately save money. Efficiency improvements can also create a competitive advantage in the business environment. A competitive advantage allows businesses to produce goods or services better than other similar companies in the economic marketplace (Roger,1989).

Retrain Employees

Retraining employees can have a positive or negative impact from lean accounting. Lean accounting can help current employees learn new skills to improve their knowledge in production systems. This knowledge creates a more skilled worker for the company. However, lean accounting requires business owners to be educated in this function or use an outside professional to retrain employees. Business owners may find that management accountants are reluctant to accept lean accounting principles, since it is a newer accounting concept with mixed reviews in the business environment (Roger,1989).

Profitability Issues

Lean accounting often distorts the pricing process for individual goods or services. Indirect costs usually represent the general and administrative expenses of the company. Price distortion is the result of lean accounting failing to consider the indirect costs of production

processes. Companies may find they have a difficult time maintaining profitability when using lean accounting due to this issue. Examples include office facilities, sales staff and administrative workers completing back-office functions (David, 1989).

Cost Increases

Lean accounting can also increase the company's overall operating costs. The concept of lean accounting emphasizes speed and quality regardless of cost. Companies may need new production equipment to achieve lean accounting waste reduction and efficiency goals. However, the equipment may result in an unmanageable upfront expense for businesses who are not sure if lean accounting will provide long-term benefits. Business owners may also face higher implementation and maintenance costs for new equipment, which can reduce the benefits of lean accounting (David, 1989)

CHAPTER THREE

METHODOLOGY

Research Design

This study employed descriptive correlation design Used in describing relationship between accounting procedure and profitability of small business enterprise.

Research Population

The populations of the study were employees every year in financial transaction of Tokyo watch and Somali computer electronic in Mogadishu, Somalia. According to their annual report (2010), these small businesses have two hundred (200) workers involving managers and other staffs.

Sample Size

Based on the two hundred employees (200) as the total population of this study, the researcher sampled one hundred thirty three (133) of whom (123) were employees and 10 were for administrators and managers of the enterprise. The researcher used Sloven's formula to reach the minimum sample size.

$$n = \frac{N}{1 + N a^2}$$

Where; n the required sample size; N = the known population size; and e = the level of significance, which is = 0.05 Table 1 below explains the sample size of the respondents.

Table 1
Respondents of the Study

$n = 133$

Category	Total Target Population		Sample size	
	Employees	Admin	Employees	Admin
Tokiyo Watch	94	5	62	5
Somali computer electronic	96	5	61	5
Total	190	10	123	10
Grand Total	200		133	

Sampling Procedure

To select the 190 employees the researcher used systematic and stratified random sampling. The researcher stratified employees according to the department and the use systematic random sampling to selected respondents from each department, basing on numbers in each. Purposive

sampling used to select the 10 managers and administrators administrators were selected conveniently and purposively if they belong to this group.

Research Instrument

The researcher used questionnaires as the major data collection instrument questionnaire was divided into three selections such as profile of respondents, extent of accounting procedures, and the level of business profitability.

Validity and Reliability of the Instrument

Validity of the instrument was to assured the assessment of expert, through expert knowledge, and the researcher made sure at least the validity coefficient was 70%. There are many methods to be assured whether your study is valid or not and among them is Content Validity Index (CVI). The formula of CVI equals no of items declared valid /total no of items, (See the calculations of this in Appendix III).

To ensure that the data is reliable a standard test was done; the reliability test involved a "test-retest exercise" a same test was made to the different population in a different time, and they are not a party of the responds.

Data Gathering Procedures

Before the administration of the questionnaires

- An introduction letter was obtained from the School of Post Graduate Studies and Research for the researcher to ask for approval to conduct the study from respective heads of Small Business.
- When approved, the researcher secured a list of the qualified respondents from the company authorities in charge and selected through systematic random sampling from this list to arrive at the minimum sample size.
- The respondents were briefed about the study and were requested to sign the Informed Consent Form (Appendix 3).
- Reproduce more than enough questionnaires for distribution.
- Select research assistants who would assist in the data collection; brief and orient them in order to be consistent in administering the questionnaires.

During the administration of the questionnaires

- The respondents were requested to answer completely and not to leave any part of the questionnaires unanswered.
- The researcher and assistants emphasized retrieval of the questionnaires within five days from the date of distribution.
- On retrieval, all returned questionnaires were checked if all were answered.

After the administration of the questionnaires

The data gathered was collected, encoded into the computer and statistically treated using the Statistical Package for Social Sciences (SPSS).

Data Analysis

Frequencies and percentages distribution was used to analyze data on the profile of the respondents. Means and standard deviations was used to determine the level of business profitability and accounting procedures of small business. The Pearson's linear correlations coefficient was used to describe the relationship between accounting procedure and business profitability.

The researcher used Pearson's Linear Correlation Coefficient (PLCC) to analyze the relationship between level of accounting procedure and profitability of small business. A correlation study is a statistical technique that enables the researcher to measure and describe the relationship between two variables X and Y. After the researcher collected the data, it was stored manually in SPSS worksheet and the information was gathered through graphical presentation.

Statistical package for social science (SPSS version 16) was used to tabulate and cross tabulate the data. Thereafter, the researcher made an interpretation of the frequency tables and accordingly makes a summary of findings, conclusions and recommendations.

To interpret the obtained profile of the accounting Procedures and level of the profitability the following numerical value and description were used;

Mean Range	Description
3.26-4.00	Very Good
2.51-3.25	Good
1.76-2.50	Fair
1.00-1.75	Poor

Ethical Considerations

To ensure confidentiality of the information provided by the respondents and to ascertain the practice of ethics in this study, the following activities were implemented by the researcher:

- Request the respondents to sign in the Informed Consent Form (Appendix 3)
- Acknowledge the authors quoted in this study and the author of the standardized instrument through citations and referencing.

Limitations of the Study

In view of the following threats to validity, the researcher argued an allowable 5% margin of error at 0.05 level of significance. Measures are also indicated in order to minimize if not to eradicate the threats to the validity of the findings of this study.

- ***Extraneous variables*** were beyond the researcher's control such as respondents' honesty, personal biases and uncontrolled setting of the study.
- ***Testing:*** The use of research assistants can bring about inconsistency in the administration of the questionnaires in terms of time of administration, understanding of the items in the questionnaires and explanations given to the respondents. To minimize this threat, the research assistants were oriented and briefed on the procedures to be done in data collection.
- ***Attrition/Mortality:*** Not all questionnaires were returned completely answered nor even retrieved back due to circumstances on the part of the respondents such as travels sickness, hospitalization and refusal/withdrawal to participate. In anticipation to this, the researcher reserved more respondents by exceeding the minimum sample size. The respondents were also reminded not to leave any item in the questionnaires unanswered and were closely followed up as to the date of retrieval.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

Demographic information

This part presents the background information of the respondents who participated in the study. The purpose of this background information was to find out the characteristics of the respondents and show the distribution of respondents in the study.

Table 2
Profile of the respondents
n=133

Gender	Frequency	Percentage (%)
Male	96	72
Female	37	28
Total	133	100
Age		
20-30	41	31
31-40	54	41
41-50	24	18
51-60	10	8
60 above	2	2
Total	133	100
Qualification		
Certificate	11	8
Diploma	31	23
Bachelor	57	43
Masters	22	17
PhD	2	2
Total	133	100
Experience		
Less than 1yr	25	19
1-2 yrs	37	28
3-4 yrs	47	35
5-6 yrs	19	14
7yrs	5	4
Total	133	100

Source: primary data, 2011

From the above table 2 indicated that different categories were involved in the study 72% were male and 28% of the respondents were female, and it is clear that these majority of companies were dominated by male employees.

The findings of the study showed that the majority of the employees represented 41% lay in between 31-40, and the minority of the respondents in the study represented 2% were of the age bracket 60 and above. The majority were in the age category of Of 31 and 40 years.

Table 2 showed that the findings of the study indicated that the majority of the respondents were Bachelor degree holders which makes up 43% of the respondents, the second group of the respondents are diploma holders which represents 23% of the respondents, the third group of the respondents have masters degree and mostly they are the managers of the companies, the forth group of the respondents are those who have PHD which represents 2% of the respondents. The majority (35%) had served in the firms for a period of between 3 and 4 years.

Extent of Accounting Procedures

The independent variable in this study was Accounting Procedures broken down into several aspects that are, Inventory polices (1-7) items, purchasing policies (1-5) items, Cash Policies (1-5) Items a revenue policies (1-5) items. All the 22 aspects of the accounting procedures were measured quantitatively using items or questions in the questionnaire, with each scaled between one to four; where 1 = weak; 2 = fair ; 3 = satisfactory; and 4 = very satisfactory. Respondents were required to controlling on each of the items of the accounting procedures by writing the relevant number in the questionnaire. Their responses were analyzed using SPSS's summary statistics showing the means, as indicated in table 3 below.

Table 3
Inventories Policies
n=133

Indicators	Mean	Interpretation	Rank
There are adequate inventories inspection procedures in place	3.19	Good	1
The company uses FIFO method in inventory evaluation	2.88	Good	2
The company uses JIT (Just in Time) for stocking	2.83	Good	3
There is a system which traces the inventory in the machine of the supplier i.e. its price, quality at the time of purchase.	2.75	Good	4
Deterministic models are employed for procurement of the inventories	2.58	Good	5
The company uses lot size policy for inventories for recovery and virgin procurement	2.49	Good	6
The company uses two-parameter policy i.e. disposing and acquiring new Supply	2.04	Fair	7

Source: primary data, 2011

According to table 3 above, a big proportion of respondents feel that their organizations have adequate inventory inspection procedures in place (mean 3.19 on a 4 point scale) implying that the majority of firms are able to inspect their inventory processes.

When asked to respond to the statement that the company uses FIFO method in inventory evaluation, a big proportion of respondents represented by a high mean score of 2.88 agreed to the statement, implying that the majority of firms in Mogadishu use FIFO method in inventory evaluation.

Statement three in the above table which is "the company uses JIT (Just in Time) for stocking" received a mean rating of 2.83 implying that most of the companies in Mogadishu use JIT for stocking inventories.

Most of the respondents agreed that there is a system which traces the inventory in the machine of the supplier i.e. its price, quality at the time of purchase represented by a mean score of 2.75, implying that the majority of firms have a system which traces inventory in the machine of the supplier.

When asked to respond to the statement that deterministic models are employed for procurement of the inventories a fairly big proportion of respondents agreed (mean, 2.58), implying that firms in Mogadishu employ deterministic models for procurement of inventories.

A fairly big proportion of respondents agreed that their companies use a lot of sizable policies for inventory recovery and virgin procurement (mean, 2.49). This means that firms in Mogadishu use sizable policies for inventory recovery and virgin procurement.

A fair majority of respondents agreed that their firms use two-parameter policies i.e. disposing and acquiring new supplies (mean score 2.04). This implies that a fairly big proportion of firms in Mogadishu use two parameter policies namely disposing and acquiring new supplies.

Table 3.1
Purchase Policies

Indicator	Mean	Interpretation	Rank
Negotiations for purchases, including requests for quotations, or requests for proposals, must be accomplished through the purchasing department	2.68	Good	1
There is a firm policy regarding purchasing which postulates for the customer to place a written order rather than verbal order	2.65	Good	2
The purchasing department administers the procurement of products and services for all departments	2.58	Good	3
The purchasing department maintains a significant file of catalogs, reflecting current prices for equipment, goods and services	2.41	Fair	4
The company maintains hard and fast policies for the separation of the duties of receiving orders, preparation of invoices, and reception of cash	2.27	Fair	5

Source: primary data, 2011

According to table 3.1, a fairly big proportion of respondents agreed that in their companies negotiations for purchases, including requests for quotations, or requests for proposals are accomplished through the purchasing department (mean=2.68). The results indicate that a fairly big proportion of firms have and utilize their purchasing departments to accomplish purchasing procedure.

Respondents rated their firms somewhat highly as regards having is a firm policy regarding purchasing which postulates for the customer to place a written order rather than verbal order (mean=2.65). This suggests that most firms in Mogadishu rely on written orders in their transactions with their clients.

With regards to the statement that the purchasing department administers the procurement of products and services for all departments, a fairly big proportion of respondents agreed that the procurement role in their companies was the responsibility of the purchasing department (mean=2.58).

This seems to indicate that a fairly big proportion of firms in Mogadishu have a purchasing department which they rely on to accomplish procurement activities. The statement that purchasing department maintains a significant file of catalogs, reflecting current prices for equipment, goods and services scored an above average mean score of 2.41, implying that on average purchasing departments in Mogadishu firms keep and maintain records which informs their decision to purchase.

The statement that the company maintains hard and fast policies for the separation of the duties of receiving orders, preparation of

invoices, and reception of cash received a slightly above average score of 2.27 implying that on average, the companies maintain important documents and instruments to aid them in transacting business.

Table 3.2

Cash Policies

indicator	Mean	Interpretation	Rank
The company authorizes check or credit card	3.02	Very Good	1
Cash budget is prepared on the basis of cash planning	2.79	Good	2
There is a good management policy of cash flow	2.77	Good	3
The company invests excess of the cash in securities	2.50	Good	4
The cost of excess cash and danger of cash deficiency are matched	2.38	Fair	5

Source: primary data, 2011

According to table 3.2, a big proportion of respondents agreed that their firms authorized checks and credit cards represented by a mean score of 3.02, implying that checks and credit cards are common in the day today transaction of business among firms in Somalia.

With a mean score of 2.79, a fairly big proportion of respondents agreed that in their firms, the cash budget is prepared on the basis of cash planning. The results indicate that on average firms in Mogadishu engage in cash planning.

Respondents also agreed that their firms had good management policy of cash flow (2.77) suggesting that the majority of firms in Somalia have good cash flow management policies.

A big proportion of respondents agreed that their firms invest excess cash in securities with a mean score of 2.50, implying that on average some firms in Mogadishu invest excess cash in securities though not to a high extent.

Respondents feel that the cost of excess cash and the danger of cash deficiency are matched with a mean score of 2.38, implying that firms in Mogadishu balance the cost of excess cash and the danger of cash deficiency though not to a large extent.

Table 3.3
Revenue Policies

Indicator	Mean	Interpretation	Rank
Company's income is recorded when cash is received and expenses are deducted when cash is paid out	2.51	Good	1
The company has up-to-date sales tax collection policies	2.48	Fair	2
The company has a streamlined customer return and refund policy	2.45	Fair	3
The company records income when it earns and deducts expenses when incurred	2.39	Fair	4
Shipping procedures help to prevent inventory problems	2.22	Fair	5

Source: primary data, 2011

The level of the Profitability

The dependent variable in this study was profitability. Contained ten questions in the questionnaire these aspects was measured using qualitative questions in the questionnaire and each of the questionnaire items was scaled using four points where 1 = strongly disagree; 2 = disagree; 3 = agree; 4 = strongly agree. Their responses were analyzed using SPSS's summary statistics showing the means as indicated in table 4 below.

Table 4
LEVEL OF PROFITABILITY
n=133

Indicators	Mean	Interpretation	Rank
Your company credit policy increases the firm's profitability	3.01	Very Good	1
Investment appraisal techniques have effect on the profitability	2.97	Good	2
Your company's collection procedure and billing system increases the firm's profitability	2.84	Good	3
The level of income of your business is high	2.80	Good	4
The level of return on capital employed by your business is high	2.78	Good	5
Mostly taxes have an effect on the company's profitability	2.71	Good	6
Capital equipment acquisition decisions have a relation to the firm's profitability	2.34	Fair	7
The level of return on equity of your business is adequate enough	2.24	Fair	8
The level of return on asset of your business is high	1.99	poor	9
Replacement decisions of capital equipment have effect on the profitability of the firm	1.99	Poor	10

Source: primary data, 2011

According to table 4 above a big proportion of respondents felt that their company credit policy increases the firm's profitability with a mean score of 3.01, meaning that on average the credit policy of firms in Mogadishu increase profitability.

A fairly big proportion of respondents agreed that investment appraisal techniques have an effect on company profitability as attested to by a high mean score of 2.97 indicating that in most firms in Mogadishu investment appraisal techniques have an effect on profitability.

Respondents agreed that their companies' collection procedures and billing systems increase the firm's profitability as attested to by a mean score of 2.84 meaning that in Mogadishu collection and billing system increase company profitability. A fairly big proportion of respondents agreed that their companies' income level were high (mean=2.80) implying that on average company income levels are good. Respondents agreed that the level of return on capital employed by their companies is high as attested to by mean score of 2.78 meaning that return on capital employed in business is high. With an average of 2.71 respondents agreed that taxes have an effect on the company's profitability, meaning that in Mogadishu taxes have an effect on company profitability.

At a fair average of 2.34 respondents agreed that capital equipment acquisition decisions have a relation to the firm's profitability meaning that firms in Mogadishu the capital acquisition decisions have a relationship with the firm's profitability though not to a high extent.

It is only a small proportion of respondents who felt that the level of return on asset is high as attested to by a low mean score of 1.99 meaning that on average the return on capital assets of most firms in Mogadishu is low. Fewer respondents also agreed that replacement decisions of capital equipment have an effect on the profitability of the firm as attested to by a low mean of 1.99.

Table 5

The relationship between accounting procedure and the level of profitability

n=133

The relationship between the accounting procedures and profitability, Pearson's Linear Correlation Coefficient was used to test correlation between the two variables, as indicated on table 5.

Table 5 below shows Pearson's Correlation Coefficient results correlating accounting procedures and profitability of some selected small scale enterprises in Mogadishu, Somalia.

		Accounting procedure	level of profitability
Accounting procedure	Pearson Correlation	1	.741**
	Sig. (2-tailed)		.000
	N	22	10
level of profitability	Pearson Correlation	.741**	1
	Sig. (2-tailed)	.000	
	N	10	22

** . Correlation is significant at the 0.05 level (2tailed).

Source: primary data, 2011

Table5 indicates that there is a significant positive relationship between accounting procedures and the level of profitability. The correlation coefficient for the two variables is 0.741 p value<0.05. Thus the researcher rejects the null hypothesis and concludes that at the 0.05 level of significance, there is a significant relationship between accounting procedures and the level of profitability of firms in Mogadishu Somalia. The implication for management is that if the company is to increase company profitability, then they should improve accounting procedures.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary of Findings

This study was guided by four objectives which consist of these objectives (1) To determine the demographic characteristics of the population in terms of: Age, gender, level education of the selected manufacturing companies (2) To determine the extent of accounting procedures (4) to determine the level of profitability of some selected small scale enterprises in Mogadishu, Somalia. (4) To establish the relationship between the extent of accounting procedures and the level of profitability.

The first objective of the study the descriptive statistics result showed frequencies and percentages, indicating the characteristics of the respondents and also showed the distribution of the population in the study. The study found that the majority of employees in Mogadishu's small scale enterprises are male, between 30 and 40 years, have a bachelor's degree and have worked with their company for a period of between 3 and 4 years.

The extent of accounting procedures

The second objective was to determine that extent of accounting procedures of some selected small scale enterprises in Mogadishu, Somalia. Based on the analysis of chapter four the findings revealed that as regards inventory management the study found that the majority of small scale enterprises are able to inspect their inventory processes, the

majority of small scale enterprises in Mogadishu, Somalia use FIFO method in inventory evaluation, most of the small scale enterprises in Mogadishu, Somalia use JIT for stocking inventories, the majority of small scale enterprises have a system which traces inventory in the machine of the supplier, a big proportion of small scale enterprises in Mogadishu, Somalia. Employ deterministic models for procurement of inventories, small scale enterprises in Mogadishu, Somalia use sizable policies for inventory recovery and virgin procurement and that a fairly big proportion of small scale enterprises in Mogadishu, Somalia use two parameter policies namely disposing and acquiring new supplies.

As regards purchase procedure the study found purchase procedure, a fairly big proportion of firms have and utilize their purchasing departments to accomplish purchasing procedure, most small scale enterprises in Mogadishu, Somalia rely on written orders in their transactions with their clients. A fairly big proportion of small scale enterprises in Mogadishu, Somalia have a purchasing department which they rely on to accomplish procurement activities. On average purchasing departments in Mogadishu, Somalia small scale enterprise keep and maintain records which inform their decision to purchase. On average, the small scale enterprises maintain important documents and instruments to aid them in transacting business.

As regards cash policies the study found that checks and credit cards are common in the day today transaction of business among small scale enterprises in Mogadishu, Somalia. On average small scale enterprises in Mogadishu, Somalia engage in cash planning, the majority of small scale enterprises in Mogadishu, Somalia have good cash flow

management policies, small scale enterprises in Mogadishu, Somalia balance the cost of excess cash and the danger of cash deficiency though not to a large extent and that on average some small scale enterprises in Mogadishu, Somalia. Invest excess cash in securities though not to a high extent

As regards revenue policies the study found that most small scale enterprises in Mogadishu, Somalia keep records of cash flow, most firms in Mogadishu have up to date tax collection policies, and shipping procedures help to prevent inventory problems and that most firms in Mogadishu have streamlined customer return and refund policy

Level of profitability

As regards level of profitability, the study found that the credit policy of small scale enterprises in Mogadishu, Somalia. Increase profitability, most of small scale enterprises in Mogadishu, Somalia investment appraisal techniques have an effect on profitability collection and billing system increase company profitability, on average company income levels are good, return on capital employed in business is high.

The study also found that in Mogadishu, Somalia taxes have an effect on company profitability, capital acquisition decisions have a relationship with the firm's profitability though not to a high extent, and the return on capital assets of most small scale enterprises in Mogadishu, Somalia is low. Fewer respondents also agreed that replacement decisions of capital equipment have an effect on the profitability of the firm

Relationship between the extent of accounting procedures and the level of profitability

The study found that accounting procedures of small scale enterprises in Mogadishu, Somalia have a significant relationship with the level of profitability. The study further found that accounting procedures have a significant effect on the level of profitability among small scale enterprises in Mogadishu, Somalia.

CONCLUSION

Accounting procedure

Most small scale enterprises in Mogadishu, Somalia scored highly on inventory management policies, purchase policies, and on cash and revenue policies. From the foregoing it can thus be concluded that the majority of small scale enterprises in Mogadishu, Somalia have good inventory management policies and practices

Level of profitability

The small scale enterprises scored highly on items under level of profitability indicating that small scale enterprises in Mogadishu, Somalia enjoy high levels of profitability. Thus from the foregoing it can be deduced that small scale small scale enterprises in Mogadishu, Somalia enjoy a high level of profitability.

The relationship between accounting procedures and level of profitability

The study found a significant relationship and effect between the extent of accounting procedures and level of profitability. It can thus be concluded that there is a significant relationship between the extent of accounting procedures and the level of profitability of small scale enterprises in Mogadishu, Somalia.

RECOMENATIONS

Accounting procedures

Small scale enterprises in Mogadishu, Somalia make an effort to improve the accounting procedures and the best way they can achieve this is by establishing formal organizational structures with formal business processes to allow a shift from the current informal way that firms are doing business.

Level of profitability

Small scale enterprises invest in human resource if their small scale enterprises are to accrue any profits. Efforts directed towards training employees in professional business and accounting programs in order to increase their capacity to work in the current competitive environment.

The relationship between the extent of accounting procedures and level of profitability

Since accounting procedures are significant predictors of levels of small scale enterprises profitability, management efforts are directed towards strengthening the accounting department of these small scale enterprises and improving accounting procedures.

Suggested areas for further research

On the basis of the knowledge of the researcher gained during this study, the researcher would recommend the main topics which are important in the field of accounting procedure

- Inventory management and firm's long-term success performance
- Stock management and profitability

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APPENDIX I-A

Transmittal letter



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OFFICE OF THE COORDINATOR, BUSINESS AND MANAGEMENT SCHOOL OF POSTGRADUATE STUDIES AND RESEARCH (SPGSR)

July 15, 2011

Dear Sir/Madam,

**RE: REQUEST FOR SHAMSO AHMED HUSSEIN MBA/31892/102/DF
TO CONDUCT RESEARCH IN YOUR ORGANIZATION**

The above mentioned is a bonafide student of Kampala International University pursuing a Masters of Business Administration (Finance and Accounting). She is currently conducting a field research of which the title is **"Accounting procedures and Profitability of Selected Business Enterprises in Mogadishu, Somalia"**

Your organization has been identified as a valuable source of information pertaining to her research project. The purpose of this letter is to request you to avail her with the pertinent information she may need.

Any information shared with her in your organization shall be treated with utmost confidentiality.

Any assistance rendered to her will be highly appreciated.

Yours truly,

Mr. Malinga Ramadhan
Coordinator
Business and Management (SPGSR)

"Exploring the Heights"

APPENDIX I-B

TRANSMITTAL LETTER FOR THE RESPONDENTS

Dear Sir/ Madam,

Greetings!

I am candidate for master in finance and accounting at Kampala International University with a thesis on, "**Accounting Procedure and Profitability of Some Selected Small Scale Enterprise in Mogadishu, Somalia**". Pursue to complete this academic requirement; may I request your assistance by being part of this study?

Kindly provide the most appropriate information as indicated in the questionnaire and please do not leave any item unanswered, any data from you shall be for academic purpose only and will be reserved utmost confidentially.

May I get back the questionnaire within 5 weeks after you receive them?

Thank you very much in advance

Yours faithfully,

Shamso Ahmed Hussein

APPENEIX II
CLEARANCE FROM ETHICS COMMITTEE

Date _____

Candidate's Data

Name _____

Reg. # _____

Course _____

Title of Study _____

Ethical Review Checklist

The study reviewed considered the following:

- ☐ Physical Safety of Human Subjects
- ☐ Psychological Safety
- ☐ Emotional Security
- ☐ Privacy
- ☐ Written Request for Author of Standardized Instrument
- ☐ Coding of Questionnaires/Anonymity/Confidentiality
- ☐ Permission to Conduct the Study
- ☐ Informed Consent
- ☐ Citations/Authors Recognized

Results of Ethical Review

- ☐ Approved
- ☐ Conditional (to provide the Ethics Committee with corrections)
- ☐ Disapproved/ Resubmit Proposal

Ethics Committee (Name and Signature)

Chairperson _____

Member's _____

APPENDIX III

INFORMED CONSENT

I am giving my consent to be part of the research study of Mrs. Shamso Ahined Hussein that will focus on Accounting Procedures and Profitability of Some Selected Small Scale Enterprises in Mogadishu, Somalia.

I shall be assured of privacy, anonymity and confidentiality and that I will be given the option to refuse participation and right to withdraw my participation anytime.

I have been informed that the research is voluntary and that the results will be given to me if I ask for it.

Initials: _____

Date _____

APPENDIX IV **CALCULATION OF CONTENT OF VALIDITY INDEX**

$$\text{CVI} = \frac{\text{Number of all relevant questions}}{\text{The total number of the items}}$$

$$\text{Section A} = \frac{20}{22} = 0.91$$

$$\text{Section B} = \frac{9}{10} = 0.90$$

Therefore, Average of content validity index is

$$\text{CVI} = \frac{1.81}{2} = 0.905$$

APPENDIX V
Authority letters (Tokyo Watch)

To whom it may concern:

September 5, 2011

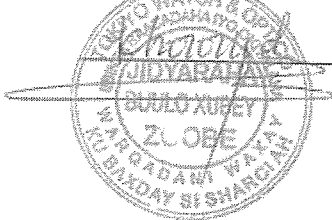
Tokyo watch HQ office is allowed shamso Ahmed Hussein to be given and shared the information which she has required us in the form of questioner under the title of **Accounting Procedures and profitability**.

We have given him this information after She has brought us a request letter from Kampala International University which was dated on September 5, 2011.

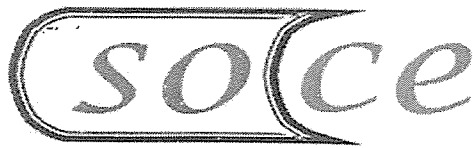
We hope success to him and the university as a whole.

Yours truly,

General Director:



Authority letters (Somali Computer Electronic)



SOMALI COMPUTER ELECTRONICS Ltd. Co.

Telephone: +2521650869 / +25259337773 / 858824 / 932772 / +252615578824

Branch (1) Near Aba Huraira Mosque, H/wadag Street, Bakaro Market

Branch (2) Km5, Zobe, Opposite of Red crescent, Hodan District.

Mogadishu - Somalia

September 9, 2011

To whom it may concern:

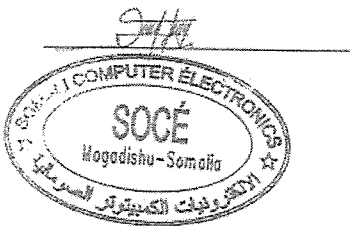
Somali Computer and Electronics (SOCE) HQ office is allowed **shamso Ahmed Hussein** to be given and shared the information which she has required us in the form of questioner under the title of **Accounting Procedures and profitability.**

We have given her this information after she has brought us a request letter from Kampala International University which was dated on September 5, 2011.

We hope success to her and the university as a whole.

Yours truly,

General Director:



APPENDIX VI-A

FACE SHEET: DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

Gender (Please Tick): ☐ (1) Male
 ☐ (2) Female : Age

Qualifications (Please Specify):

- (1) Certificate _____
- (2) Diploma _____
- (3) Bachelors _____
- (4) Masters _____
- (5) Ph.D. _____

Other qualifications other than above

Number of Years of Experience (Please Tick):

- ____(1) Less than/Below one year
- ____(2) 1- 2yrs
- ____(3) 3-4yrs
- ____(4) 5-6yrs
- ____(5) 7 years and above

APPENDIX VI-B

SECTION A: QUESTIONNAIRE FOR THE LEVEL OF ACCOUNTING PROCEDURES

Response Mode	Score	Item Analysis
Surely True	4	Very Satisfactory
True	3	Satisfactory
Untrue	2	Fair
Surely Untrue	1	Weak

Description 2: Please write your rating on the space before each option which corresponds to your best choice in terms of inventory policies, purchase policies, cash policies and revenue policies.

Accounting procedure

Inventory Policies

- ☐ 1. The company uses FIFO method in inventory evaluation
- ☐ 2. There is a system which traces the inventory in the machine of the supplier i.e. its price, quality at the time of purchase
- ☐ 3. The company uses JIT (Just in Time) for stocking
- ☐ 4. There are adequate inventory inspection procedures in place

Referees

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Dr. Mohamed Hussein Isse - Chief Registrar at Mogadishu University, Somalia. Tel: +252699960675

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