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RELEVANCE OF FINANCIAL RATIO ANALYSIS IN THE APPRAISAL OF SMALL SCALEBUSINESS
(A CASE STUDY OF SELECTED SMALL SCALE COMPANY IN CROSS RIVER STATE)

BY

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APPROVAL

The project titled: the relevance of financial ratio analysis in the small scale has been assessed and approved by the department of accountancy committee in thefaculty of management and social sciences.

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Project Supervisor

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CERTIFICATION

This is to certify that this research project, the relevance of financial ratio Analysiswas carried out byARCHIBONG SANDRA EMMANUEL with registration number ACC/2009/507 under my supervisor in the Department of Accounting, CaritasUniversityAmorji-Nike Enugu, Enugu state.

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DEDICATION

This project is dedicated to God Almighty the omnipotent, omnipresent and omniscient God and the end of all knowledge for wisdom, understanding and strength for the completion of this project and to my God given parents Elder and deaconess Emmanuel Asuquo Archibong for their encouragements and financial support during my academic pursuit.

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My profound gratitude and thanks go to my parents Elder and Deaconess Emmanuel Asuquo Archibong and my siblings for their moral and financial help throughout my academic years. May God blessthem.

My thanks go to my friends, my roommate, course matesand well wishers. Also anybody who in one way or the other contributed to the success of this work. May the lord who gives every good gift bless you all beyond measures in Jesus name Amen.

May God bless you all Archibong SandraEmmanuel

ACC/2009/507

ABSTRACT

This research work examined the relevance of financial ratio analysis in the appraisal of small scale business with particular reference to Mr. Biggs fast food in cross river state. The study examined the establishing of the extent to which accounting ratio can be used to interpret accounting records of small scale business, finding and analysing the meaning of financial ratio analysis to the researcher knowledge and understanding of financial statement of the company, to establish the effect of ratio analysis on the users of financial statement and to highlight available ratios for measuring the true state of performance of company. The data were collected from both primary and secondary sources, while primary data was collected by the use of questionnaires; the secondary data were based on readings from textbooks, internet and journals. Data from the response to questionnaire was presented using the statistical tool Chi-square. From the analysis, the findings showed that non challant attitude in the use of financial statement affects small scale business; obsolete use of data affects small scale business and also that lack of competent management affect small scale business. It was however recommended that the retained earnings of the small scale business should be properly invested in order to have more capital for business

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CHAPTER ONE

INTRODUCTION

1.1BACKGROUND OF STUDY

Financial ratio analysis assumes that there is a relationship between certainaspects of the activities of the firm as revealed in the income statements, Accounting figures reported in the financial statement do not provideProfit and loss accountand the balance sheet, which established a pattern of behaviour. The information contained in the financial statement of a company isconnected with the financial well being and performance of the reporting entity, organized to enable users of financial statement to draw a conclusionmeaningful understanding of the performance of the financial position of a firm, except the figure are analyzed with other relevant information throughthe use of financial ratio analysis.

Having established the fact that a ratio is useful and reliable in measuring the relationship between two things, this then gives rise to the need to study the relevance of the financial ratio in the appraisal of small scale business.

1.2 STATEMENT OF PROBLEM

The study is beset by a lot of problems which include:

- Problems of non-challant attitude on the use of financial ratio in the interpretation of accounting records of small scale business

- Lack of available ratio for measuring the state performance of a company

- Lack of competent management

- Obsolete use of data.

1.3 OBJECTIVES OF STUDY

The main purpose of this study is to identify and consequently analyze the relevance of financial ratios in the appraisal of small scale companies in Cross river state.

In view of the above, the researcher intends to find the following:

-To establish the extent to which accounting ratio can be use to interpret accounting records of small scale business.

- To identify the available ratio for measuring the state of performance of a company.
- To established the effect of ratio analysis on the users of financial statement.

- To ensure current data’s are use in small scale business.

1.4 RESEARCH QUESTIONS

The study will examine the following questions:

- Dose non-challant attitude in the use of financial statement affects small scale business?
- Is ratio analysis a measure of quality into consideration when measuring the performance of the firm?
- Does obsolete use of data affect small scale business?
- Is ratio analysis a dependable tool of financial analysis?

1.5 RESEARCH HYPOTHESES

Based on the problems and objectives, the following hypotheses are formulated for study.

Hypotheses1

H0: Non-challant attitude in the use of financial statement does not affect small scale business

H1: Non challant attitude in the use of financial statement affects small scale business.

Hypotheses 2

H_0: Obsolete use of data does not affect small scale business

H_1: Obsolete use of data affects small scale business

Hypotheses 3

Ho: Lack of competent management does not affect small scale business.

H_1: Lack of competent management affect small scale business.

1.6 SIGNIFICANT OF THE STUDY

This research work will help in determining how the performance of a company can be measured through the use ratio as a tool of financial analysis.

The study will help in reflecting a qualitative relationship between financial statement of a different period and different firms. It will serve as a reference to other researchers with the mind of having in depth insight about ratios and its performance measuring abilities.

1.7 SCOPE OF THE STUDY

This study as the case may be covers the relevance of financial ratio analysis in the appraisal of small scale business with particular reference to Mr. Biggs incross river state. The study takes a holistic approach in its research to unveil the relevance of financial ratio analysis in the appraisal of small scale businesses.

1.8 LIMITATION OF THE STUDY

The limitations involved in this research work include:

-Hostility and non cooperation on the part of the respondents.

-The levels of ignorance on ratios and illiteracy were very high e.g some business officials refused to answer questions as they felt they would be indicated.

-Also financial implications were soaring high and this imposed certain restrictions

-Finally, the constraint of time was a limiting factor as all the areas of interest were not covered by the researcher.

1.9 HISTORICAL BACKGROUND OF THE CASE STUDY

The company study Mr. Biggs plc. The research will delve into the relevance of financial ratio maintain in those organization in order to access the element the contain the role they play to interested parties both within and outside the organisations.

Mr. Biggs plc

Mr. Biggs a division of U.A.C Nigeria plc, which is regarded as one of the fastest growing quick service restaurants. It was founded in 1986 and since then, has restaurant services. Mr. Biggs is Nigeria first chain of fast food restaurant owned by conglomerate UAC of Nigeria plc. There are currently around first drive through restaurant, with another four locations in Ghana. The restaurant is styled after mc Donald's and is known for its red and yellow colour scheme. Mr. Biggs history begins with coffee shop inside Kingsway Department stores in the 1960's. In 1973, these shops were rebranded as Kingsway Rendezvous, which became Mr. Biggs in 1986.The chain rapid expansion after becoming one of the first Nigerian companies to sell franchises to investors. Mr.Biggs specialty is the meat pie. a common lunch might also include scotch egg, a sugared donot, chicken and a soft drink. Whilewestern fare such as hamburgers are served. Nigeria delicacies such as jollof rice and moi-moi are more popular. Birthday cakes are also a popular product and Mr. Biggs bakery offers cake and pastries.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 COHERENT LITERATURE REVIEW(ACEDEMIC REVIEW):

Many great scholars have ventured into financial ratio analysis of large organization and government parastatals but little has been done with respect to small scale business which is the purpose of the study. This little show of concern may not be connected with the micro level of activities, the crude method of handling financial aspect of the business and the organization of the small scale. Though the financial ratio analysis of small scale business and large business are the same.Differences also exist in appropriation of profit and verification and evaluation of financial result.

Hagen (1976:4) said that one of the most striking changes associated with urbanization in developed countries has been the growth of small scale entrepreneur. These entrepreneurs have contributed significantly to the development of advanced societies. Their contribution varies from society to society but it more pronounced in a society, which has raw materials in abundance, and labour and attaches small importance to it and provides greater security for the operation of small scale business. In a society like ours, which is a transitional phase of growth with limited sources, is likely to experience shortage of promising entrepreneur for balanced economic growth.Also in the face of mass unemployment, the salvation lies in the development of entrepreneurial abilities on one hand or the order hand, which is the encouragement of the existing entrepreneurs.

The search for effective intervention mechanism in the promotion of the small and medium scale business in Nigeria led to the establishment of the following.

- Industrial research institute.
- National advisory committee on small scale.
- Nigerian bank for commerce and industry.
- The regional loans board in 1949
- Small industries credit scheme.

Ezeamama(2010:172) said that the financial strength and firm are weaknesses the revealed in its financial statement. According to him,for a manager to take rational decisions in line with the objective of thefindings, he has to have some analytical tools.

Anuya (2005: 61)said that financial statements are giving totals for classes of the transactionrather than individual transaction and presented in a commonly used form.

Egungwu(2004:141) said that ratio provides benchmark on which analysts summarize large quantitative financial data in order to take qualitative and quantitative decisions about the strengths and weaknesses of the firm.

T. Lucy (2001:452) said that ratio analysis as the systematic production of ratio fromboth internal and external financial analysis or reports so as to summarize keyrelationships and results in order to appraise financial success.

Brockington (2010:202) said that the though ratios are valuable, a warning as a must be given automatically which can be regarded as a good or bad. Such values must be related to the type of business which is being carried on and to the accounting processes which have produced the figure on which it is based.

2.2 FINANCING OF SMALL SCALE BUSINESSES

The major problem affecting the small scale business is finance (money). Most entrepreneurs are unable to carry out their skills and intelligence due to lack of the initial capital in starting off the business.

The banks therefore decided to loan them money for a number of reasons which will be listed below. This assistance is however, derived from the strong belief that small-scale businesses have a great role to play in the industrial development of the country. Other attributes of the small scale business are:

A. Small scale businesses are feeder to large scale industries and service product made by them.

B. Low level capital required in the establishment of small scale businesses.

C. A more equitable redistribution of income is usually achieved in the small scale business.

D. The large number of the establishment and their labour. Intensive modes of operation guarantees employment for a number of persons.

E. Evolution of truly indigenous enterprises is common among small scale business.

F. General enhancement of the tempo of industrial development is visible among small scale businesses.

G. Intervention adaption and general technological development are common in small scale businesses.

H. Industry diversification and a relatively more balanced regional development are assumed.

Despite the importance of small scale business, which is the fuel needed for growth and development; there are inherent problems with the small scale business for which urgent action is required.

- Management: most small scale entrepreneurs lack managerial skills and expertise to operate viable business units. The entrepreneurs and generally first generation investor have no previous management experience.
- Inadequate capital: due to the higher real and perceived risks and administration cost involved in tending to them, this therefore makes capital very scares to the small scale entrepreneurs and more expensive than large scale businesses.
- Difficulty in having access to raw materials, which may be acquired by their large competitors because of their superior buying power.
- High cost of capital: A very important element in decision about the use of any resources is the cost of that resource. In recent years, most financiers in Nigeria money market have raised the cost of their finance with the sole intention of scaring away too stable borrowers, it will be meaningless for a small business owner to borrow at a high cost especially when this cost exceed the return he expects from the business. He should maximize his returns by avoiding expensive.
- Improper record keeping: since the attraction of the skilled manpower is impossible, they find it difficult to recruit and retain skilled labour.
- Inability to raise equity finance.

- Unusual collateral: it has been found that some of the unusual collateral required does not apply to all prospective borrowers but only to those without strong financial background like the small business person.

As a result of these listed points, banks in Nigeria now shy away from the entrepreneurs of the small scale businesses thereby leaving them to struggle on their own for survival.

2.3 THE NATURE AND SCOPE OF FINANCIAL RATIO ANALYSIS.

- In the preparation of financial ratio analysis, it goes beyond making sure that the account balance and that the company makes either a profit or loss which will be used to make a report at the end of the accounting year. This entails communication, not just to the company workers but also to the general public, which therefore presumes and promotes understanding.

So many authors view the concept differently and it also has a consensus, which centers on it being a tool for financial analysis most of which are supportive and other critic.

Pandey (2002: 108) defined financial analysis as the process of identifying the financial strengths and weakness of the firm by proper establishment of relationships between the items of the balance sheet and the profit and loss account.

Financial ratio analysis as defined by kieso Dand Weyang J. (2009:726) identifies present strengths and weaknesses of a company and does not reveal what they are as they are. Ratio analysis is tool for financial analysis.

Egungwu (2004: 141) states that ratio provides benchmark on which analysts summarize large quantitative financial data in order to take qualitative and quantitative decisions about the strength and weaknesses of the firm.

Pandey (2002:107) states that ratio analysis is the starting point in the development of information desired by the analyst and other users of information statements.

Lawrence (2009:265) said that ratio can be obtained by dividing one quantity by another.

Chandra (2001:729) states that ratio is an arithmetical relationship between two figures. He forwarded by defining financial ratio analysis as a study of ratio between two various items or group of items in financial statement.

Hampton (1992:75) defines ratio analysis as the valuable insight into the firm’s effort achieves liquidity and profitability.

Pandey (2002:109) state the financial ratio analysis is a powerful tool

for financial analysis. He said that ratios are the quotient of two mathematical expressions and it is the relationship between two or more things.

These definition shows that the ratio are measurement tools in the analysis of financial statement and the evaluation of a company's performance.

Nickerson (2007:109) says that ratio themselves control nothing nor do they provides explanations of what has happened; there is a danger that they may serve as inadequate, faulty goals and measures of performance, through ratio analysis provides the means for spotting situation that appear to be out of line.

Lucy (2001: 452) says that ratio analysis is a systematic production of ratio from both internal and external financial analysis and report so as to summarize key relationships and results in order to appraise financial performance.

Ratio analysis as a practical means of measuring and improving performance is greatly enhanced when:

A. Ratio is prepared showing the interlocking and micro dependent nature of factors, which contribute to financial success.

B. Ratios are prepared regularly and on a consistent basis, so that trends can be highlighted and the changes investigated.

C. Ratios prepared for an individual firm can be compared with other firms in the industry.

Ratio analysis can direct its attention to areas where there is inefficiency and this provides a valuable service but this cannot determine how the inefficiency will be corrected.

Brockington (2010:202) states the fact that though ratios are valuable, a warning must be given automatically which can be regarded as a good or bad. Such values must be related to the types of business which is being carried on and to accounting processes which have produced the figure on which it is based.

Financial ratios analysis can also be said to be a useful analytical tool if used wisely. Bull (1980: 104).Says that financial ratio analysis is the relationship between certain aspects of activities of the firm as revealed in the income statement, profit and loss account and the balance sheet, which established a pattern of behavior.

2.4 FINANCIAL ANALYSIS AND ITS USES TOA FIRM

Financial analysis is the process of identifying the financial strengths and weaknesses of the firm by proper establishing relationships between the items of the balance sheet and that the profit and loss account. Financial analysis can be undertaken by parties outside the firm and also by the management of the firm viz: owner's creditors, investor and others.

The natures of analysis differ depending on the purpose of the analysts.

Hampton (1992:104) said that financial analysis is the process of determing the significant operation and financial characteristic of a firm accounting data and financial settlement. The goals of such analysis are to determine the efficiency and the performance of the firm's management as shown in the financial records and reports. Here, the analyst tries to measure the firm's liquidity, profitability and other indications that the business is conducted properly and in an orderly manner.

Horne (2001:102) in his own point of view stated that an analyst could be either external or internal. The external analysts are the creditors (Long term or short term), the investor also, that is the shareholders of the firm and also the government. While a shareholder is interested in the cash flow ability of an enterprise to service debt owned for a long period of time. Long –term creditors will evaluate enterprise ability by analyzing capital structure, short term capital, medium capital and capital gearing as well as the use of funds, the enterprise profitability over time and projection of future profitability.

When planning for the future, the financial manager has to assess the forms present financial position and evaluate opportunities in relation to their effect on their position. The financial condition and performing of an enterprise influences the financial method to be employed.

Hone (2001:102) defined it as the greater the liquidity of a firm, the stronger the overall financing condition and the greater the profitability of the firm.

It should however be noted that the performance of a business depends on the result of many individuals decisions made continually by its management. To assess business performance. The financial and economic effects of the business decisions must be analyzed and using comparative measure to judge the result. it is also the general responsibility of the management of the business to make sure that its resources are put into efficient and effective use and also that its financial condition is perfect.

2.5 TOOLS FOR FINANCIAL ANALYSIS

Financial statement is the major tools in understanding what happens to the firm's finance as it pursues it business activities. "The balance sheet, income statement, profit and loss account and changes in owners' equity when used together offers valuable insight into the firms effort to achieve liquidity and profitability"This was stated by Hampton. Bull (1980) view financial analysis as the analysis of financial ratio which assumes that there is a relationship between certain aspects of the activities of the firm as revealed in the income statement, profit and loss account and the balance sheet which establishes a pattern of behaviour.

The analysis involves two types of comparison and they are as follows:

- Comparing the present financial ratio with past ratio and expected future ratio for the same company.
- Comparing the ratio of one firm with those similar firms at the same point in time.

All business activities want to know how well or badly it has performed. Through the evaluation of its performance in terms of effectiveness and efficiency it will be able to determine how well it has fared. In the area of efficiency and effectiveness, it might want to know its tangible performance for instance, the nature and quality of goods and services provided and also want to evaluate the level of its utilized resources available.

2.6 RATIO ANALYSIS AND STANDARD OF COMPARISON

This is a powerful tool of financial analysis. A ratio is defined as the individual quotient of two mathematical expressions and the relationship between two or more things. It is also used as a yardstick in the evaluation of a firm's performance. A firm's performance can only be said to be good or bad only when the net profit figure is related to relationship between two accounting figures expressed mathematically. For a financial analyst to make a qualitative judgment also uses it. It also involves the comparison for a useful interpretation of the financial conditions; it should be compared with some standards.

Standards of comparison consist of the following:

- Ratio developed using the Proforma financial statement of a firm.
- Ratio of the industry to which the firm belongs.
- Ratio calculated from past financial statement of the firm
- Ratio of some selected firms especially the most progressive and successful at the time point in time.

One the easiest ways to evaluate the performance of a firm is to compare the present ratios with the past's comparison ratios. When financial ratio over the period of time is compared, it gives on insight to the direction of change and reflects whether the firm's financial position and performance has improved or deteriorated. This is only useful when the firms accounting policies and procedures remain constant thereby having no change.

Another type of comparison is the comparison of the ratio of one firm with that of some selected firm in the same industry at the same point in time. This shows the relative financial position and performance of the firm.

Chandra (2001: 453) states that ratios are useless except if it is based on an item or standard of comparison.

Lucy defines it as ratio prepared consistently or regularly without a basis

of comparison can be divided into five parts namely:

a. Cross section analysis

b. Trend analysis

c. Comparative common analysis

d. Industrial average

a. Cross section analysis deals with the comparison of two companies, which operate the same kind of business together.

b. Trend Analysis this is also known as time series a period of time which will enable them detect secular changes and also the avoidance of bias.

c. COMPARATIVE COMMON SIZE ANALYSIS: in this analysis the items in the balance sheet are stated as percentage of total sales, such percentage statement are common size statement. this help to reinforce the findings of trend analysis. This provides a useful perspective and facilitates better understanding. There are also useful aids used in sensitizing the analyst to emerging trend and secular changes.

d. INDUSTRIAL AVERAGE: Average is derived from statistical data collected from firms within the industry. It is a standard of performance set by experts to measure the performance of firms in the same industry.

e. INDEX ANALYSIS: Here the items in the comparative balance sheet, income statement are expressed as an index relative to the base year and the items in the base year naturally assume a value of 100.

2. Du point Analysis: it is a useful system of analysis, which considers important inter- relationships based on information found in the financial statement and this has been adopted by a large number of firms.

2.7 TYPES OF FINANCIAL RATIO

The computation done in financial statement used in interpreting the financial position of a firm is done through ratio.

Financial ratios to be applied to affirm are numerous and they are as follows:

- Ratios that concerns management
- Ratios of shareholders
- Long-term debts providers
- Suppliers.

Financial ratios are classified thus:

LIQIUDITY RATIO: These are used to estimate a company's ability to pay its short-term debts. These are said to be liquid funds, which consist of cash, short term investment which has a ready market, fixed term deposits with a bank, trade debtors and bills of exchange receivable. The two basis liquidity ratio is the current ratio and the quick ratio.

1. CURRENT RATIO: The current ratio is calculated by dividing current assets by current liabilities in which the current assets are being converted into cash in order to produce the funds needed to pay current liabilities.

$$\text{Current Ratio} = \frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}}$$

2. QUICK RATIO: This is more stringent, because it does not count inventory as part of the firm's current assets. it is also known as acid test ratio. It is also based on current asset, which is highly liquid, Thereby reducing it by reducing inventories.

$$\text{QUICK RATIO} = \frac{\text{QUICK ASSETS}}{\text{CURRENT LIABILITIES}}$$

Quick assets include debtors and bills receivable.

3. Cash Ratio: This includes cash and bank balance, and short-term market securities and this are the most liquid assets of a firm.

CASH RATIO= CASH+ BANK BALANCE+ SHORT-TERM MARKET SECURITIES

CURRENT LIABILITIES

PROFITABILITY RATIO: It measures the firm's efficiency at generating profits. Some of the basis profitability ratios are return on assets and return on equity. The profitability ratio shows the firm result of a business in its ability to make profit in its activities thereby measuring the efficiency of the firm's activities. Profitability ratio is calculated by the establishment of a relationship between profit figures, sales and assets.

Egungwu (2005:125) define profitability as a measures of management overall effectiveness as shown by the returns generated on sales and investment.

The ratios under profitability are as follows:

a. PROFIT MARGIN RATIO: Here we have the gross profit margin ratios and the net profit margin ratios. It measures the profit made on sales. Earning profit before depreciation interest and taxes

= (PBDIT OR EBDIT) X 100

SALES 1

1. GROSS PROFIT MAGIN RATIO: Is the difference between net sales and the cost of the goods sold divided by sales production as well as pricing are being measured in order to determine its efficiency.

GROSS PROFIT MARGIN RATIO= $\frac{\text{SALES – COST OF GOODS SOLD}}{\text{SALES}}$

= $\frac{\text{GROSS PROFIT}}{\text{SALES}}$

2 NET PROFIT MARGIN RATIO: is obtained when operating expenses, interest and taxes are subtracted from gross profits. the net margin ratio is measured by dividing profit after tax by sales

Net profit margin = $\frac{\text{profit after tax}}{\text{sales}}$

b. ASSET TURNOVER: This measures how well the assets of a business are being put into use to generate sales.

Return on capital employed= $\frac{\text{sales}}{\text{capital employed}}$

The combination of these two gives rise to the return on capital employed.

Return on capital employed= $\frac{\text{profit before interest and tax}}{\text{capital employed}} \times \frac{100}{1}$

C. Ownership Ratio: this assist a stockholder in the analysis of present and future investment and it can be calculated through the following ratios.

1. EARNING POWER: This is used in inter-firm comparison. it is used as a measure of business performance; it is also not affected by payment and change in interest rate.

Earning Power =<u>Profit before interest + tax (EBIT)</u>

Average total sales

2. EARNING PER SHARE (EPS): I.M Pandey (2004) defined earnings per share simply show the profitability of the firm on a per share basis; it does not reflect on how much is paid is paid as divided and how much is retained in the business. but as a profitability index, it is a valuable and widely used ratio. It also gives the share holder an opportunity of company one year earnings with that of another.

Earnings per share=profit after tax
number of shares outstanding

3. PRICE EARNING RATIO: Heltert (1987: 67) defined price earnings ratio as "earning multiple". it is used to show how the stock market judge a company's performance and prospects. The greater the price earnings ratio, the greater the demand for the shares.

price earnings ratio (PER) = market value per share
Earnings per shares

4. RETURN ON EQUITY: This is defined as profit after taxes divided by share holders' equity which is given by net worth.

Return on equity (ROE) = profit after taxes
Net worth (equity)

5. DIVIDEND COVERS: This defined as net profit after tax plus preference divided by ordinary dividend paid and proposed.

$$\text{Dividend cover} = \frac{\text{Net profit after tax + preference dividend}}{\text{Ordinary dividend paid and proposed}}$$

However, it should be noted that the numerator of these ration represent current values while the denominator represent historical values.

4. VIABILITY RATIOS. These are divided into

a. Activity Ratio

b. Leverage Ratio

2.7.1 Activity Ratio: They are the ratio used to measure the efficiency of utilization of assets to generate sale revenue. activity ratio can be divided into five important groups namely

1. Debtor turnover

2. Average turnover

3. Inventory turnover

4. Fixed asset turnover

5. Total asset turnover

DEBTOR TURNOVER: This is known as receivable turnover. itindicates the numbers of time debtor’s turnover each year.

$$\text{Debtors Turnover} = \frac{\text{Credit sales}}{\text{Average sales}}$$

AVERAGE COLLECTION PERIOD: This shows the number of days worth credit sales that is in the account receivable

$$\text{Average collection period} = \frac{\text{Average Debtor}}{\text{Net sales}}$$

INVENTORY TURNOVER: This is also known as stock turnover. It indicates the efficiency of the firm in the producing and selling its product. it is calculated by dividing the cost of goods sold by the average inventory.

$$\text{Inventory Turnover} = \frac{\text{Cost of goods sold}}{\text{Average inventory}}$$

FIXED ASSET TURNOVER: Measures how a firm may wish to know how its efficiency of utilizing fixed assets

$$\text{Fixed Asset Turnover} = \frac{\text{sales}}{\text{Net fixed Asset}}$$

B. LEVERAGE RATIO: These are otherwise known as long-term solvent ratio. They are ratios used to measure the ability of the company to meet its long-term indebtedness as and when due and also to determine the long-term stability of the equity. These are two types of ratio commonly used in analysis of financial leverage:

a. Structural ratio

b. Coverage ratios

A. STRUCTURAL RATIO: These are based on the proportion of debt equity ratio and debt asset ratio.

B. COVERAGE RATIO: This used to test the firm's debt servicing capacity and the sources of meeting these needs.

2.8RELEVANCE OF FINANCIAL RATIO ANALYSIS

The importance of ratio analysis is as follows:

1. Ratio analysis simplifies the financial statement

2. It helps in comparing companies of different size with each other.

3. It helps in trend analysis which involves comparing a single company over a period.

4. It highlightsimportant information in simple form quickly. A user can judge a company by just looking at few numbers instead of reading the whole financial statements.

The ratio analysis is used to determine the financial statement in order to know how the company has fared during an accounting period or years.

Examine trend in raw data can draw meaningful references. Inter firm comparison are useful and experience seems to suggest that financial analysis works if one is aware of accounting basis and makes adjustment for the same.

Ratio analysis helps in spotting deficiency in a company's performance over a period of time usually a year. It is an instrument that helps in determining efficiency and profitability of the management of a company.

Ratio analysis, does not only help in performances determination but also help in credit analysis, security analysis, completive and trend analysis.

If financial statement are properly analyzed and interpreted, financial statement can provide valuable insight into a firm's performance and it is also helpful in assessing corporate excellent, judging credit worthiness, forecasting bond rating predicting bankruptcy and assessing market risk.

Inter firm comparison of ratio helps in comparing the level of performance of the firm in the industry, its liquidity, profitability and viability in particular year.

The management and company's survival depends on their operating performance. The management from time to time uses ratio analysis to determine the firm's financial strength and weakness and also takes action when necessary to improve their position if necessary.

Ratio analysis is a useful analytical technique that can be used to raise a reasonable question on a number of managerial and also provides clues to investigate in detail such issues.

This also help in formulating better strategies by management due to its efficiency spotting ability and thereby helping in the creation of an effective and efficient performance in the company.

2.9 INFLATION AND FINANCIAL ANALYSIS

The financial performance of a firm as shown in the conventionallyprepared financial statement which are based on historical cost is influenced partly by managerial decision and party by external influence, particularly inflation which is beyond the control of management. As a result of inflation, the performance shown by financial statement may affect the economic performance.

Inflation may lead to distortion in inter firm comparism as well. In an inflationary environment, when historical cost data are used, a firm with assets, other things being equal, will show a higher return on assets.

Inflation also affects the time series and gross section comparism; therefore it is advisable to employ replacement cost data under an inflationary environment.

2 .10 LIMITATION OF RATIO ANALYSIS

Ratio analysis is widely used technique to evaluate the financial position and performance of a business. Financial ratios can be computed easily and are precise in nature. It is also used to understand a firm's performance and condition. However, there are problems in connection with these ratios:

-Numerical items: Ratio analysis also deals with only numerical items which does not look at non measurable factor such as management either values or the quality of management

- Comparism of ratio between companies: This is usually misleading due to difference in accounting practices in such areas as depreciation, income recognition and intangible assets.

- Difference in common ratio definition: Most times report of two analysts may include the same ratio for a particular company but give very different results.

- Inflationary measures: during the inflationary period the ratio comparing sales and net income to assets and equity may be biased upwards.

- Historical maintenance of accounting records: Accounting records are maintained on historical naira, a change in value of the naira can distort the comparability of ratios computed for different period.

- Price level: The price level changes make the interpretation of financial ratios invalid, as a result of these the balance sheet figures are distorted and profit in accounting misreported.

- Management short run decision: management can make certain short run decision prior to the statement dates to influence the ratios.

- Most financial statement is not adjusted either for changes in market values or in the general price level. Thismay seriously affect comparability between firms over time.

Finally, ratio shows relationship as they exist in the past at a particular balance sheet date. The analysts are interested the future should not be misleading into believing that the past date necessarily reflects the current or future situation.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter present research method and procedures adopted, the tasks involved on the research have been carefully designed. The research methodology is vital part of the research report because according to Osuala (1999: 32) it is the background against which the reader evaluates the findings and the conclusions.

3.1 RESEARCH DESIGN:

This study made use of survey research. It attempts to evaluate the importance of financial ratio and the method used for the survival and growth of the small scale business especially during the period of economic depression and instability.

3.2 SOURCES OF DATA

The study made use of primary and secondary data.

3.2.1 PRIMARY DATA

This includes data gotten from personal interviews and questionnaires administered to managerial staff, senior staff and junior staff.

3.2.2 SECONDARY DATA

The secondary sources used include data from text books magazines, newspaper, financial standards business times, dictionary and internet. The information collected through these sources was mainly used in the literature review and data analysis of the study.

3.3 AREA OF STUDY

This study was carried out using small scale industry in Cross river state.

3.4 POPULATION OF THE STUDY

The population of this study is made up of 70 staffs and management of “the promise fast food.

3.5 SAMPLE AND SAMPLING TECHNIQUES

The small scale company involved in fast food service was selected for study. Formula used = $n = \frac{N}{1+N(e)^2}$

N=Sample size

n= population

E= Error of limit (5%)

1 =constant

$$N = \frac{70}{1+70(0.0025)}$$

$$n = \frac{70}{1.175}$$

N=60 sample sizes

3.6 VIABILITY OF THE INSTRUMENT

In order to ascertain whether the instruments used where valid, some prominent and intellectual personalities and resource persons especially my supervisor were shown the questionnaire corrections were made and taken into cognizance, thereby ensuring both face and content validity.

3.7 RELIABILITY OF THE INSTRUMENTS

Reliability on this content has to do with the ability of the research instrument to be consistent.

For the reliability to be certified, the instrument use in data collection (questionnaire) was re-tested through an oral interview with some of the staff to confirm their responses of which the same responds was given. However, the test re- test method was employed to certify its reliability.

3.8 METHOD OF DATA ANALYSIS

The data collection were analyzed using simple percentage and chi- square method

The statistical tool is given below:

$$X^2=\sum \frac{(0i-Ei)}{E}$$

$\sum$= Summation

O=Observed frequency

E= Expected frequency.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

INTRODUTION

In this chapter, it is designed and aimed at analyzing and interpreting all the response obtain from the administered questionnaires.

4.1 ANALYSIS AND INTERPRETATION OF RESPONSES

Out of 60 questionnaires distributed,only 55 were completed and returned. The data presentation and analysis consequently based on a sample size of 55 which is the data producing sample. The method of data analysis used is the simple random sampling which is easy to understand.

TABLE 4.0.QUESTIONNAIRE

	Return	Not returned	Total
Juniorstaff	30	1	31
Senior staff	20	1	21
Management	5	3	8
	55	5	60

SOURCE: Fieldwork, 2013

Percentage

$\frac{55}{60}$ x100 =92%

$\frac{5}{60}$ x100 = $\frac{8\%}{100}$

The above table indicates that 100% representing only staff, only 92%representing 55 respondents were returned and 8% representing 5 respondents were not returned.

QUESTION 1: DO YOU CONDUCT FINANCIAL ANALYSIS?

TABLE 4.1 CONDUCT OF FINANCIAL ANALYSIS

Respondents	Yes	No	Total
Junior staff	15	6	20
Senior staff	10	12	22
Management	5	7	12
	30	25	55

FIELD WORK: 2013

Percentage

$\frac{30}{55}$ x100 =55%

$\frac{25}{55}$ x100 = $\frac{45\%}{100\%}$

The table above table represents the responses from the respondents in question 1 from this, it indicates that 55% representing 30 respondents agreed that financial analysis is been conducted while45% representing 25 respondents disagree.

TABLE 4.2

QUESTION TWO DOES NON CHALLANT ATTITUDE IN THE USE OF FINANCIAL STATEMENT AFFECTS SMALL SCALE?

Respondents	Yes	No	Total
Junior staff	30	-	30
Senior staff	15	2	17
Management	5	3	8
Total	50	5	55

SOURCE: FIELD WORK 2013.

Percentage

$\frac{50}{55}$ x 100= 91

$\frac{5}{55}$ x100 = $\frac{9}{100}$

The above represent respondents in question 2 from this, it shows that 91% representing 50 respondents support that non challant attitude in the use of financial statement affects small scale business 9% representing 5 respondents said no to the fact.

TABLE 4.3

QUESTION3 RATIO ANALYSIS ARE ONLY GOOD AS THE DATA UPON WHICH THEY ARE BASED OR THE INFORMATION WITH WHICH THEY ARE COMPUTED.

Respondents	Yes	No	Total
Junior	10	2	12
Senior staff	15	3	18
Management	25	-	25
Total	50	5	55

SOURCE: FIELD WORK 2013.

Percentage:

$\frac{50}{55}$ x100 =91%

$\frac{5}{55}$ x 100 =$\frac{9\%}{100\%}$

The above table represents respondents from the respondents in question 3 from this, it shows that 91% representing 50 respondent support that ratio analysis are only good as the data upon which they are based or the information which they are based while9% representing 5 respondents said noto the fact.

QUESTION 4 DOES OBSOLETE USE OF DATA AFFECT SMALL SCALE BUSINESS?

TABLE4.4

Respondents	Yes	No	Total
Junior	5	2	7
Senior	10	3	13
Management	30	5	35
	45	10	55

SOURCE: FIELD WORK 2013

Percentage:

$\frac{45}{55}$ x 100 =82%

$\frac{10}{55}$ x100 = $\frac{18\%}{100\%}$

The above table represents respondents from the respondents in question 4 from this, it shows that 82% representing 45 respondents support that obsolete use of data affect small scale business 18% representing 10 respondents do not agree.

QUESTION 5: DOES YOUR ORGANISATION OPERATE A SOLE PROPRITORSHIP BUSINESS?

TABLE 4.211 THE NATURE OF THE BUSINESS

Respondents	Yes	No	Total
Junior	20	-	20
Senior	10	-	10
Management	25	-	25
	55	-	55

SOURCE: FIELD WORK 2013.

$\frac{55}{55}$ x100 =100%

The above table represents the responses from the respondents in question 5. This indicates that 100% representing 55 respondents are of the opinion that the organization operates sole proprietorship business.

QUESTION6 DO YOU USE SETTLEMENT OF OVERHEAD AS A MEANS OF APPLYING FOR AVAILABLE FUND?

TABLE 4.6

Respondents	Yes	No	Total
Junior	-	15	15
Senior	10	-	10
Management	30	-	30
	40	15	55

SOURCE: FIELD WORK 2013

Percentage:

$\frac{40}{55}$ x100 = 73%

$\frac{15}{55}$ x100= $\frac{27\%}{100\%}$

The above table representsresponses from respondents in question 6 from this, it indicates that 73% representing 40 respondents support the use of settlement of overheads as a means of applying for availablefund.27% representing 15 respondents disagree with the fact.

QUESTIO7 Do your enterprise uses ploughing back or Retained earnings into business?

TABLE 4.7

Respondents	Yes	No	Total
Junior	-	7	7
Senior	10	8	18
Management	30	-	30
	40	15	55

SOURCE: FIELD WORK 2013.

Percentage:

$\frac{40}{55}$ x100 =73%

$\frac{15}{55}$ x 55=100

The above table represents the responses from the respondents in question 7. This indicates that 100% representing 55 respondents are of the opinion that the enterprise useploughing back profit or retained earnings into the business

QUESTION 8: ARE YOUR TRANSACTIONS IN BOTH CASH AND CREDIT?

TABLE 4.8

Respondents	Yes	No	Total
Junior	20	-	20
Senior	15	-	15
Management	30	-	30

SOURCE: FIELD WORK 2013.

Percentage:

$\frac{55}{55}$ x100= 100

From the table above, it shows that overall respondents agree that the organization transactions are in both cash and credit.

QUESTION9Do you prefer marketing strategies as a means of making sales?

TABLE 4.9

Respondents	Yes	No	Total
Junior	15	-	15
Senior	10	-	10
Management	30	-	30
	55	-	55

SOURCE:FIELD WORK 2013

Percentage:

$\frac{55}{55} \times 100 = 100$

The table above represents the responses from the respondent in question 9. This indicates that 100% representing 55 respondents are of the opinion that marketing strategy is used by the small scale business.

QUESTION 10: DO YOU AGREE TO THE FACT THAT THE RATE OF PERFORMANCE OF YOUR BUSINESS IS HIGHLY PROFITABLE?

TABLE 4.10:

Respondents	Yes	No	Total
Junior staff	5	10	15
Senior staff	-	30	30
Management	-	20	20
	5	55	55

SOURCE: FIELD WORK 2013

Percentage:

$\frac{5}{55}$ x100 =9%

$\frac{50}{55}$ x 100 =$\frac{91}{100}$%

Thetable aboverepresents the responses from the respondents in question 10. 91% representing 50 disagree that the company performance of the business is highly profitable. 9% representing 5 respondents said it does.

QUESTION 11: DO YOU USE FIRST IN FIRST OUT METHOD TO VALUATE YOUR STOCK?

TABLE 4.11:

Responses	Yes	No	Total
Junior staff	10	-	10
Senior staff	20	-	20
Management	35	-	35
	55	-	55

SOURCE: FIELD WORK 2013

Percentage:

$\frac{55}{55} \times 100 = 100\%$

The above table represents the responses from the respondents in question 11. 100% representing 55 respondents agreed that the organization uses the first in first out (FIFO) valuation method. This is because they deal with perishable goods.

QUESTION12Does lack of competent management affects small scale business?

TABLE 4.12

Respondents	Yes	No	Total
Junior staff	10	6	16
Senior staff	7	5	12
Management	20	7	27

SOURCE: FIELD WORK 2013.

Percentage:

$\frac{37}{55}$ x 100 =67

$\frac{18}{55}$ x 100 =$\frac{33}{100}$

The table above represents the responses from respondents in question 12.This shows that 67% representing 37 respondents support the fact that lack of competent management affects small scale business. While 33% representing 18 respondents disagree with this statement.

4.3 TEST OF HYPOTHESIS

The researcher has three hypothesis formulated for study. In trying to prove the hypothesis the researcher used ‘chi square’ (x^2) distribution. The researcher used the following chi square formula.

$$\frac{(0i-Ei)^2}{Ei}$$

0i= observed frequency in the distribution

Ei= expected frequency in the distribution

The degree of freedom was got using the formula.

DF= (C-1) (r-1)

c= number of column

r= number of roll.

The level of significance was 5%.

Decision rule.

The hypothesis will be accepted or rejected under the following conditions.

a) Accept Hi if the chi square (x^2) result is greater than the level of significance and reject Ho.

b) Reject Hi the chi square (x^2) result is less than the level of significance and accept Ho.

TEST OF HYPOTHESES1

$H_{O:}$ Nonchallant attitude in the use of financial statement does not affect small scale business

H_1: Non challant attitude in the use of financial statement affects small scale business

The responses are given below

OPTIONS	MANAGER	SENIOR STAFF	JUNIOR STAFF	TOTAL
Yes	15	8	20	43
No	3	5	4	12
TOTAL	18	13	24	55

SOURCE: FIELD WORK 2013.

Calculation of expected value:

Using formula

$$E = \frac{RM\ XCM}{N}$$

Where RM= roll margin

CM=column margin

N= number

Managers = $\frac{43 \times 18}{55}$ = 14.1

Senior staff = $\frac{43 \times 13}{55}$ =10.16

Junior staff = $\frac{43 \times 24}{55}$ =18.76

Managers = $\frac{12 \times 18}{55}$ =3.92

Senior staff = $\frac{12 \times 13}{55}$ =2.84

Junior staff = $\frac{12 \times 25}{55}$=5.24

OBSERVATION (O)	EXPECTED (E)	O-E(deviation)	$(O- E)^2$	$(O- E)^2/E$
15	14.1	0.9	0.81	5.74
8	10.16	-2.16	4.67	4.59
20	18.76	1.24	1.54	2.37
3	3.93	-0.92	0.84	1.77
5	2.84	2.16	4.67	1.64
4	5.24	-1.25	1.54	2.94
TOTAL				19.05

SOURCE: FIELD WORK 2013

Calculation of DEGREE OF FREEDOM (DF)

DF =(r - 1) (c - 1)

Where r is Roll

C is columns

(2- 1) (3 -1)

(1) (2)

= 2

Using 5% level of significance under DF (2) =5.991 (from the table of distribution x^2)

Critical value =5.991

Computed value = 19.05

Decision rule: if x^2 calculated is greater than critical value accept the alternative hypotheses. Otherwise reject the alternative hypotheses.

Decision: Since x^2 calculated value is19.05 > x^2critical value(5.991), we reject the null hypotheses (H_0), which states that"non challant attitude in the use of financial statement does affects small scale business" and accept the alternative hypotheses (H_1).

CONCLUSION: Non challant attitude in the use of financial statement affects small scale business.

TESTING HYPOTHESIS 2

H_0 –Obsolete use of data does not affect small scale business

H_1 –Obsolete use of data affects small scale business

The responses are given below

OPTIONS	MANAGER	SENIOR STAFF	JUNIOR STAFF	TOTAL
Yes	30	1O	5	45
No	5	3	2	10
TOTAL	35	13	7	55

Calculation of Expected value

Using formula

$$\frac{RM \text{ X } CM}{N}$$

Where RM =roll margin

CM= column margin

N= number

Manager – $\frac{45 \text{x} 35}{55}$ =28.6

Senior staff- $\frac{45 \text{x} 13}{55}$=10.6Type equation here.

Junior staff -$\frac{45 \text{x} 7}{55}$ =5.73

Manager – $\frac{10 \text{x} 35}{55}$=6.36

Senior staff -$\frac{10 \text{x} 13}{55}$ =2.36

Junior staff-$\frac{10 \text{x} 7}{55}$= 1.27

OBSERVATION	EXPECTED (E)	O-E	$(O-E)^2$	$(O-E)^2/E$
30	28.6	1.4	1.96	6.85
10	10.6	-0.6	0.36	3.39
5	5.73	-0.73	0.53	9.25
5	6.36	-1.36	1.85	2.91
3	2.36	0.64	0.41	1.74
2	1.27	0.73	0.53	4.17
TOTAL				28.31

SOURCE: FIELD WORK 2013

Calculation of degree of freedom (DF)

Using the formula

DF = (r- 1) (c-1)

Where rm= roll margin

cm= column margin

(2-1) (3-1)

(1) (2)

=2

Level of significance =5% under 2

So critical value is 5.991

Answer: critical value =5.991

Computed value = 28.31

Decision rule

Since the computed value28.1is greater than critical value 5.991,we reject the null hypotheses (H_0) which states that “obsolete use of data does not affect small scale business” and accept the alternative hypotheses (H_1).

COCLUSION: Obsolete use of data affects small scale business.

HYPOTHESES THREE

HO: Lack of competent management does not affect small scale business

H1: Lack of competent management affects small scale business.

The responses are given below

OPTIONS	MANAGER	SENIOR STAFF	JUNIOR STAFF	TOTAL
Yes	20	7	10	37
No	7	5	6	18
TOTAL	27	12	10	55

SOURCE: FIELD WORK 2013

Calculation of Expected value

Using formula

$$\frac{RM \times CM}{N}$$

Where RM =roll margin

CM= column margin

N= number

Manager= $\frac{37x27}{55}$ =18.16

Senior staff = $\frac{37x12}{55}$= 8.07

Junior staff= $\frac{37x16}{55}$ =10.76

Manager = $\frac{18x27}{55}$ =8.84

Senior staff= $\frac{18x12}{55}$ =3.93

Junior staff = $\frac{18x16}{55}$ =5.24

	EXPECTED (E)	O-E (DEVIATION)	$(O-E)^2$	
20	18.16	1.84	3.39	1.87
7	8.07	1.07	1.14	1.41
10	10.76	-0.76	0.58	5.39
7	8.84	1.84	3.39	3.83
5	3.93	1.07	8.18	1.56
6	5.24	0.76	0.58	1.11
TOTAL				15.17

SOURCE: FIELD WORK 2013.

Calculation of degree of freedom (DF)

Using the formula

DF = (r- 1) (c-1)

Where rm= roll margin

cm= column margin

(2-1) (3-1)

(1) (2)

=2

Level of significance =5% under 2

So critical value is 5.991

Answer: critical value =5.991

Computed value = 15.17

Decision three

Since the computed value15.17is higher than critical value 5.991, we reject the null hypotheses (H_0) which states that "lack of competent management does not affect small scale business" and accept the alternative hypotheses (H_1)which states "that lack of competent management affectssmall scale business".

CONCLUTION: Lack of competent management affects small scale business.

CHAPTER FIVE

5.0 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION.

5.1 SUMMARY OF FINDINGS.

This research was used to examine the relevance of financial ratio analysis in small scale businesses. The major findings of the study are stated below.

1. The conduct of financial analysis is relevant in the business.

2. That ratio analysis is only as good as the data upon which they are based.

3. That ploughing back profit into the business is used as a medium for investment.

4. The use of advertisement as a marketing strategy plays a very important role in helping the organization with emphasis in accessibility.

5. That stocks are valued using FIFO method (first–in–first out).

It is necessary to note that the importance of the use of ratio analysis in small scale business. However, many factors are responsible for the inefficient use of analysis in the small scale businesses. An attempt was made in this study to identify and give solution to them.

5.2 CONCLUSION.

From the result of data analysis and review of literature, ratio analysis is the benchmark for the evaluation of financial position and performance of a firm. Ratio analysis guides and leads the way of the users of financial statements. It also enables the management to know the financial strength and weakness in the system and also to be able to discover the root causes of the weakness and strength inherent in the system. It is a powerful and most dependable tool of financial analysis of a company. Ratio analysis helps in the summary of large quantity of financial data and to make qualitative judgment about the firms' financial performance.

The relationship measured by ratio is an index that permits a qualitative judgment to be formed about the firms' ability to meet its current obligation and long- term obligation.

Ratio analysis should be used by all organizations not just the small scale business, particularly the management develop the attitude of using financial statement.Also current data are should be used when dealing with financial ratio.

5.3 RECOMMENDATIONS.

From the findings of this study, the following recommendations were made;

1. Financial ratio analysis should be properly appraised in the small scale businesses in order for the management to identify the strength and weakness inherent in the system.

2. The retained earnings of the small scale businesses should be properly invested in order to have more capital to expand their business.

3. Their financial statement should be more detailed in the presentation of facts for the management.

4. Financial analysis should be properly conducted in order for the company to get a correct financial statement figure at the end of the accounting periods.

5. Government should make it a point of duty to promote the development of small scale business to ensure that they survive and flourish as a unit of efficient economic activities in the process of industrialization.

6. The small scale business should organize workshops for their employees on a regular base so that they can appreciate the role of financial ratio analysis in the business.

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APPENDIX

Caritas UniversityFaculty

Of Management Sciences

Department of accountancy

Amorji – Nike Enugu State

Nigeria.

Dear Sir/ Madam,

REQUEST FOR RESEARCH ASSISTANCE

Iam a student of the above mention institution, carrying out a research on the topic: ‘The relevance of financial ratio analysis in small scale business.

The research is required in the partial fulfillment for the award of a bachelor of sciences degree in accounting in the institution.

Please all information through this instrument will be treated as confidential and utilized solely for the purpose of this research.

Yours faithfully

Archibong Sandra.

QUESTIONNAIRE

PLEASE TICK [ ] THE APPROPRIATE BOXES IN THE TWO SECTIONS

THE QUESTIONNAIRE IS DIVIDED INTO TWO SECTIONS. SECTION A IS PERSONAL DATA WHILE SECTION B IS INVESTMENT INFORMATION

INSTRUCTION:

Please tick [√] the appropriate box.

SECTION A PERSONAL DATA

1. AGE: 18- 25[ ], 26 -33 [ ], 34-41[ ] 42-49 [ ], 50AND ABOVE [ ]

2. SET: MALE [ ] FEMALE [ ]

3. MARITAL STATUS: SINGLE [ ], MARRIED [ ], DIVORCED [ ]

4. EDUCATION QUQLIFICATION: SSCE, [ ], OND[ ], HND [ ], BSC [ ] MSC [ ]

5. STATUS: JUNIOR STAFF [ ], SENIOR STAFF [ ], MANAGEMENT [ ]

6. YEARS OF SERVICES: 1-5 [ ], 6-10 [ ], 11-15 [ ], 16-20 [ ]

SECTION B: INVESTMENT INFORMATION.

7. DO YOU CONDUCT FINANCIAL ANALYSIS

YES [ ], NO [ ]

8. DOES OBSOLETE USE OF DATA AFFECTS SMALL CALE BUSINESS

YES [ ] NO [ ]

9. RATIO ANALYSIS ARE ONLY GOOD AS DATA UPON WHICH THEY ARE BASED OR THE INFORMATION WITH WHICH THEY USE OF RATIOS WHEN THEIR STATEMENT.

YES [ ], NO [ ]

10. DOES NON CHALLANT ATTITUDE IN THE USE OF FINANCIAL STATEMENT AFFECT SMALL SCALE BUSINESS?

YES [ ], NO [ ],

11. DOES YOUR ORGANISATION OPERATE SOLE PROPRITORSHIP?

YES [ ] NO [ ]

12 DO YOU APPLY SETTLEMENT OF OVERHEAD AS A MEANS FOR AVAILABLE FUND?

YES [ ] NO [ ]

13. DOES YOUR ENTERPRISEUSE PLOUGHING BACK PROFITOR RETAINED EARNINGS INTO BUSINESS?

YES [ ] NO [ ]

14. ARE YOUR TRANSACTIONS IN BOTH CASH AND CREDIT

YES [ ] NO [ ]

15. DO YOU USE MARKETING STRATEGIES AS A MEANS OF MAKING SALES

YES [ ] NO [ ]

16. IS THE PERFORMANCE OF YOUR BUSINESS HIGHLY PROFITABLE?

YES [ ] NO [ ]

17. DO YOU USE FIRST IN FIRST OUT METHOD TO VALUATE YOUR SYOCK?

YES [ ] NO [ ]

18. DOES LACK OF COMPETENT MANAGEMENT AFFECT SMALL SCALE BUSINESS?

YES [ ] NO [ ]