

## An Assessment on Bookkeeping Training and Understanding of Small-business Owners in the Retail Clothing Industry in Cape Town, South Africa

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**ABSTRACT** Bookkeeping skills play a pivotal role towards business success. Lack of bookkeeping skills is regarded as one of the causes of entrepreneurial failure of small businesses. The aim of this paper is to investigate bookkeeping training and qualifications acquired by small-business owners within the retail clothing industry in Cape Town, South Africa. Quantitative research approach was used through the administration of questionnaires to collect data from 62 small-business owners. The findings show that small-business owners have basic accounting/bookkeeping literacy. However, lack expert bookkeeping training and qualification to execute all bookkeeping duties. Inadequate bookkeeping training renders small-business owners ill-equipped for overall management of their businesses. To this effect, it is recommended that further bookkeeping training is needed in order to equip small-business owners with sufficient recordkeeping towards useable financial records in business decisions making.

### INTRODUCTION

Bookkeeping forms part of the accounting process (Kimmel et al. 2012) and it entails recording and reporting the financial transactions or economic events of a business (Flynn and Koornhof 2005; Bragg 2011; Christiaanse and Hulstijn 2013; Ajao et al. 2016; Rosen 2016). Previous studies indicate that there is a prevalent insufficient bookkeeping practises within Small Business Enterprises (Bruwer and Watkins 2010; Marivate 2014; Ajao et al. 2016; Ademola et al. 2017). Bookkeeping skills are a prerequisite for bookkeeping practises and the completion of financial records, and small-business owners require to have bookkeeping skills to be able to undertake bookkeeping duties. Maseko and Manyani (2011) point out that some of the small-

business owners maintain records but fail to prepare financial records. The objective of this paper is to analyse the bookkeeping skills small-business owners in the clothing retail industry possess to be able to undertake bookkeeping duties. For the purpose of this paper, accounting and bookkeeping will be used interchangeably both referring to the process of recording and maintaining business transactions.

Small-business owners' enterprises are defined based on the number of employees, and can employ from zero to five employees (National Small Business Amendment Act No. 26 of 2003, South Africa 2003) or zero to ten employees (Alam and Miyagi 2004; Van Aardt et al. 2011; Haltiwanger et al. 2013). O'Dwyer and Ryan (2000) state that small-business owners' enterprises are defined based on the "purpose to which it is to be put so that different aspects of smallness may therefore be more appropriate for some purposes than for others". Therefore, this paper considers small businesses operated by small-business owners with zero to 10 employees within the clothing retail industry in Cape Town, South Africa. The remainder of this paper is structured as follows: Literature review,

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Methodology, Results, Discussion, Conclusion and Recommendations.

### Literature Review

The importance of bookkeeping and education in small-businesses' literature is firstly reviewed followed by a descriptive literature on single and double-entry accounts. Lastly, the elements of accounting in relation to small businesses are discussed.

#### *Importance of Bookkeeping and Education in Small Businesses*

Ndou (2014) indicates that most governments are aware that small, medium and micro-sized enterprises (SMMEs) are the backbone of the country's economy. It appears that there has been intensive focus from the government on providing finance directly to new businesses, rather than on overcoming business failure due to the inability of entrepreneurs to gain the necessary entrepreneurial skills (Turton and Herrington (2012), cited by Smorfitt (2008)). Findings from Drexler et al. (2014) indicate that more than fifty percent of small-business owners made an error when they were requested to capture and report on revenues and profits over a different period of time. As a result of insufficient accounting skills, small business owners maintain records but fail to prepare financial records (Maseko and Manyani 2011; Adejare 2014, Ajao et al. 2016). In the same notion, Bruwer and Watkins (2010) state that SMMEs have challenges in interpreting and analysing financial records and it is perceived that a lack of financial accounting education is the main cause of these challenges.

Entrepreneurs emerge from all disciplines, either with or without an accounting background (Harada 2003). However, the administration of financial resources within entrepreneurial enterprises is inevitable (Harada 2003). Barte (2012) agrees with Harada (2003) that major entrepreneurial skills comprise accounting, finance, marketing and law skills, in which accounting plays a major role in business success. Chimucheka (2012) points out that financial resources are needed for the day-to-day operation of a business. Rajaram and O'Neil (2009) state that accounting skills are essential, hence there is a need to conduct further studies on bookkeep-

ing and cash flow management. Bookkeeping helps in formulating financial information which can be used to calculate business profit, measure business financial performance, formulate business plans, prepare presentations for potential investors, apply for loans and make stock-purchasing decisions (Bruwer and Watkins 2010; Benedict 2012; Cadden and Schneider 2014; Alasadi and Al Sabbagh 2015; Rosen 2016).

It is emphasised that entrepreneurs should be financially literate (Kiyosaki 2009; Chimucheka 2012; Alasadi and Al Sabbagh 2015; Ademola et al. 2017). Mbroh and Attom (2011) acknowledge that a pertinent academic and accounting background is essential as it influences business success. A lack of bookkeeping competence has dire consequences on business success (Mbroh and Attom 2011). Recent studies have shown poor management of finances as the major cause of small-business failure (Benzing et al. 2009; Fatoki and Garwe 2010; Mitchelmore and Rowley 2013; Alasadi and Al Sabbagh 2015; Parry 2016; Ademola et al. 2017). Bookkeeping literacy enables entrepreneurs to maintain proper and complete records which can be used to interpret the health of the business and ease cash-flow problems (Kiyosaki and Lechter 2003; Kiyosaki 2009; Alasadi and Al Sabbagh 2015; Ajao et al. 2016). Additionally, the International Financial Reporting Standards for Small and Medium Enterprises (IFRS for SMEs 2013) states that a comprehensive knowledge of financial statement preparation is required so as to avoid making distorted conclusions regarding business financial performance to make future plans.

Small-business owners need to be capable of planning their business activities, budgeting and managing their finances, and these can be done based on financial business records (Oosterbeek et al. 2010; Kirsten and Fourie 2012; Tuyisenge 2015; Lam et al. 2017). Financial business records are also used to measure business performance (Maseko and Manyani 2011; Adejare 2014; Parry 2016). The research conducted by Benzing et al. (2009) reveals that small businesses' inability to maintain accurate records is one of the major problems in using financial records as a planning tool and measuring business performance. Similarly, Maseko and Manyani (2011) state that the majority of small businesses keeps incomplete accounting records as a result, and fail to measure business perfor-

mance. Bookkeeping cycle is completed by drafting a trial balance and the trial balance is one of the financial statements which small businesses should always have on a monthly basis as an indicator of whether the business is failing or sustainable (Bruwer and Watkins 2010; Maritz 2011; Lignier and Evans 2012; Marivate 2014; Weygandt et al. 2015). Findings from Bruwer and Watkins (2010) indicate that the majority of small businesses do not draft a trial balance on a monthly basis.

The main aim of a business operation is to make profit (Fischer 2000; Pinson 2007; Benedict 2012; Adejare 2014; Lam et al. 2017). Gatewood et al. (2002) state that entrepreneurs start businesses motivated by the profit generated from business operations. Rajaram and O'Neil (2009) note that bookkeeping enables small-business owners to determine whether they are making a profit or loss. Maseko and Manyani (2011) point out that "cash inflows should not be mistaken for profit as a business may have huge cash balances but having its asset base or productive capacity depleted by losses." Profit should not be anticipated based on cash inflows but should be calculated based on sales less the cost of sales and other business expenses (Flynn and Koornhof 2005; Banerjee 2010; IFRS for SMEs 2013). Profit calculation can be done through either single-entry or double-entry bookkeeping method (Fischer 2000; Flynn and Koornhof 2005; Benedict 2012; Rosen 2016). Next, the literature review on bookkeeping types and elements of financial statements is considered.

### *Single-entry*

Ganim (1996) and Chen (1998) proclaim that single-entry bookkeeping entails the recording of cash transactions for profit and loss with both debits and credits parallel. Schultz and Hollister (2004) state that single-entry bookkeeping was there to oversee trade balances between individuals and was satisfactory for entrepreneurs before the 18<sup>th</sup> and 19<sup>th</sup> century requirement of reporting profits to third parties. Schultz and Hollister (2004) further assert that single entry was specifically for small-business enterprises. Schultz and Hollister (2004) agree with Chen (1998) regarding single-entry bookkeeping inadequacy towards the 19<sup>th</sup> century complex business transactions. Since single-entry bookkeeping could not meet the 19<sup>th</sup> century requirements

and complexities of businesses, it was replaced by double-entry bookkeeping (Chen 1998; Sangster et al. 2011; Wissler 2013; Rosen 2016). However, Pinson (2007) argues that the majority of small-business owners still utilise single-entry bookkeeping in the 21<sup>st</sup> century and that it is extremely effective and hundred percent verifiable. Furthermore, Pinson (2007) and Rosen (2016) point out that single-entry bookkeeping is much easier and works effectively for micro-entrepreneurs.

### *Double-entry*

According to Chatfield (1977), double-entry bookkeeping originated from duality of entries from the exchange of goods and services between the giver and receiver, buyer and seller, debtor and creditor. The elements of exchange (giver and receiver, buyer and seller, debtor and creditor) are reflected by the actual names used to label the recorded entries: "debit" (*debito* in Italian) which denotes "they owe us" and "credit" (*credo* in Italian) which means "we received from" (Geijsbeek 1975). Moreover, Littleton (1933) and Ganim (1996) affirm that double-entry bookkeeping is based on duality of entries and the equilibrium of debits and credits. The debit-credit method is utilised for double-entry bookkeeping whereby cash-inflows are captured on the debit side and cash outflows are captured on the credit side (Flynn 2005; Service 2011; Weygandt et al. 2015; Service 2017). When records are captured either based on single-entry or double-entry bookkeeping, they are identified based on the elements of financial statements.

### *Elements of Financial Statements*

There are five elements of financial statements which are; assets, liabilities, equity, income and expenses (IFRS for SMEs 2013). Assets, liabilities and equity relate to business financial position while income and expenses relate to business financial performance (Service 2011; Weygandt et al. 2015; Service 2016). To accurately record business transactions, small business owners should be knowledgeable of the elements of financial statements on how they affect business financial records (Flynn and Koornhof 2005; IFRS for SMEs 2013; Weygandt et al. 2015; Service 2017).

### *Assets*

Uliana and Marcus (1990) explain that assets can be either owned by the business owner or rented from another entity, for example the clothing stock owned by the small business owner and the rented building (fixed property) where the retail small business owner operates his business. Yet, Collier and Kizan (2003) proclaim that only the assets owned by the entrepreneur will be recorded as assets since the entrepreneur has control over them and the rented assets will be recorded as an expense. Moreover, IFRS for SMEs (2015) concur that assets are resources controlled by an entity as a result of past events from which future economic benefits are expected to flow to the entity.

### *Liabilities*

According to IFRS for SMEs (2013) and Adejare (2014), liabilities are present obligations of an entity as a result of past events of which the settlement is expected to result in an outflow from the entity's economic benefits. For example, the repayment of a loan borrowed for starting up the clothing retail business.

### *Income*

Solomons (1961) defines income "as the amount by which it's worth has increased during the accounting period, due allowance being made for any new capital contributed by its owners or for distributions made by the business to its owners." According to Uliana and Marcus (1990), income is reflected by the recorded goods and services supplied and rendered to clients. Collier (2009) affirms that "income is the revenue generated from the sale of goods and services". Similarly, Robertson (2003) and Service (2015) state that income refers to accounting inflows that increases the economic value of the business through enhancements of assets and reductions of liabilities.

### *Expenses*

Expenses are reflected by amounts recorded for services received (Uliana and Marcus 1990) and costs incurred in producing the goods and services (Collier 2009; Benedict 2012; Service 2017) or costs of assets consumed in the pro-

cess of generating revenue (Robertson 2003; Kimmel et al. 2008; Adejare 2014; Weygandt et al. 2015; Service 2017). IFRS for SMEs (2013) and Adejare (2014) point out that expenses decrease the economic benefit of an entity during the accounting period in the form of outflows, increase in liabilities and depletion of assets and decrease in equity. For example, rent payments for the use of premises in generating revenue and employees' salaries for the services received are recorded as expenses.

In summary, the literature review reveals that problems associated with bookkeeping have been identified in the previous studies. The end-results of bookkeeping incompetence are: incomplete financial records, poor financial management, inaccurate financial records for measuring business performance and lack of financial accountability, all of which can ultimately lead to business failure. The literature review was concluded by defining and explaining the conceptual framework of the paper in relation to small-business owners within the retail clothing industry. The remaining part of this paper entails: research methodology undertaken to collect data; presentation of results and discussions; and then conclusion and recommendations for future studies.

## **METHODOLOGY**

A quantitative research approach was used to collect data through the use of a questionnaire as a data-collection instrument. The research methodology utilised aimed to obtain adequate information on accounting and bookkeeping literacy and educational background. All the questions within the questionnaire were asked based on epistemological position of bookkeeping within the accounting discipline. The questionnaire was standardized based on objective questions where respondents answered the questions without being governed by their feelings and opinions or influenced by the researchers. The data was then quantified and analysed using the Statistical Package for Social Sciences software (SPSS) and Microsoft Excel into descriptive statistics.

### **Population**

The target population for this research were small businesses with less than ten employees

within the retail clothing industry located in Cape Town. The clothing industry was selected based on the rationale that the previous studies has shown that the clothing industry is characterised by high rates of business failure in South Africa (Cooper et al. 2006; Van der Westhuizen 2007; Morris and Reed 2008; Welman et al. 2012). Years of operation were not considered in delineating the subjects (small businesses) of the paper. The researchers observed that it was going to be expensive and impractical to find a list of all retail-clothing entities operating small businesses in Cape Town. Therefore, generalisations were made with reference to small businesses within the retail clothing industry in Cape Town.

### Sample Technique

Questionnaires were administered to a sample of 62 respondents with questions pertaining to information on bookkeeping training and qualifications. The research paper employed non-probability purposive and cluster sampling. Non-probability purposive sampling was employed by uniquely selecting small business within the clothing industry. Businesses in other industries such as fast food, surgery, transport and others were excluded from the sample. Based on cluster sampling, the suburban clusters were selected. The selection was based on areas where the retail clothing businesses dominate in Cape Town so as to obtain a representative sample. The following suburban clusters which are mainly dominated by retail clothing business in Cape Town were selected; Cape Town Central Business District, Woodstock, Salt River, Maitland, Bellville, Observatory, Mowbray, Rondebosch, Claremont, Wynberg, The Waterfront, and Green Point.

## RESULTS

This section presents and analysis results from small-business owners' responses regarding their gender, level of education and understanding of bookkeeping. For this research pa-

per, frequencies were made use of on each response question then presented in prose and tables.

### Gender of Small-business Owners

The participants were required to state their gender. The findings show that there were 67.7 percent female participants' with the frequency of  $n = 42$  and there were 32.3 percent male participants' with the frequency of  $n = 20$  (see Table 1 in the Appendices). This finding depicts that there were more female participants than male participants on this research paper. These findings suggest that the small scale retail clothing industry in Cape Town, South Africa is dominated by woman.

### Level of Education

According to the findings (see Table 2 in the Appendices), the majority (35.5%) of the participants acquired a Diploma Qualification followed by participants with Matric Certificate (21%) and Secondary Education (19.4%). The participants with Bachelor's Degrees constituted 16.1 percent. The minority were participants with No Formal Education (3.2%), Primary Education (1.6%) and Master's Degree (1.6%). There were 1.6 percent of the missing value; this might be as a result of omitted-variable bias of the participants, with the highest level a Doctoral Degree education or the participants were reluctant to respond to the question. The findings of the research paper reflect that most of the participants at least received some form of basic education. This suggests that the majority of small-business owners in the retail-clothing industry are literate.

### Accounting and Bookkeeping Education

Table 3 in the appendices indicates that out of 62 respondents, ( $n = 27$ ) 43.5 percent of the respondents did a module in accounting and ( $n$

**Table 1: Gender of small-business owners**

Gender	Frequency		Percentage		N=Total	Accumulative percentage
	Male	Female	Male	Female		
What is your gender?	20	42	32.3	67.7	62	100

Source: Research sample

**Table 2: Level of education of small-business owners**

<i>Variable: What is your highest level of education?</i>		<i>Frequency</i>	<i>Percentage</i>	<i>Cumulative percentage</i>
<i>Valid</i>	No Formal Education	2	3.2	3.3
	Primary Education	1	1.6	4.9
	Secondary Education	12	19.4	24.6
	Metric Certificate	13	21.0	45.9
	Diploma	22	35.5	82.0
	Bachelor's Degree	10	16.1	98.4
	Master's Degree	1	1.6	100.0
	Total	61	98.4	
<i>Missing</i>	System	1	1.6	
	Total	62	100.0	

*Source:* Research sample

**Table 3: Accounting and bookkeeping education**

<i>Accounting/Bookkeeping education</i>	<i>Frequenc</i>		<i>Percentage</i>		<i>N= Total</i>	<i>Accumulative percentage</i>
	<i>Yes</i>	<i>No</i>	<i>Yes</i>	<i>No</i>		
Have you done any module in accounting?	27	35	43.5	56.5	62	100
Do you understand accounting?	43	19	69.4	30.6	62	100
Have you done a course in bookkeeping?	20	42	32.3	67.7	62	100
Have you done a short- course in bookkeeping?	19	43	30.6	69.4	62	100
Do you have an accounting qualification?	12	50	19.4	80.6	62	100

*Source:* Research sample

= 35) 56.5 percent did not do a module in accounting. The minority (n = 12) 19.4 percent of the respondents have a qualification in accounting and (n = 50) 80.6 of the respondents do not have a qualification in accounting. Similarly, (n = 42) 67.7 percent and (n=43) 69.4 percent of the respondents have neither done a course nor a short-course in bookkeeping, respectively. Contradictory to the above-mentioned findings, the majority of the respondents indicated that they understand accounting. In addition of the respondents with an accounting qualification, this finding depicts the accumulative totality of the

respondents who have either done accounting as a module or the respondents who have done course in bookkeeping. The findings established that small-business owners in the retail clothing industry acquired accounting/bookkeeping literacy training.

Furthermore, Table 4 in the appendices show that the mode is "2 = No" in all the questions with regards to receiving training in accounting/bookkeeping, hence a mean value above 1.5. Conversely, a mode of "1 = Yes" with the mean value of 1.31 is established on the question with regards to understanding of accounting/book-

**Table 4: Accounting and bookkeeping education**

<i>Accounting/Bookkeeping education</i>	<i>N</i>		<i>Mean</i>	<i>Mode</i>	<i>Std. deviation</i>
	<i>Valid</i>	<i>Missing</i>			
Have you done any module in accounting?	62	0	1.56	2	.500
Do you understand accounting?	62	0	1.31	1	.465
Have you done a course in bookkeeping?	62	0	1.68	2	.471
Have you done a short- course in bookkeeping?	62	0	1.69	2	.465
Do you have an accounting qualification?	62	0	1.81	2	.398

*Source:* Research sample

keeping of small-business owners. This finding is consistent with the findings in Table 3 in the appendices depicting that on average the majority of small business have not received training in accounting/bookkeeping. However, collective accounting/bookkeeping training resulted on most respondents' understanding of accounting/bookkeeping.

### Small-business Owners' (SMO) Understanding of Bookkeeping

Table 5 in the appendices shows the findings of small-business owners' understanding of bookkeeping based on five-point Likert-scale (1-Poor, 2-Fair, 3-Good, 4-Very good, 5-Excellent) method. All the values are expressed in percentages of the total number of the respondents. Table 5 further presents both the frequency and percentages of the findings.

The majority of the respondents were not knowledgeable about the single entry bookkeeping 45.1 percent (Poor = 27.4% and Fair = 17.7%), a significant percentage 24.2 percent of the respondents had a good understanding of the single-entry bookkeeping and a total of 30.6 percent (Very Good = 17.7% and Excellent = 12.9%) understood single entry bookkeeping well. Similarly, the majority of the respondents 40.3 percent (Poor = 24.2% and Fair = 16.1%) did not understand the double entry account, 30.6 percent had a good understanding and twenty-nine percent (Very Good = 16.1% and Excellent = 12.9%) exceptionally understood double entry

bookkeeping. This result implies that micro-entrepreneurs have a minimal single entry and double entry bookkeeping understanding. The respondents who did not understand the general ledger constituted of 38.7 percent (Poor = 17.7% and Fair = 21%) equally matching the respondents who exceptionally understood the general ledger 38.7 percent (Very Good = 24.2% and Excellent = 14.5%). The remainder of the respondents 22.6 percent indicated a good understanding of the general ledger. More than half 51.6 percent (Poor = 27.4% and Fair = 24.2%) of the respondents stated that they do not understand the trial balance, 24.2 percent stated that their understanding was good and the remainder 24.2 percent (Very Good = 11.3% and Excellent = 12.9%) remarkably understood the trial balance.

According to the survey 37.1 percent (Poor = 12.9% and Fair = 24.2%) of the participants do not understand the term "Assets" and half of the participants fifty percent (Very Good = 30.6% and Excellent = 19.4%) understood the term "Assets" remarkably. A minor 12.9 percent of the participants had a good understanding of the term "Assets". Most of the participants 46.7 percent (Very Good = 17.7% and Excellent = 29%) understood the term "Liabilities" and twenty-one percent had a good understanding of the term liabilities while 32.3 percent (Poor = 9.7% and Fair = 22.6%) did not fully understand the term "Liabilities" when recording transactions. Similarly, the majority of the respondents 61.3 percent (Very Good = 29% and Excellent = 32.3%) exceptionally understood the definition of in-

**Table 5: Small-business owners' (SMO) understanding of bookkeeping**

Ratings		Poor	Fair	Good	Very good	Excellent
<i>Single Entry Account</i>	Frequency	17	11	15	11	8
	Percentage	27.4	17.7	24.2	17.7	12.9
<i>Double Entry Account</i>	Frequency	15	10	19	10	8
	Percentage	24.2	16.1	30.6	16.1	12.9
<i>General Ledger</i>	Frequency	11	13	14	15	9
	Percentage	17.7	21.0	22.6	24.2	14.5
<i>Trial Balance</i>	Frequency	17	15	15	7	8
	Percentage	27.4	24.2	24.2	11.3	12.9
<i>Assets</i>	Frequency	8	15	8	19	12
	Percentage	12.9	24.2	12.9	30.6	19.4
<i>Liabilities</i>	Frequency	6	14	13	11	18
	Percentage	9.7	22.6	21.0	17.7	29.0
<i>Income</i>	Frequency	2	9	13	18	20
	Percentage	3.2	14.5	21.0	29.0	32.3
<i>Expenses</i>	Frequency	1	8	14	19	20
	Percentage	1.6	12.9	22.6	30.6	32.3

Source: Research sample

come while the minority of the respondents 17.7 percent (Poor = 3.2% and Fair = 14.5%) were not knowledgeable about the term “income” in accounting. The remainder (21%) of the participants indicated a “Good” in an understanding of what income refers to within the accounting domain. It is evident that the majority of the respondents, or 62.9 percent, (Very Good = 30.6% and Excellent = 32.3%) were remarkably knowledgeable about expenses when recording transactions within the clothing retail industry in Cape Town. However, 14.5 percent (Poor = 1.6% and Fair = 12.9%) of the respondents were below average in understanding expenses while 22.6 percent of the respondents were on average “Good” in understanding expenses. Although, there is significant number of the business owners with inadequate bookkeeping training. These findings depicts that small-business owners within the retail clothing industry understand the elementary accounting/bookkeeping concepts.

### Reliability

Data reliability was verified through *Cronbach's Alpha* analysis; presented in Table 6 in the appendices. Cronbach's Alpha analysis determines the internal consistency and data collection instrument reliability (Nunnally 1978; Peterson 1994; Gliem and Gliem 2003). The Cronbach's Alpha Co-efficients of 'SMO bookkeeping understanding variable' is 0.909 which is greater than 0.7 which explains that the variable items used are reliable (Nunnally 1978; Peterson 1994; Gliem and Gliem 2003).

**Table 6: Reliability on SMOs understanding of bookkeeping**

<i>Variable</i>	<i>Items</i>	<i>Cronbach's Alpha</i>
SMO Bookkeeping Understanding	8	0.909

*Source:* Research sample

### DISCUSSION

Most retail clothing enterprises were operated by female business owners. This finding is similar to the finding by Vlok (2006) that the South African clothing industry is mostly operated by women. Women businesses have been a very substantial source of employment and poverty

alleviation (Vlok 2006; Njoroge and Ambrose 2016; Ademola et al. 2017; Kamau 2017). The research findings show that the majority of small-business owners have secondary or post-secondary education as the highest level of education. The trend of entrepreneur qualifications in South Africa follows this pattern whereby the majority are with matric or post-matric qualifications and the minimum are without any formal education or with a master's degree (Kalitanyi and Visser 2010; Fatoki and Patswairi 2012; Khosa 2014). Additionally, It is noted that educated entrepreneurs who have received training make quality decisions and operate their business effectively and efficiently (Davis 2012; Huarng et al. 2012; Alasadi and Al Sabbag 2015).

Although the findings show that small-business owners possess elementary bookkeeping skills, on average seventy percent of the small-business owners are without accounting and/or bookkeeping education. The findings suggest that the majority of small-business owners in retail clothing in Cape Town have not received adequate training in bookkeeping. These findings corroborate those of Rajaram and O'Neil (2009), Benedict (2012) and Ademola et al. (2017) that SMEs have insufficient bookkeeping skills. Also, it is affirmed that entrepreneurs still need to be educated about bookkeeping to gain business managerial skills such as managing finance and budgeting (Mbroh and Attom 2011; Mitchelmore and Rowley 2013; Tuyisenge 2015; Ajao et al. 2016). Likewise the researchers agree that there is still a need for further training in bookkeeping based on the research paper findings. Similarly, Kiyosaki (2009) argues and emphasizes that entrepreneurs should be financially literate. Mbroh and Attom (2011) acknowledge that pertinent academic and accounting background is essential as it influences business success. Lack of bookkeeping skills has dire consequences towards business success (Mbroh and Attom 2011). Recent studies have shown poor management of finances as the major cause of small business failure (Benzing et al. 2009; Fatoki and Garwe 2010; Mitchelmore and Rowley 2013; Marivate 2014; Ademola et al. 2017). The researchers argue that more emphasis has been focused on the bookkeeping practices and management of finances without taking into account the prerequisite (bookkeeping literacy) of bookkeeping practices. Bookkeeping illiteracy is associated with an inability to properly record and



interpret financial information which may result on generic business inefficiencies and ultimately lead to business failure. Financial literacy enables entrepreneurs to maintain proper records and complete records which can be used to interpret the health of the business and ease cash-flow problems (Kiyosaki and Lechter 2003; Kiyosaki 2009; Adejare 2014; Alasadi and Al Sabbagh 2015).

The majority of micro-entrepreneurs reflected a remarkable understanding of assets and expenses in record keeping. However, what was shown was a minimal understanding of the procedural bookkeeping aspects, such as single-entry account, double-entry account, general ledger, and trial balance. A rich knowledge of assets and expenses in isolation of bookkeeping literacy procedural aspects is inadequate for the preparation of usable business financial records. Similarly, Lusardi (2012), Tuyisenge et al. (2015) and Parry (2016) acknowledge that business owners are knowledgeable of the elements of accounting such assets and liabilities, however they lack the capacity to categorise and numerate the elements of accounting into usable financial records. The inability to numerate the elements of accounting in preparation of financial records, inevitably results in incomplete financial records. Maseko and Manyani (2011) argue that in some cases micro-enterprise owners maintain records but fail to prepare financial records as a result of insufficient bookkeeping skills. In the same notion, Bruwer and Watkins (2010) state that SMMEs have challenges in interpreting and analysing financial records and it is perceived that a lack of financial accounting education is the main cause of these challenges. Financial accounting services are needed for a day-to-day operation of a business (Chimucheka 2012; Tuyisenge 2015; Parry 2016; Ademola et al. 2017). It can therefore be concluded that small-business owners should be proficient in the overall bookkeeping process to be able to maintain and prepare accurate financial records.

### CONCLUSION

The findings of this research paper show that small-business owners in Cape Town within the retail clothing industry are dominated by women and have acquired secondary or post-secondary education. Furthermore, small-business owners in Cape Town within the retail clothing

industry possess elementary bookkeeping training. However, they lack adequate procedural bookkeeping knowledge in relation to preparation of financial business records. It was therefore established that small-business owners require further bookkeeping training, particularly on the procedural aspect to assist with business financial records preparation. From literature review it is found that more emphasis has been focused on bookkeeping practises rather than the prerequisite of bookkeeping practices which is bookkeeping training requirements. Moreover, bookkeeping skills are a cornerstone towards sustainable business success as it helps with profit calculation, generic business performance, financial business performance and insightful decision making with the view of future business performance predictions.

### RECOMMENDATIONS

The research findings show that small-business owners lack understanding in the following bookkeeping procedural aspects: single-entry account, double-entry account, general ledger and trial balance. It is therefore recommended that training attention should be focused on the above mentioned deficiencies in bookkeeping so as to eradicate business success hindrances associated with record keeping. This can be done in the form of workshops, short courses, entrepreneurial training institutions and/or incubators such as Sector Education and Training Authority (SETA).

### LIMITATIONS

This research provided insights on bookkeeping training and understanding of small-business owners. However, the research was limited to the retail clothing industry in Cape Town, South Africa. Therefore, the research findings cannot be generalised for other industries in other geographical areas. It is recommended that the same research can be replicated in other industries to find out whether small-business owners in other industries possess bookkeeping training. The findings of the research will probably give a broader understanding of SMEs bookkeeping training needs. This information might be helpful for policy makers in dealing with bookkeeping-skill challenges faced by small businesses to promote business success.

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