

UNIVERSITI TEKNOLOGI MARA

**FACTORS INFLUENCING THE EFFECTIVENESS OF
ACCOUNTING FUNCTION AMONG BUMIPUTRA'S SMALL AND
MEDIUM SCALE ENTERPRISES IN KUCHING**

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**Dissertation submitted in partial fulfilment of the requirements for the Master of
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ABSTRACT

FACTORS INFLUENCING THE EFFECTIVENESS OF ACCOUNTING FUNCTION AMONG BUMIPUTRA'S SMALL AND MEDIUM SCALE ENTERPRISES IN KUCHING

This dissertation examines the factors influencing accounting function, particularly among Bumiputra's Small and Medium Scale Enterprises (SMEs) in Kuching. Accounting and financial procedural issues is still one of the factors that SMEs have been lacking in terms of proper implementations and guidelines. Without giving much attention to these accounting and financial management, its effectiveness would likely be marginalized. This is compounded by the fact that some SMEs do not acknowledge the importance of managing proper accounting procedures.

A questionnaire survey, based on literature reviewed on SME's accounting and financial aspects was either hand-delivered or faxed to 133 small and medium scale enterprises in Kuching. A total of 89 usable questionnaires from respondents were received from the survey. The population frame was taken from a list of Class A contractors in Kuching registered with Pusat Khidmat Kontraktor (PKK), the Dewan Usahawan Bumiputra Sarawak (DUBS), a body governed by the Bumiputra Chamber Of Commerce in Kuching and also from a listing of FFO registered companies provided by Federal Financial Office for Service Bumiputra companies in Kuching. An empirical study analysed using SPSS Version 12 to evaluate any association exist between the independent variables, divided into 4 dimensions namely Accounting Scope dimension, Professional Proficiency dimension, AIS Usage dimensions and Financial Reporting Dimensions have on the dependent variable, Accounting Effectiveness. For the purpose of this study, the proposed dependent variable is the effectiveness of accounting function

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CHAPTER 1

INTRODUCTION

This exploratory study was designed to examine factors predicted to have relationships with the effectiveness of accounting functions among Bumiputra's entrepreneurs in Kuching particularly among the small and medium-scale enterprise. The effectiveness of accounting function in an organization can be observed from how far decision-making process are facilitated by accurate, relevant and timely financial information derived from the accounting function itself. (Sarapaivanich, June 2006)

There is no generally accepted definition of a small and medium business. The most commonly used criteria for defining a small and medium business is the number of employees and annual sales (Hashim et al 1996). A small and medium company is defined as a company with full-time employees not exceeding 150 and annual sales turnover not exceeding RM25 million. However, no cut off point is given to classify small scale and medium scale companies. Montazemi (1988) suggested private companies are often reluctant to disclose their annual revenues. Thus most researchers chose number of employees as a cut-off point to differentiate between small and medium businesses and larger companies. Hence, to differentiate between small scale and medium scale companies, small-scale company will be defined as a company with full-time employees not exceeding 50. For the purpose of this study, according to the officers of PKK and FFO, Bumiputra certified companies registered