

PROCEEDINGS



# IRCUWU 2023

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**17<sup>th</sup> & 18<sup>th</sup> August 2023**

*“Digitalization for transition to circular economy ecosystems”*

Uva Wellassa University of Sri Lanka



# IRCUWU 2023

## 7<sup>th</sup> International Research Conference - 2023

*“Digitalization for transition to circular economy ecosystems”*

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## **A study on the application of accounting techniques and practices and its effect on the sustainability of small and medium enterprises in Ampara district**

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Accounting techniques and practices play a vital role in evaluating the performance of small businesses. However, many small businesses face challenges including insufficient working capital, poor management skills, and a lack of effective accounting techniques. These challenges hinder their ability to sustain themselves and accurately assess performance. Without professional accounting support, small businesses often have limited access to information, which is solely based on managerial demand, thus affecting their long-term viability. The study aimed to evaluate how accounting techniques and practices impact the sustainability of small and medium enterprises (SMEs) in the Ampara District. The dependent variable of the study was the sustainability of SMEs. To measure accounting techniques and practices, the study focused on cost systems, budgeting systems, and record-keeping systems. The researchers collected primary data by administering a questionnaire to a sample of 50 SMEs in the Ampara District using the random sampling technique. The sample included SMEs from various industries and sectors, providing a diverse representation of small businesses in the Ampara District. According to the analysis, the costing system and budgeting system have an insignificant relationship with the sustainability level but there is a significant relationship between the record-keeping system and the sustainability level. Most of the SMEs have not given much attention to bookkeeping in their business transaction, despite its importance in the success of the business. This could be a lack of sound knowledge of bookkeeping practices by owners or respective managers. It was hard to determine to what extent know adherence to laid down the accounting procedure constituted the wheel of implementing a good accounting system. The study reveals a significant correlation between accounting techniques and practices and sustainability, particularly among individuals involved in SMEs who actively participate in costing and budgeting. However, there is a lack of awareness regarding the importance of maintaining proper records within many SMEs, which greatly affects their sustainability. Thus, implementing effective accounting techniques and practices plays a crucial role in SMEs. It also suggests that exploring new avenues to enhance these techniques and practices can lead to improved performance and sustainability for firms.

**Keywords:** Sustainability; Cost system; Budgeting system; Record keeping system; SMEs