

**THE IMPACT OF ACCOUNTING PRACTICES ON THE LEVEL
OF FINANCIAL PERFORMANCE OF SMALL BUSINESS FIRMS
(SPECIAL REFERENCE TO THE KURUNEGALA DISTRICT)**

By

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ABSTRACT

The objective of this research is to find out the accounting practices among small business firms in Kurunegala district. Further, it finds out the impact of accounting practices upon financial performance amongst small business firms in Kurunegala district. The small business sector has become a crucial segment and a major section of private sector in developing countries. Therefore, for the developing countries, it is important to accelerate the growth of small business firms in order to gain sustainable development. However, poor record keeping, inefficient use of accounting information to support their financial decision-making and the low quality and reliability of financial data are part of the main problems in financial management concerns of small business firms. Therefore, through this research an attempt is made to ascertain the comprehensiveness of accounting practices adopted by small business firms in Kurunegala district and evaluate whether accounting practices have an impact on performance of these organizations.

The data and information required for the study are obtained through a questionnaire survey conducted. The primary concern is with the various accounting practices within cooperating small business firms. Here, financial systems and their review, financial audit, historical and future-oriented financial reporting practices and historical financial statement analysis practices are all considered. Secondly, the study is able to establish some associations exist between the comprehensiveness of accounting practices adopted by small business firms in the study sample and measures of small business firms' performance and the relationship were evaluated by using correlation coefficients.

Further, the findings establish that the comprehensiveness of accounting practices may have some potential as an explanatory factor for financial performances in small business firms. Overall, findings seem that small business firms who are complying with accounting practices are performing well than the small business firms, who are not complying with accounting practices.

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