

THE PERCEPTION OF SMEs ENTREPRENEURS TOWARDS THE IMPORTANCE OF PROPER ACCOUNTING SYSTEM

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The Importance of Proper Accounting System**

A thesis submitted to the College of Business
In partial fulfillment of the requirement for the degree
Master of Administration (Accounting)
Universiti Utara Malaysia

By

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DECLARATION

I certify that the material of this thesis has not being submitted for any degree qualification.

I certify that any help received in preparing this thesis and all sources used have been acknowledged in this thesis.

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ABSTRACT

This paper seeks to examine the relationship between Small and Medium Enterprises (SMEs) entrepreneurs' perception towards a proper accounting system with the level of accounting staff recruited, preparation of final accounts, meetings with accounting staff and entrepreneurs' ranking of accounting according to their priority.

The methodology used to gather the data is through questionnaire. It has been distributed to SMEs based on simple random sampling method. 300 businesses were selected from the total of 3390 business listing in Kuala Lumpur based on SMIDEC website and a few randomly selected companies from Ampang and Cheras areas.

Regression analysis has been used to analyze the data. The result of analysis shows that there was significant relation between SMEs entrepreneurs perception on the importance of good accounting system with the level of professional accounting staff recruited. In contrast, no insignificant relationship was recorded with regard to the preparation of final accounts of the company and frequency of meeting with accounting staff.

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CHAPTER 1

INTRODUCTION

1.0 INTRODUCTION

Large companies including automobile manufactures, petroleum related and others contribute specifically to Malaysian economy (Hasni, 2002). They are seen to take an active role in achieving economic growth. However, contributions from small and medium companies (SMEs) to the Malaysian economic are also very important. They provide indirect support or income to economy's growth. SMEs are also able to provide goods and services the same as large companies albeit in smaller quantities.

Currently, the Malaysian government realizes that this industry provide significant contribution to the national income. Normah (2006) stated that the activities of SMEs generated economic growth in developed countries like Korea, Japan, Taiwan and many more. Normah also stated that "the percentage contribution of SMEs to Gross Domestic Product (GDP) or total value added ranges from 60.0 percent in China, 57.0 percent in Germany, 55.3 percent in Japan and 50.0 percent in Korea, compared to 47.3 percent attained by Malaysia".

SME are increasingly important to the nation. The Governor of the Central Bank of Malaysia, Dr Zeti Akhtar Aziz (2008) mentioned in a Banking Industry Seminar that "The development of a strong and dynamic SME Sector is a priority on the national

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