
ACCOUNTING PERFORM IN BUSINESS: A STUDY OF WHOLESALE AND RETAILERS

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ABSTRACT

For a business to survive in the competitive era, accounting contributes significantly, irrespective of the period it relates to. But most of businessmen give less attention towards accounting of their business transactions. They usually concentrate more on selling and buying of their products and this has been more in two case of wholesale and retail business. The output of the accounting process is information. In the modern knowledge and technology based economy and information backed-up competitive business world, quick and reliable availability of information is a pre-condition for success of business. The accounting in the past was restricted to the record keeping but today it covers a wide range of activities involving business planning and control, decision making, problem solving, performance measurement and evaluation, co-coordinating and directing auditing and tax determination and cost planning and management, etc. But the accounting in wholesale and retail business is restricted to cash book, ledger, trial balance, trading account, profit and loss account and balance sheet and submitting these to tax authorities and banks at the end of financial year for verification and tax purpose and for continuation of banking facilities.

KEYWORDS: Accounting Practices, Wholesalers, Retailers.

INTRODUCTION

The importance of the accounting process is not so felt like manufacturing and the marketing activities, the reason being that the manufacturing and marketing are prime activities while accounting is supported activity. The output of the accounting process is information. In the modern knowledge and technology based economy and information backed-up competitive business world, quick and reliable availability of information is a pre-condition for success of business.

In today's business environments accounting practices play a significant role in arriving at an overall result at the end of the year. Earlier, accounting was restricted to book keeping only but in today's scenario accounting covers a wide range of activities, including business planning and control, problem solving and performance evaluation and measurement. Progress and prosperity of business depend upon the adoption of proper accounting practices. For a business to survive in the competitive era, accounting contributes significantly, irrespective of the period it reveals to. But most businessmen give less attention towards an accounting of their business transactions. They usually concentrate more on selling and buying of their products and this has been more in the case of wholesale and retail businesses. Further, the transactions have increased enormously over a period of time in number and value and therefore the chance of profit-making have also risen. A worthy business enterprise look at profit, not as a transaction wise proposition, but looks at it as an annual result of business efforts. Of late, customer's expectations have risen and so have the variety and quantity of goods to be stocked for sale. The sale of products on credit is part and parcel of wholesale and retail business.

Investment increases in direct proportion to stocks and credit while profit rises in direct proportion to the risk borne. In addition, it is very difficult for individuals or group of individuals to keep track of each and every event and transaction of the businesses during a particular period. At present, the business world is very competitive and the cost of businesses is going up. Because of high competition and rising cost of business transactions, the margin available to the owners of the business becomes very thin. Therefore, the businessmen have to improve the financial performance of the business by monitoring and measuring the results of business regularly. In this context, they have to regularly prepare the trial balance, trading account, profit and loss account and balance sheet, etc. They also keep a record of sales, purchases, sales and purchase returns, stocks and collections, etc. Further, it is very essential to communicate the accounting information to tax authorities, banks, insurance companies, suppliers of inputs and other creditors. Accounting and the accounting practices play a significant role in arriving at the overall results at the end of the year by meticulously recording every transaction during the year.

RESEARCH METHODOLOGY

The Problem Area at present much business is cope up with competitive environment and with it the cost of business is going up. Because of high competition and rising cost of business transactions, the margin available to the owners of the business becomes very thin. Therefore, the businessmen have to improve the financial performance of business by monitoring and measuring the results of business regularly. But most businessmen give little attention towards an accounting of their business transaction. They regularly concentrate more on selling and buying of their products

and this has been more in the case of wholesale and retail business. Further, the transactions have increased enormously over a period of time in number and value and therefore chance of profit - making have also risen. A worthy business enterprise looks at profit, not as a transaction wise proposition but looks as it as an annual result of business efforts. If businessmen are not maintain their account properly than it is very difficult for them to keep track of each and every event and transaction of the business during a particular period.

SIGNIFICANCES OF THE STUDY

The topic of the study has been selected keeping in view the following consideration.

- 1) The wholesalers and retailers can get accounting information whenever required, by maintaining accounts
- 2) Profit or loss of the business and financial position of the business can be known at the end of the accounting period.
- 3) This study helps the owners of the business to exercise control based on the information of the assets and liabilities of the business.
- 4) This study is also necessary to determine the taxes payable to the government, and it is also useful in planning about the taxes eg. Income tax, Sales Tax, Value Added Tax etc.,
- 5) Current year's information can be compared with the information of the previous year and with that of other firms and on that base making a right decision.

Collection of data The study is based on both primary as well as secondary data. The primary data is collected through questionnaires from 100 businessmen

selected randomly from Anantapuramu Corporation. Further equal importance has been given both to the wholesale and retail businessmen by selecting 50 businessmen of wholesale business and 50 businessmen of retail business. The questionnaires are prepared and present personally to 50 wholesale and 50 retail businessmen to collect the required information. The collected data analyzed by preparing tables and the percentage tool has used to know the accounting practices adopted by the businessmen. The secondary data is collected from various newspapers like Economic Times, Indian Express, accounting related websites and also from books and journals.

ANALYSIS AND INTERPRETATION OF DATA

Accounting practices adopted by the wholesale and retail businessmen have analyzed from different angles of accounting. It has started from the ownership structure of business and incorporated various practical aspects of accounting. Generally the ownership structure of firms may be Sole proprietorship, Partnership firm, Private and Public companies. But the present study is limited to the wholesale and retail business. Therefore, the firm may be either a sole proprietorship or a partnership. In the case of sole proprietorship firm, an individual promotes, finance, controls and manages the business enterprise. But partnership is an association of two or more individuals to carry on as co-owners of the business and share profit or losses as per the agreement. The ownership structure of sample respondents in the study area is depicted in the table - 1

Table1: Business Structure of Sample Respondents

Ownership Structure	Type of Business		
	Wholesale	Retail	Total
Sole Proprietorship	41(46.07) (82.0)	48(53.93) (96.0)	89(100.0) (89.0)
Partnership Firm	9(81.82) (18.0)	2(18.18) (4.0)	11(100.0) (11.00)
Total	50(50.0) (100.0)	50(50.0) (100.0)	100(100.0) (100.0)
Note: Figures in parentheses on the right and below the figures indicate percentage to the respective row and column totals.			
Source: Field Survey			

It is revealed from the table - 1 that out of the total, 89% of the firms are sole proprietorship and only 11% of the firms are partnership. This means that the majority of the businessmen preferred individual ownership to partnership. Out of the total partnerships. The percentage of partnership form or ownership structure is high in wholesale business as compared to retail business. This indicates that the wholesale firms preferred more for partnership form of structure as compared to the retail

business due to their inability to invest huge amount of capital. Basic knowledge of accounting like type of accounts, debit and credit, methods of entry, posting entries to ledger, preparation of trading, profit and loss account and balance sheet is essential to the owners to improve the financial position of business. However many owners of business lack basic manual and computer accounting knowledge. The opinion of owners of business regarding the basic knowledge of accounting presented in Table-2.

Table 2: Opinions of Business Regarding Accounting Knowledge

Opinion	Type of Business		
	Wholesale	Retail	Total
Yes	39(57.35) (78.0)	29(42.65) (58.0)	68(100.0) (68.0)
No	11(34.38) (22.0)	21(65.62) (42.0)	32(100.0) (32.0)
Total	50(50.0) (100.0)	50(50.0) (100.0)	100(100.0) (100.0)
Note: Figures in parentheses on the right and below the figures indicate percentage to the respective row and column totals.			
Source: Field Survey			

It is evident from the Table -2 that 68% of owners of business have got basic knowledge of accounting while 32% of them have no knowledge of accounting. Further, it is also revealed from the study that the wholesale businessmen are in high percentage as compared to the retail businessmen among those who have basic

accounting knowledge. Accounting of business may be done either manually or through computers. Today there is a trend towards computerization of accounts in all business activities due to its overall advantage as compared to manual process. Therefore, the owners of wholesale and retail business are moving from manual

accounting to computerized accounting to minimize the problems and to maximize the benefits to the business. The accounting

systems adopted by the wholesale and retail businessmen are presented in Table - 3.

Table 3: Accounting System Adopted by Businessmen

Basis of Accounting	Type of Business		
	Wholesale	Retail	Total
Manual	12(36.36) (24.0)	21(63.64) (42.0)	33(100.0) (33.0)
Computer	38(56.72) (76.0)	29(43.28) (58.0)	67(100.0) (67.0)
Total	50(50.0) (100.0)	50(50.0) (100.0)	100(100.0) (100.0)
Note: Figures in parentheses on the right and below the figures indicate percentage to the respective row and column totals.			
Source: Field Survey			

It is evident from the Table - 3 that 67% of the respondents have computerized their accounts while 33% of them are still accounting manually. Further, out of total sample businessmen who have computerized their accounts, wholesalers outnumber the retailer. This shows that the majority of wholesalers are accounting their business transactions through computers and the majority of retailers are accounting their business transactions manually.

Whatever may be the basis for accounting of business transactions, it is very difficult for businessmen to account their business transactions without the knowledge and expertise to write, time to spare and the desire. However, many businessmen lack knowledge, expertise and time. Therefore, they usually hire professionals to perform the accounting job. The account maintenance practices of wholesale and retail businessmen are depicted in table - 4.

Table 4: Classification of Business Based on the Account Maintenance

Basis of Accounting	Type of Business		
	Wholesale	Retail	Total
Self	9(42.86) (18.0)	12(57.14) (24.0)	21(100.0) (21.0)
Employees	41(51.90) (18.0)	38(48.10) (76.0)	79(100.0) (79.0)
Total	50(50.0) (100.0)	50(50.0) (100.0)	100(100.0) (100.0)
Note: Figures in parentheses on the right and below the figures indicate percentage to the respective row and column totals.			
Source: Field Survey			

It is clear from the table - 4 that 79% of the respondents have engaged professionals to perform the job of accounting whereas only 21% have done the job by themselves. This indicate that majority of the businessmen depends upon professionals for accounting their business

transactions. Further, out of the total businessmen who have engaged professionals, the wholesalers outnumber the retailers. This indicates that wholesalers have less interest in accounting of their business as compared to retailers. It is very difficult for businessmen to account their

business transactions without expertise, professionals for accounting purpose. The time and skill. Further, generally they are various reasons for engaging professionals always busy with purchase and sale of are shown in table - 5. goods. Therefore, they go for hiring

Table 5: Classification of Businessmen Based on the Reasons for Employing Personnel for Accounting

Basis of Accounting	Type of Business		
	Wholesale	Retail	Total
More Convenient	21(67.74) (52.50)	14(40.0) (36.84)	35(100.0) (44.30)
Lack of time	12(38.71) (29.27)	19(61.29) (50.0)	31(100.0) (39.24)
Lack of Interest	8(61.54) (19.51)	5(38.46) (13.16)	13(100.0) (16.46)
Total	50(50.0) (100.0)	50(50.0) (100.0)	100(100.0) (100.0)
Note: Figures in parentheses on the right and below the figures indicate percentage to the respective row and column totals.			
Source: Field Survey			

The table- 5 reveals that out of the total respondents who have employed professionals to account their business transactions, more convenient is the reason for 44.30%, lack of time is the reason for 39.24% and lack of interest is the reason for 16.46%. Further, (52.50%) of wholesale businessmen have stated „more convenient is the reason for employing professionals. But 50.00% of retail businessmen have stated lack of time is the reason for employing professionals. However, lack of interest in accounting is the reason for 19.51% of wholesale and 13.16% of retail businessmen.

Computerization of accounts may be done either by investing in hardware and software by the owners or by outsourcing from professionals. Those who are able and ready to invest in hardware and software, easily computerize their business transactions. However, it is not possible for some businessmen to invest in computerization of accounts. Such businessmen get the work done by computer professionals. Table - 6 shows the mode of accounting adopted by the surveyed businessmen.

Table 6: Classification of Businessmen Based on the Mode of Accounting Through Computer

Mode	Type of Business		
	Wholesale	Retail	Total
Own	23(57.50) (60.53)	17(42.50) (58.62)	40(100.0) (59.70)
Professionals	15(55.56) (39.47)	12(44.44) (41.38)	27(100.0) (40.30)
Total	50(50.0) (100.0)	50(50.0) (100.0)	100(100.0) (100.0)
Note: Figures in parentheses on the right and below the figures indicate percentage to the respective row and column totals.			
Source: Field Survey			

It is evident from the table - 6 that 59.70% of businessmen have computerized their business transactions by investing in hardware and software, where as 40.30% have used the services of professionals. Further out of the total respondents who have invested in computers. 57.50% are wholesalers and 42.50% are retailers. The number of retailers is more than the number of wholesalers in engaging the service of

professionals. Writing accounts everyday will help owners in taking many important decisions. Therefore, many businessmen are completing the accounting of transactions on the same day. However, some businessmen are writing the accounts periodically once in two days, once in a week or even once in a fortnight. Table - 7 shows on the periodically of writing accounts.

Table 7: Classification of Businessmen Based on Mode of Writing Account

Mode of Writing Daily	Type of Business		
	Wholesale	Retail	Total
Daily	28(57.14) (56.0)	21(42.86) (42.0)	49(100.0) (49.0)
Once in Two Days	14(48.28) (28.0)	15(51.72) (30.0)	29(100.0) (29.0)
Weekly	8(40.0) (16.0)	12(60.0) (24.0)	20(100.0) (20.0)
Fortnight	-- --	2(100.0) (4.0)	2(100.0) (2.0)
Total	50(50.0) (100.0)	50(50.0) (100.0)	100(100.0) (100.0)
Note: Figures in parentheses on the right and below the figures indicate percentage to the respective row and column totals.			
Source: Field Survey			

It is evident from the table-7 that 49% of respondents have written their business accounts daily, 29% have written once in two days, 20% have written once in a week and 2% once in a fortnight. Further, of the respondents who have written daily 57.14% are wholesalers and 42.86% are retailers. This signifies that the wholesalers have given more importance to accounting transactions when compared to retailers.

CONCLUSION & FINDINGS

- The most of the businessmen prefer sole proprietorship compare to partnership firm in this wholesaler prefer partnership firm more compare to retailer due to their inability to invest huge amount of capital.

- The most of the businessmen got basic knowledge of accounting in these wholesaler businessmen are in high percentage to get basic knowledge of accounting.
- The most of the businessman are maintain their accounts through computer and in this wholesalers number is more compare to retailer. When maintain account through computer so the chance of mistake is very less and benefit is more.
- The most of the businessmen are engage professionals to perform the job of accounting and remaining maintaining their accounts themselves and the total businessmen who have engaged professionals the wholesalers out number the retailers.

- The businessmen who have employed professionals to account their business transactions in it more convenient reasons is higher compare to other reason. Further 52.50 % of wholesaler businessmen have stated more convenient is the reason for employing professionals. But 46.15 % of retail businessmen have stated lack of time is the reason for employing professionals.
 - The most of the businessmen have computerized their business transactions by investing in hardware and software and less businessmen who are engaging the service of professionals. The number of retailer is more than the number of wholesaler in engaging the service of professionals.
 - The most of the businessmen write their business accounts daily because it is useful to owners in taking many important decisions.
 - The most of the businessmen are preparing their trial balance half yearly and yearly. In this the wholesalers constituted the highest percentage as compared to the respondents who prepared trial balance half -yearly and yearly.
- Regularity in stock verification through that they can save the firm from over or under stock position. Stock verification at regular intervals enables the firms improves the quality of services and financial position.
 - Regularity in finalization of accounts so that they can improve the financial position of firms and to take correct decisions.
 - Regularly in Auditing Accounts so it ensures more transparency and businessmen can control the business in right ways and go for further growth.

SUGGESTIONS

- Business accounts maintain through computer. The computerization of account enables businessmen to get all the required information at anytime without much cost.
- Regularity in accounts - Regular recording and accounting of business transactions are very essential to take immediate corrective decisions to solve the problems of business.

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