

**Accounting Practice Applied by Small and
Medium Scale enterprises in Nepal
[With Specific Refer to Kathmandu District]**

A Thesis

By

Dhan Bahadur Bishowkarma

Central Department of Management

Exam Roll No: 680/16

TU Registration No: 7-2-285-14-2011

Submitted in partial fulfillment of the requirement for degree of

Master of Business Studies (MBS, Semester)

in the

Faculty of Management

Tribhuvan University

Kirtipur, Kathmandu

December, 2018

RECOMMENDATION LETTER

It is certified that thesis **Accounting practices Applied by Small and Medium Scale Enterprises in Nepal [With Specific refer to Kathmandu District]** submitted by **Dhan Bahadur Bishowkarma** is an original piece of research work carried out by the candidate under my supervision. Literary presentation is satisfactory and thesis is in a form suitable for publication. Work evinces the capacity of the candidate for critical examination and independent judgment. Candidate has put in at least 60 days after the proposal. The thesis is forwarded for examination.

Asso. Prof.Dr. Achyut Gyawali

Thesis Surpervisor

Central Department of Management

Tribhuvan University, Kathmandu, Nepal

Date: December, 2018

APPROVAL SHEET

We, the undersigned, have examined the thesis entitled “**Accounting Practices Applied by Small and Medium Scale Enterprises in Nepal [With Specific Refer to Kathmandu District]**” presented by Mr. Dhan Bahadur Bishowkarma, a candidate for the degree of **Master of Business Studies (MBS)** and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

Asso. Prof.Dr. Achyut Gyawali

Thesis Supervisor

Internal Examiner

External Examiner

Prof. Dr. Sanjay Kumar Shrestha

Chairperson, Research Committee

Asso.Prof. Dr. Ramji Gautam

Head of the Department

Date: December, 2018

CERTIFICATION OF AUTHORSHIP

The certification of authorship to be signed by the candidate would appear as follows:

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the reference section of the thesis.

Dhan Bahadur Bishowkarma

December, 2018

ACKNOWLEDGEMENTS

I would like to express my special thanks of gratitude to my thesis Supervisor,. Prof .Dr. Achyut Gyawali, for supporting me to complete this thesis. He has provided me with valuable advice, guidance, insight and encouragement without which this thesis would not have been completed. I would like to express my gratitude for my supervisor for believing in my ability to carry out this thesis.

I acknowledge Asso. Prof. Dr. Ramji Gautam Head; Central Department of Management for his support in this regard.

Since it would not be possible for accomplishment of this thesis without help and support of many people. I am grateful to the managers, department chief, respective personalities and staff of the small and medium industry. They contributed to this thesis by providing all necessary data and information.

I would further extend my valuable thanks go to those have directly or indirectly helped me to carry out and complete this thesis by providing various data and information which are used to carry out this thesis and further role of library staffs and Central Library was crucial for this thesis.

Finally, to my family and friends who continuously supported me in every difficulty, I faced in my life. There is not enough words to express my deep gratitude for all of your love and support. Thank you for always being there for me.

Dhan Bahadur Bishowkarma

Researcher

ABSTRACT

Accounting practice can be defined as management oriented accounting in relation to management function. The rapid changing of business environment lately is significantly changing the accounting practices in an organization. Accounting should move from administrative level to the strategic ones. The main focus of accounting has always been to improve the organization performance by providing relevant information for planning, controlling and decision making.

The research used simple judgment procedure to draw the samples. And the samples are 20 small and medium industries operating under financial sector of Nepal. This research examined the accounting methods which are cost accounting, financial accounting and management accounting the major difficulties for applying the management accounting tools in the SMEs of financial sector of Nepal. The research also tries to assess the impact of accounting system on performance of sample organizations. The specific survey research has been followed with descriptive statistic was used. A structured questionnaire was used to collect primary data from the respondents which were analyzed by the simple percentage tool, correlation and t-test. The study indicated that the widely used tools in SMEs of financial sector of Nepal are annually budgeting. The study revealed that there is a significant impact of accounting systems on organization performance. It can be concluded that, in general, the accounting practices were still on traditional perspectives because of lack of exercise, lack of co-ordination to staff & department, nature & size of the business and government policy of companies.

Based on the result, the study recommended that, to implement the effective accounting tools and techniques, a separate accounting department should be established within organization. The study also recommended that academicians who have better knowledge about the accounting practice tools and techniques should put an effort to develop environmental friendly tools and techniques into practice. It helps to make them informative throughout time to about aspect of accounting and its application.

TABLE OF CONTENTS

Page No.:

Title Page	i
Certificate of Authorship	ii
Recommendation Letter	iii
Approval Sheet	iv
Acknowledgements	v
Table of Contents	vi-viii
List of Tablei	x
List of Figures	x
Abbreviations	xi
Abstract	xii

CHAPTER-I: INTRODUCTION

1.1 Background of the Study	1
1.2 The Statement of the Problem	6
1.3 Purpose of the Study	6
1.4 Conceptual Frameworks	7
1.5 Hypothesis Study	7
1.6 Significance of the Study	8
1.7 Limitations of the Study	9
1.8 Chapter Plan	9

CHAPTER- II: LITIRATURE REVIEW

2.1 Conceptual Review	11
2.2 Research into Specific Areas of Accounting Practices	14

2.3 Accounting Practices in SMEs	17
2.4 Summary of Previous Study	20
2.5 Research Gap	22
CHAPTER-III: RESEARCH METHODOLOGY	
3.1 Research Design	24
3.2 Population and Sample	25
3.3 Sources of Data	25
3.4 Data collection & Processing Procedure	25
3.5 Data Analysis Tools and Techniques	25
3.5.1 Mean	25
3.5.2 Standard Deviation	26
3.5.3 Coefficient of Variation (C.V)	26
3.5.4 Percentage Basis	27
3.5.5 Correlation Coefficient (r)	27
3.5.6 Regression Analysis	28
3.6 Reliability test	29
CHAPTER-IV: RESULTS	
4.1 profile of respondents	30
4.2 Use of proper accounting system	34
4.3 Manpower in accounting	35
4.4 Accounting Methods	35
4.5 Purpose of accounting	36
4.6 Types of accounting records kept by Small and Medium industry	36
4.7 Audited financial statement	37
4.8 Descriptive Analysis	38

4.9 Performance evaluation of small and medium organization	38
4.9.1 Return on Assets (ROA)	38
4.9.2 Return on equity (ROE)	39
4.10 Major Findings of the Study	45
CHAPTER-V: CONCLUSION	
5.1 Summary	47
5.2 Conclusion	48
5.3 Implication	49
REFERENCE	
APPENDICES	

LIST OF TABLES

Table No.	Name of Tables	Page No.
Table: 3.1	List of Sample	24
Table: 4.1	Profile of firms based on Operation years	31
Table: 4.2	Profile of nature of the industries	32
Table: 4.3	Profile of industry based on Sales Turnovers	32
Table: 4.4	Profile of Sex and Qualification	33
Table: 4.5	Use of proper accounting system	34
Table: 4.6	Manpower in accounting	35
Table: 4.7	Accounting Methods	35
Table: 4.8	Purpose of accounting	36
Table: 4.9	Accounting records kept by Small and Medium Industry	37
Table: 4.10	Total Marks Calculation of Accounting Practices	39
Table: 4.11	Small Organizations	40
Table: 4.12	Medium Organizations	40
Table 4.13	correlation analysis	41
Table 4.14	Impact of accounting practice of SMEs explained (model summary)	42
Table 4.15	Goodness of Fit of Regression (ANOVA ^a)	43
Table 4.16	Regression Result for Independent Effect of accounting system, Level of accounting knowledge, record of document, prepare financial statement, and accounting method (Coefficients)	44

LIST OF FIGURES

Figure No.	Name of Figure	
Page No.		
Fig.1.1	Conceptual Framework	31
Fig.4.1	Profile of firms based on operation years	33
Fig.4.2	Profile of Sex and Qualification	34
Fig.4.3	Total Marks Calculation of Accounting Practices	38

ABBREVIATIONS

AIS	:	Accounting Information System
CA	:	Charter Accountant
D.f	:	Degree of freedom
F	:	F-ratio
GAAP	:	Generally Accepted Accounting Principle
GDP	:	Gross Domestic Product
IFAC	:	International of Federation Accountant
IIARD	:	International Institute of Academic Research and Development
LTD	:	Limited
MIC	:	Ministry of Industry and Commerce
PVT	:	Private
ROA	:	Return on Assets
ROE	:	Return on Equity
SME	:	Small and Medium Enterprises
WTO	:	World Trade Organization