ORIGINAL PAPER

DOI: 10.26794/2308-944X-2024-12-1-70-80
UDC 657(045)
JEL M410, M480

Analyzing the Recording Practices in Accounting of Micro and Small Businesses: The Case of the Philippines

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ABSTRACT

This study delves into the recording practices in accounting within micro- and small businesses, with the **aim** of addressing the neglect of proper practices due to factors such as limited knowledge and regulatory oversight. In these enterprises, accurate financial reporting is pivotal for informed decision-making, yet it is often impeded by inadequate recording practices. Using **methods** of qualitative analysis, the research offers insights specific to micro- and small businesses in Zamboanga del Sur, Philippines, illuminating both challenges and opportunities. Eight micro- and small business owners participated in semi-structured interviews, selected through purposive sampling, thereby providing rich data for case study analysis. The **findings** underscore the struggle of these businesses in maintaining accurate records, with outsourcing emerging as a potential solution. The study **concludes** by recommending training programs emphasizing proper record-keeping and advocating for government support through mandatory recording seminars. **Further research** is urged to deepen understanding and inform strategies for improvement in recording practices within micro and small businesses. This comprehensive exploration contributes to the literature by shedding light on a critical aspect of financial management in micro- and small enterprises, ultimately aiming to enhance their operational effectiveness and sustainability.

Keywords: accounting; recording keeping; double entry; bookkeeping; small business; micro business; Philippines

For citation: **Borromeo A.S., Cervantes R.J., Sumicad E.H. Jr. Analyzing the recording practices in accounting of micro and small businesses: The case of the Philippines. *Review of Business and Economics Studies*. 2024;12(1):70-80. DOI: 10.26794/2308-944X-2024-12-1-70-80**

ОРИГИНАЛЬНАЯ СТАТЬЯ

Анализ практики ведения бухгалтерского учета в микро- и малых предприятиях на примере Филиппин

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АННОТАЦИЯ

В данном исследовании проведен анализ практики ведения бухгалтерского учета в микро- и малых предприятиях **с целью** решения существующих проблем, обусловленных ограниченностью знаний и нормативного надзора. На этих предприятиях точная финансовая отчетность имеет ключевое значение для принятия обоснованных решений, однако этому часто препятствует неадекватная практика ведения учета. Используя **методы** качественного анализа, исследование дает представление о специфике микро- и малых предприятий в Замбоанга-дель-Сур (Филиппины), освещая как проблемы, так и возможности. Восемь владельцев микро- и малых предприятий, отобранных путем целенаправленной выборки, приняли участие в полуструктурированных интервью, что позволило получить необходимые данные для анализа.

Полученные **результаты** подчеркивают трудности предприятий в ведении точного учета, и потенциальным решением становится аутсорсинг. Исследование **рекомендует** организацию программ обучения, направленных на внедрение правильного ведения учета, и обращение к государственной поддержке при проведении обязательных семинаров по ведению учета. **Дальнейшие исследования** необходимы для углубления понимания и разработки стратегий по улучшению практики учета в микро- и малых предприятиях. **Вклад** данного комплексного исследования заключается в критическом анализе важнейшего аспекта финансового менеджмента на микро- и малых предприятиях, направленного в конечном счете на повышение операционной эффективности и устойчивости предприятий.
Ключевые слова: бухгалтерский учет; ведение отчетности; двойная запись; финансовая отчетность; малый бизнес; микробизнес; Филиппины

Для цитирования: **Борромео А.С., Сервантес Р. Дж., Сумикад-младший Э.Х. Анализ практики ведения бухгалтерского учета в микро- и малых предприятиях на примере Филиппин. *Review of Business and Economics Studies*. 2024;12(1):70-80. DOI: 10.26794/2308-944X-2024-12-1-70-80**

1. Introduction and literature review

Accounting literacy, particularly record-keeping, is essential in a business because it greatly affects the success and failure of its operation [1]. The authors highlight the need for businesses to have basic accounting and record-keeping knowledge, as it will benefit business decision-making and financial management. The recording and reporting of daily operations in a business using accounting techniques is crucial in monitoring cash flows, cost of production, assets, liabilities, and equity [1].

Effective record-keeping practices, specifically through cash, sales, and purchase daybooks, significantly enhance micro-enterprise performance. Governments and non-governmental organizations (NGOs) should encourage record-keeping in micro-enterprises for accurate business records, crucial in decision-making and goal attainment [2]. Gardi et al. [3] and Rumambi et al. [4] find financial statements to be the key business determinant. Business managers rely on accurate financial statements for problem-solving, planning, and decision-making to improve business outcomes.

Micro and small businesses, characterized by their limited scale and workforce, play a vital role in the economic landscape. Micro enterprises, defined by employing fewer than 10 individuals and generating annual incomes below ₱3,000,000,[1] are joined by small businesses, which typically employ up to 50 personnel and exceed the aforementioned income threshold. Accurate recording practices are essential for these entities, facilitating efficient financial management and informed decision-making. Digital technologies enable businesses to transparently disseminate high-quality information, surpassing manual reporting methods [5]. Mannan et al. [6] highlight the challenge posed by a lack of accounting knowledge, particularly in financial reporting and bookkeeping for micro and small businesses. Their study reveals that Indonesian businesses struggle, leading to poor decision-making and business failure. Small and medium enterprises (SMEs) in the Makurdi metropolis faced inappropriate budgeting due to a failure in financial reporting [7]. Inadequate accounting knowledge results in incomplete records, hindering SMEs from reliably measuring their financial statements and contributing to business failure. Comprehensive accounting knowledge is imperative for SME owners to ensure sound accounting practices [8–10].

Micro and small businesses often lack essential accounting knowledge, resulting in inadequate record-keeping and financial reports, hindering effective management of assets and liabilities, and impeding business growth [11]. Zelie et al. [12] emphasize that the level of education, employee count, and transaction volume significantly influence accounting practices in small and medium enterprises. Adequate accounting knowledge, coupled with suitable staffing, contributes to positive accounting practices, fostering business growth.

The Republic of the Philippines adopted the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) effective from January 1, 2010, known as the Philippine Financial Reporting Standard for SMEs (PFRS for SMEs). Entities with total assets ranging from P3,000,000 to P350,000,000 or total liabilities between P3 million and P250 million

[1] ₱ — Philippine peso sign.

are required to use the PFRS for SMEs. In March 2018, the Securities and Exchange Commission (SEC) approved the adoption of Philippine Financial Reporting Standards for Small Entities (PFRS for Small Entities) for small entities in their financial reporting. However, exceptions apply to entities operating in different countries with varying functional currencies. Micro entities are not obligated to file financial statements, but they have the option to utilize PFRS for Small Entities as their financial reporting framework. If chosen, the financial statements must include the Statement of Management's Responsibility, Auditor's Report, Statement of Financial Position, Statement of Income, and Notes to Financial Statements, covering two-year comparative periods if applicable.

In the Philippines, 99.6% of micro, small, and medium enterprises (MSMEs) operate under the Magna Carta of Small Enterprises (Republic Act 6977). Despite this, they are subject to income declaration laws and accounting standards imposed by the Bureau of Internal Revenue. According to Ibarra [13], 41.7% of MSMEs in Metro Manila claim to have sufficient knowledge about accounting principles.

The study is based on the Decision-Usefulness Theory of Accounting, focusing on decision-making processes in uncertain environments [14]. The research aims to describe and explain accounting recording practices in micro and small businesses, including software interference, compliance with Philippine Financial Reporting Standards (PFRS), encountered challenges, and strategies for managing them.

Specifically, the research aimed to describe the accounting recording practices of micro- and small businesses. The research will then explain the accounting recording practices used by the businesses, the interference of any software recording, the ways of complying with the requirements set forth by the Philippine Financial Reporting Standards (PFRS), the challenges encountered, and the ways of managing those challenges.

Despite existing studies on financial accounting in MSMEs, a research gap persists in understanding factors influencing insufficient knowledge of proper accounting records in micro and small enterprises. This study addresses the gap by aiding entities in organizing accounting records, specifically financial statements, to guide owners in future business transactions. It aims to enhance our comprehension of micro and small businesses' accounting practices in recording transactions, offering guidance to business owners in their recording practices as integral aspects of their operations.

With all the gathered information, researchers studied the accounting standards of small and micro businesses in the Philippines or how small and micro businesses conduct record-keeping. Furthermore, the researchers aimed to help micro- and small businesses in record-keeping and accounting.

2. Research methods

The researchers used a case study in this qualitative research. Qualitative research is being undertaken because it explains a phenomenon whenever there is a lack of theory [15]. The research aimed to determine whether micro- and small businesses provide sufficient accounting records. The case mainly focused on micro and small businesses. The research was conducted in Zamboanga del Sur, Philippines. It is a province situated in the southern part of Mindanao. According to the data provided by the Department of Trade and Industry of the province, there are approximately more than 50,000 businesses in Zamboanga del Sur. This includes all existing micro-, small-, medium-sized and large-scale businesses. The research participants were the micro- and small business owners in Zamboanga del Sur. The researchers interviewed a selection using purposive sampling. Purposive sampling is a technique in which the selection depends on the researchers' judgment on which group can provide such information. Purposive sampling provided an appropriate match of the sample and the researchers' perspective regarding the research objectives, thereby improving the certainty of the research [16]. Participants were selected through purposive sampling based on specific criteria. Eligible businesses were registered with the Department of Trade and Industry and had been operational for at least one year. To ensure anonymity, participants were coded as P1 to P8.

In 2022, P1, a male owner, initiated a merchandise business, focusing on selling motorcycle parts with an annual income below P3 million. P2, a female co-owner, has managed a service business since 2013, overseeing sports facilities for various indoor and outdoor events, with an annual income below P3 million. P3, a female proprietor, has operated a merchandise business for 5 years, retailing fruits and vegetables with an annual income below P3 million. P4, also a female owner, has run a merchandise business for 6 years, selling items in Sari-Sari stores with an annual income below P3 million. P5, a male co-owner, operates convenience stores with an annual income ranging from P3 million to P15 million, establishing their first branch in 2022 and a second in 2023. P6, a female owner, manages a merchandise business selling bakery products, considered one of the oldest bakeries in Zamboanga del Sur, with an annual income between P3 million to P15 million. P7, a female trusted branch personnel, oversees a merchandise business retailing bakery product for 7 years, with an annual income between P3 million to P15 million. Lastly, P8, a male owner, operates a merchandise business for 5 years, selling feeds, fertilizers, and insecticides with an annual income between P3 million and P15 billion. Each participant provided valuable insights into their respective businesses, contributing to the study's comprehensiveness. The researcher was the main source of the primary instrument, aided by an interview guide, used to collect the data. The research tool of the study for data collection was an individual semi-structured interview with open-ended questions, observational field notes, and mining data and documents. Interviews, observations, and documents were used to obtain the data. After the data was collected, it was organized, inventoried, and coded for easy retrieval. Intensive data analysis followed.

3. Results and discussion

3.1. Accounting recording practices of micro and small business

Accounting practice defines the process and activity of recording the daily transactions of a business entity necessary to produce financial statements. Essentially, this is an integral part of an entity. Following the responses, two themes arose regarding the recording practices of micro and small businesses. The accounting recording practices of both micro- and small businesses mainly focus on the basic record-keeping and practicing separate entity concept.

Basic record-keeping. When asked about recording practices, all participants initially answered that the recording of income and expenses was being practiced daily. In this sense, micro- and small-business owners record the outflow and inflow in the business in the most basic way. Basic record-keeping is defined in accounting as the process of recording a company's financial transactions. On the other hand, what is mostly answered by the participants as "basic" or "simple" recording practices, means income less expenses.

From the bookkeeper's perspective, micro and small business owners tend to record transactions in a basic manner, often not meeting accounting standards. Transactions are typically recorded in a notebook, with cash separated for receipts and expenses. Bookkeepers then organize these records into financial statements, with some owners requesting income understatement to reduce taxes. While some businesses meticulously record all transactions, others, particularly family-run ones, neglect proper recording. Owners with accounting knowledge generally maintain accurate records.

Micro businesses (P1–P4) use a single-entry method, recording sales directly in a notebook and expenses separately, although not consistently. One small business (P8) maintains accurate records, while others (P5–P7) struggle with receipt retention, leading to losses. Most micro businesses compute income simplistically, deducting costs from sales, but this cash-based approach overlooks accounting principles, risking financial information quality. To improve accuracy, businesses should enhance record-keeping practices and adhere to accounting standards.

Results align with prior research, indicating that many SME owners lack formal bookkeeping training, leading to cash-flow issues and insufficient financial literacy. Consequently, SMEs often rely on outsourced bookkeeping services due to cost-effectiveness and a lack of in-house expertise [17]. Despite limited knowledge, micro and small businesses demonstrate the ability to establish basic record-keeping practices. Efficient tracking of income and expenses proves vital for assessing operations, especially as businesses grow. Monitoring these financial aspects enhances profitability and furnishes essential information for sound business decisions [18].

Practicing the Separate Entity Concept. Being bombarded with different business transactions increases the risk of business owners being unable to separate personal and business transactions.

However, one of our participants can keep track of the transactions to avoid personal activities being recorded in the businesses.

Some businesses exhibit a practice of segregating their expenses from business transactions, aiming to maintain clarity between personal and business activities. However, errors arise when some clients inadvertently mix personal and business accounts, emphasizing the importance of accurate record-keeping. Bookkeepers stress the significance of adhering to the separate entity concept, crucial for precise financial records. This practice aids in measuring the business's performance independently. While not consistently followed by most micro and small businesses, those outsourcing bookkeepers benefit from timely reminders to uphold this essential practice.

The owner views the business entity as a going concern, emphasizing the crucial application of the separate entity concept. This concept distinguishes personal affairs from official business matters, categorizing personal expenditures as either receivables or withdrawals [13]. Given the susceptibility of micro- and small business owners to intermingle transactions, maintaining awareness of entity-specific transactions, excluding personal affairs, becomes paramount.

Aligning with the accounting concept of a separate entity, the business upholds the practice of viewing itself independently from the owners [19]. This ensures that the owner's transactions remain distinct from the entity's accounting records, safeguarding personal assets against financial liability.

3.2. Usage of accounting software and manual recording as methods for recording financial transactions

As technology advances, record-keeping in accounting has evolved from manual paper-based recording to software technology. Micro- and small business owners tend to monitor the transactions of the businesses through recording. Manual recording means recording through writing, while accounting software requires the involvement of systems or computers. However, manual recording of the participants involves the use of *paper-based recording* and the intervention of the system only involves Point of Sale (POS) which means that there is *paper-based recording with Point of Sale (POS)* practiced by micro- and small businesses.

Paper-based recording. Most businesses practice single-entry recording. It is the use of a notebook or the like that can record business transactions. Paper-based recording is the most common recording method of micro and small businesses. This type of recording is not based on any standard but is just a recording which the owners are comfortable doing. All of the participants responded that, most of the time, transactions in their businesses are manually recorded. Provided below is the transcription of the responses of the participants.

As for the experiences of the bookkeeper, most micro and small businesses rely on manual recording of income and expenses, with bookkeepers receiving purchase, income, and expense listings typically recorded in notebooks and receipts. Limited utilization of accounting software is attributed to owners deeming manual recording sufficient for-profit understanding.

During interviews, owners presented receipts and notebooks illustrating business transactions, encompassing purchases, credit sales, and income. Challenges in this method include incomplete recording due to issues like loss of receipts. Manual bookkeeping is acknowledged to be error-prone and susceptible to the risks outlined by Amanah et al. [20], such as damage from water, fire, and other hazards.

Micro and small businesses often use manual recording, preferring cash-based methods in record books over systematic software. Limited accounting knowledge leads to a preference for simple, straightforward approaches to listing all financial transactions. Owners commonly favor manual methods due to unfamiliarity with software functions. The primary goal is to understand profitability, achievable through manual recording due to minimal transactions and product familiarity. Bookkeepers note that these businesses can effectively track income and expenses without extensive records.

There is flexibility in record-keeping methods as long as they accurately reflect the business's financial status. Micro and small businesses predominantly opt for manual bookkeeping, with some solely relying on it and others using a combination. Manual bookkeeping includes single-entry and double-entry methods, with the former favored for its simplicity, requiring basic accounting knowledge and uniform entries.

However, single-entry bookkeeping is deemed informal, recording only one business transaction, limiting its ability to provide a comprehensive financial picture [18, 21].

Paper-based recording with Point of Sale (POS) A few micro and small businesses use accounting software in their businesses. Point of Sale (POS) is a device through which transactions with retail customers are processed. A POS system calculates a customer's purchase amount, adds sales tax, processes the payment and logs the time and date of the transaction. Since POS is accessible nowadays, it is not hard for some owners to engage it in their business. The most common POS is the cash register, which facilitates customer payments.

While Point of Sale (POS) systems are available, most micro and small businesses rely on manual recording instead of utilizing them. POS systems offer convenience by automatically generating reports of cash inflows from sales, aiding bookkeepers in creating cash flow statements. In contrast, small businesses often accept only cash payments, simplifying customer transactions and inventory cost reconciliation.

Despite the general costliness of POS for micro- and small businesses, some invest in it to streamline payment recording. POS reduces manual recording tasks and produces comprehensive sales data, minimizing the risk of loss or unrecorded transactions. It not only tracks daily and weekly sales but also manages inventory levels, enhancing efficiency, reducing human errors, and supporting forecasting based on profitable products [22]. This electronic system intervention complements manual recording practices in most businesses.

Ghasia et al. [23] note that SMEs in Mtwara-Mikindani Municipality use both paper-based and electronic systems in their businesses, complementing each other as manual records serve as backups for electronic systems, and vice versa, reducing lapses in their business transactions.

3.3. Means to comply with the Philippine Financial Reporting Standards

PFRS requirements for small businesses emphasize fair presentation and full disclosure in financial statements, while micro businesses aren't mandated to follow PFRS. However, micro businesses can choose either the income tax basis or PFRS for Small Business as their reporting framework. The study includes micro business owners due to this framework flexibility.

Required financial statements per PFRS include: (1) Statement of Financial Position, (2) Statement of Financial Performance, (3) Statement of Cash Flows, (4) Statement of Changes in Equity, and (5) Notes to Financial Statements.

Most businesses, especially micro- and small-business owners, don't fully comply with PFRS requirements. The subcategories observed are: (1) No financial statements prepared, and (2) Preparing the supporting documents for financial statements. Compliance is minimal among these businesses.

No financial statements prepared. As mandated by the PFRS, this approach is prevalent among micro and small business owners due to their limited knowledge of PFRS requirements. Hiring a bookkeeper becomes essential for adherence to these standards.

Supported by bookkeepers, micro and small business owners lack the knowledge and resources to adhere to accounting standards for financial statement preparation, so they rely on cash basis recording. Non-compliance with PFRS requirements is evident, as they focus on recording sales and expenses to gauge business profit. Micro businesses, constrained by cost, often forgo hiring a bookkeeper for financial statements, but their potential benefits are highlighted. The misconception that financial statement preparation is solely for larger entities persists due to limited awareness of PFRS among some businesses.

The results align with Kahsay and Zeleke's [24] findings that many small businesses struggle with initiating business records due to a lack of knowledge. Owners choose recording methods based on preference, often without adherence to any accounting standards, as not all have attended introductory accounting seminars. Musah and Ibrahim [25] noted a reliance on memory, neglecting proper bookkeeping.

Preparing the supporting documents for financial statements. However, several micro and small businesses gradually comply with the requirements set forth by the PFRS by outsourcing bookkeepers. Although the business submits no financial statements, the business transactions are forwarded to the bookkeeper, allowing them to produce financial statements. This is primarily for tax purposes.

Micro- and small businesses commonly outsource financial statement preparation for tax purposes. Bookkeepers compile statements diligently using receipts provided by owners. Limited financial resources prompt businesses to seek cost-effective solutions, often engaging bookkeepers from consulting services on a pay-as-needed basis. High bookkeeper salaries, ranging from ₱23,000 to ₱33,000 per month, pose a significant deterrent, especially when quarterly profits exceed ₱50,000.

SME owners lack bookkeeping knowledge, leading to cash flow issues and reliance on outsourced bookkeepers [17]. The decision usefulness theory supports financial statement preparation even for micro businesses, aiding decision-making. Micro businesses benefit from tracking earnings, determining mark-ups, covering costs, and informing strategic decisions through financial statements. Financial reporting is crucial for MSMEs to assess performance, make informed decisions, and enhance competitiveness [26].

3.4. Challenges in preparing financial statements in compliance with the PFRS

Challenges and uncertainties are expected to occur in preparing financial statements. As risk is inherent in business, it is not surprising for micro- and small businesses to encounter challenges. In compliance with the full disclosure of financial statements, businesses are not able to keep up with its requirements. For micro- and small businesses, it is about failure to record some transactions and records that do not match. These are separated into two themes: *unrecorded transactions* and *unmatched records*.

Unrecorded Transactions. Since micro- and small businesses record their financial statements mainly through manual paper-based recording, tendencies for unrecorded transactions usually happen. The reasons for these challenges are the shortcomings of the owners or management in recording the transactions immediately. Unrecorded transactions in the business involve the inability to keep financial records. These are lost receipts, misstatement of the amounts, and failure to record some transactions. For a business, these are prominent struggles.

During interviews, owners acknowledged the possibility of unrecorded transactions due to reasons such as loss, forgetfulness, or negligence. Businesses primarily rely on notebooks for recording, increasing the likelihood of omissions compared to systematic approaches. Bookkeepers recognize this as common and highlight challenges arising from incomplete records, particularly when receipts are lost. The entity's discretion significantly influences the accuracy of transaction records, a factor beyond bookkeepers' control.

Tax considerations sometimes drive entities to intentionally manipulate income and expenses to minimize business taxes as they near the minimum threshold. This intentional misalignment can create discrepancies between the bookkeeper's records and those of the entity. Bookkeepers view this practice as poor record-keeping and may refrain from reconciling such discrepancies.

Micro and small businesses face challenges in daily transactions, leading to lapses and shortcomings, highlighting internal control risks. The importance of recording every transaction is emphasized for future reference and financial tracking. Unrecorded transactions indicate poor record-keeping, a widespread challenge for small entities globally. To address this, micro and small business owners should acquire essential accounting skills, aiding bookkeepers in financial statement preparation. Proficient recording enhances business assessment, identifying strengths and weaknesses crucial for growth. Many small businesses effectively manage bookkeeping with basic accounting skills, contributing to business development [21].

Unmatched records. Some micro- and small businesses do have a system, particularly a POS, for recording business transactions with back-up paper-based records. With this practice, problems with regards to differences in records between the system and manual could occur. These errors mainly result from misstatements of amounts or the inability to record transactions in both recording practices.

Discrepancies between cash on hand and recorded cash, identified in manual and system logs during data mining, were considered immaterial by the owner, who opted to disregard them. Bookkeepers acknowledged such occurrences as common in micro and small businesses, where manual recording may lead to errors in inventory, sales, and orders. This internal control issue underscores the necessity for reconciliation to avert potential business failure. Mismatched records, prevalent in businesses, can stem from both significant and minor errors. Regular monitoring during daily operations helps mitigate these issues, ensuring errors are minimized and manageable. While periods of high activity may contribute to unintentional recording errors due to the necessity for prompt customer service, owners typically recognize and address these challenges.

Inherent challenges in recording are inevitable in business, acknowledged by owners and confirmed by bookkeepers. Decisive actions by owners, supported by regular monitoring and transparent reporting, help mitigate these risks and contribute to sound financial management, crucial for sustaining business growth [1].

3.5. Ways of managing the challenges encountered in compliance with the PFRS

As businesses are associated with risk, they were expected to be prepared for the challenges that were encountered. The participants' ways of managing transactions are *back-tracing* and *regular monitoring*.

Back-tracing. A way of managing challenges in a business is by verifying transactions by tracing back the date and time they happened. Transactions are validated, problems are identified, and resolved.

Bookkeepers advise tracing back as a solution for managing unrecorded transactions, lost receipts, and inventory errors in micro and small businesses. Despite limited awareness of business challenges, appropriate recording is emphasized. Outsourced bookkeepers in these businesses prioritize meeting owners' needs. Participants stress the importance of tracing back through receipt review, though some rely on memory due to accounting awareness gaps. Overall, micro and small businesses commonly use tracing back to address previous transaction issues and enhance operational efficiency.

The results align with prior research emphasizing the critical role of accurate receipts in tracking sales and income. Micro and small businesses prioritize comprehensive record-keeping for every transaction to monitor progress and production, acknowledging its centrality as indicated in previous studies [27, 28].

Regular monitoring. Since shortage or loss is the most common challenge in businesses, some owners regularly monitor the business activities. Because of this, owners would conduct a random count of the inventory or at least check the progress of the sales from time to time. This can help the owners gradually check common mistakes.

Business owners commonly engage in regular monitoring, a discretionary practice vital for maintaining accurate inventory, sales, and purchase records. According to outsourced bookkeepers, this proactive approach is deemed essential, aiding in reconciling daily activity errors and minimizing future recording and production issues.

Observation reveals that businesses with regular monitoring exhibit a more organized flow of daily operations, facilitating the detection and management of overdue accounts, miscalculations, and discrepancies in financial records.

Conducting regular check-ups in business activities aligns with prior research, reducing internal control risks. For business owners, implementing well-designed controls poses a challenge, but neglecting discrepancies and deficiencies exposes them to operational and financial risks [29]. Regular physical count allows participants to identify shrinkage problems, make informed decisions, maintain accurate inventory information, and enhance control, leading to increased operational efficiency [30].

4. Conclusion

The study provided an overview of the accounting recording practices of micro- and small businesses. The findings revealed that the recording practices of micro- and small businesses involve basic record-keeping, which is mostly paper-based with minimal system intervention. Micro- and small businesses are not capable of complying with the requirements set forth by the PFRS unless an outsourced bookkeeper is involved. Furthermore, inherent risks in recording transactions occur, but they are alleviated through monitoring and tracing.

The study concludes that most micro- and small businesses have a below average capacity with regards to recording practices in accounting. The study highlighted the need for micro- and small businesses to maintain accurate records of transactions to comply with accounting standards and generate financial statements that aid in assessing business performance. Ultimately, micro and small businesses must prioritize adopting modern technologies and expert accounting services to enhance their financial management.

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Authors' declared contribution:
A.S. Borromeo — initiated the study, conducted literature review, provided descriptions and analyses of research results, formulated conclusions, composed the abstract, prepared request letters for respondents and school heads, and defined the scope and limitations of the study.
R.J. Cervantes — requested data on business owners from the Department of Trade and Industry, prepared the list of resources, and formulated the research methods.
E.H. Sumicad Jr. — reviewed and verified the study, provided recommendations for improvement, and served as an advisor throughout the entire research process.

Заявленный вклад авторов:
А.С. Борромео — инициировал исследование, провел обзор литературы, представил описание и анализ результатов исследования, сформулировал выводы, составил аннотацию, подготовил письма-запросы для респондентов и руководителей школ, определил рамки и ограничения исследования.
Р. Дж. Сервантес — запросил данные о владельцах бизнеса в Департаменте торговли и промышленности, подготовил список ресурсов и сформулировал методы исследования.
Э.Х. Сумикад-младший — проанализировал и проверил исследование, дал рекомендации по улучшению и выступал в качестве консультанта на протяжении всего процесса исследования.

Conflicts of Interest Statement: The authors have no conflicts of interest to declare.
The article was submitted on 20.01.2024; revised on 24.02.2024 and accepted for publication on 06.03.2024.
The authors read and approved the final version of the manuscript.