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USAGE OF MICROSOFT EXCEL SPREADSHEET AS ACCOUNTING TOOLS IN SME COMPANY

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ABSTRACT

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Computerized accounting has been used in the business of various sizes of companies (large, medium and small). Along with the rapid development of technology, various accounting software have been developed to facilitate the company's operations. The use of accounting software has also been used as a strategy to produce accurate, quality and reliable financial reports. Prior to the existence of various accounting applications, Microsoft Excel has been used as an accounting tool that helps many companies to record, analyze and report financial statement. The paper aims to study the use of Microsoft Excel is still the choice of accounting instruments at SME companies and the main factors contributing to the selection of accounting tools within the companies. The data were collected using questionnaires on petrol stations operators located in Kemaman, Terengganu. It covers all types of petrol stations such as Shell, Petronas, Petron and Caltex. Petrol station operators have also been interviewed for more detailed and accurate information. The results show that SME still chooses Microsoft Excel as an accounting tool for their company. Low cost is a major factor in the selection of accounting tools by SMEs. While other factors such as company size, perceive ease of use and perceive usefulness also contribute to the selection of SME's accounting tools.

KEYWORDS

SME, Computerized Accounting, Accounting Tools, Microsoft Excel.

1. INTRODUCTION

Systematic and effective accounting is a priority for all large and small companies or government agencies. Manual accounting systems are seen to be more backward due to the rapidly changing and thriving technology changes. The use of a computerized accounting system is able to add value to an organization. Computerized accounting is defined by Alan & Frankwood (2015) as a total suit of components that together comprises all inputs, storage, transactions, processing, collecting and reporting of financial transaction data [1]. The data entered will be processed to produce the information that will be used to make the decision by the management. However, the use of computerized accounting systems is not a requirement set by the government where the Small Medium Enterprise (SME) should follow in producing financial reports. Porter & Millar (1985) mentioned in this competitive advantage, over the years, information technology had played a major role, changing the nature of business who knows its effects [2]. According to The Malaysian Reserve (2018), there was a new definition of SME. For the manufacturing sector, the threshold for annual sales turnover was doubled from RM25 million previously to RM50 million, while for the services sector, the sales turnover threshold was quadrupled from RM5 million previously to RM20 million [3]. With the new definition, it has resulted 8,000 firms previously classified as large firms were reclassified as medium firms, and thus benefit from the various facilities extended to SME by the government. The reclassification has increased the competition among SME in Malaysia. In order to sustain, the application of information technology is crucial.

In today's market there are dumping of various types of computer accounting applications that SMEs can use for recording, processing and producing financial records. Among the accounting systems used by SMEs in Malaysia are Financio, SQL Accounts, Biztory, Intuit Quickbooks, Ace Software and UBS Accounting Software. However, there are still SMEs that do not use accounting systems for their business operation. Since it is not a resolution to use a computerized accounting system, there are still SMEs

who use worksheet application for accounting work. The use of worksheet in accounting started as early as 1960s. Daniel (2000) explained in the beginning mid-1960s, software for mainframe computers was used for automating accounting and financial spreadsheet calculations [4]. By the mid-1970s, microcomputers were developed and in 1978 the first microcomputer spreadsheet software was developed. Microcomputer spreadsheet software evolved quickly and it has become a widely accepted and used tool for business analysis and for personal data recording and analysis [4]. The existence of Microsoft Excel has replaced the Lotus 1-2-3 worksheet which was once widely used in the 1980s. Microsoft has gone through several phases of evolution starting from Version 1.0 to the Office 365 version. Microsoft Excel is one of the applications available in Microsoft Office that is specifically designed for office or business use. The Microsoft Excel Worksheet has become part of the needs of most business organizations around the world and SMEs in particular. MS Excel is used for various purposes in business operations. Some organizations use this spreadsheet software to key-in sales, purchase, or analysis data for the purpose of competitiveness. For start-ups, the investment for a computerized accounting system remains a matter of concern before the company decides to use it. This paper is intended to study the use of Microsoft Excel is still the choice of accounting instruments at SME companies and the main factors contributing to the selection of accounting tools within the companies.

2. METHODS

This study was conducted on SMEs operating oil stations. The oil suppliers selected for this study are all petrol stations located in Kemaman, Terengganu. It covers all existing oil suppliers in Kemaman namely Petron, Shell, Caltex and Petronas. Out of 134 petrol stations operated in Terengganu [5], 23 petrol stations have been listed as respondents that are Petron (5), Petronas (11), Shell (6) and Caltex (1). The study area starts from Kerteh to the Kuantan-Kemaman border. However, out of 23 respondents, only 18 respondents answered the questionnaires provided.

Data collection was made through a questionnaire. The development of this questionnaire was made for the purpose of obtaining information that can answer the objectives of this study. It is divided into two parts: part A and part B. Part A is to answer demographic questions that cover the background of the company, the number of employees, the type of accounting system used and the period of use of the accounting system. While in part B is a Five-point Likert scales with end points of "strongly disagree" and "strongly agree" were used to examine respondent's factors that influence the decision to use the accounting tool. By using Statistical Package for Social Science (SPSS), all collected data have been analyzed to generate the result.

3. RESULTS AND DISCUSSION

Twenty-three questionnaires distributed to various station operators in the area. However, only eighteen completed the questionnaire. Table 1 below shows demographic information about the respondent.

Table 1: Demographic Profile and Accounting Tools Used by Pump Station Business

Parameters	Frequency	Percentage (%)
Age of the Business		
1 – 5	7	38.9
6 – 10	2	11.1
11 – 20	6	33.3
More than 20 years	3	16.7
Number of Employees		
5 – 10	7	38.9
11 – 15	8	44.4
16 – 20	3	16.7
Type of Accounting Tools		
Microsoft Excel	15	83.3
UBS	1	5.6
Other	2	11.1
Duration of Usage		
Below a year	3	16.7
1 – 3 years	5	27.7
4 – 6 years	3	16.7
7 years above	7	38.9

The number of employees is one of the factors to determine that all the petrol stations are classified as SMEs. Based on Table 1, results show that all 18 stations are SMEs when the number of employees does not exceed 150 employees. Based on Table 1 as well, 83.3% of petrol operators still use Microsoft Excel as a tool for recording, analyzing and reporting their accounting information. This is proving Excel is still their choice of providing the company's financial reporting. Meanwhile, the use of UBS accounting software and other software is 5.6% and 11.1% respectively.

Table 2 : Factors Influence Decision of Accounting Tools

Condition of Acceptance	Characteristics	Results				
		SD	D	U	A	SA
Factor of perceive usefulness	Accounting tools increase overall performance		1		10	7
	Reporting task is more effective and efficient than normal system			2	9	7
	Accounting tools help management to save cost			1	11	6
Factor of perceive use	It takes a little time to understand and to familiarise yourself with accounting software			1	9	8

	The accounting tools is easy and friendly user in order to complete better task				10	8
	Accounting tools does not require for expensive training cost in order to proficient		1	3	13	1
Factor of Low Cost	No need high cost to use it				14	4
	No training is required				14	4
	Package of Microsoft office application				9	9
Factor of size of Business	Medium size of Business does not require high cost accounting tools.				14	4
	Medium sizes of business influence the decision of selected accounting tools.				13	5
	Size of the business effect control mechanism of selected accounting tools.				13	5

The result of factors influence the decision of accounting tools among petrol pumps operators in Kemaman, Terengganu is shown in Table 2. The data then summarized as Figure 1 below

Figure 1 showed Factor of low cost is the highest factors of petrol pumps operators to choose Microsoft Excel as accounting tools instead of other accounting software offered in the market with average of 4.21. The second factor is perceive usefulness with 4.28 compared to factor of size of business which slightly lower with 4.26 average.

Figure 1: Factors Influence Decision to Use Accounting Tools

4. CONCLUSIONS

Today's business needs to be in line with the ever-changing technological developments. According to Stair & Reynolds (2010) that: "Companies need an accounting information system that is useful and in accordance with the interests of the company, through a quality information system process or management that is generally flexible, efficient, easily accessible, and timely to assist the decision making process [6]." However, for new start up SME, the use of computerized accounting systems is one of the options for them. It is not a requirement to produce a computerized accounting report. Nevertheless, they still need to prepare accurate and systematic financial reports to enable them to compete in the industry. Alternatively, there are SMEs choose to outsource accounting functions to

outsiders for purposes of cost reduction. Jayabalan et.al (2009) explained that outsourcing of accounting functions is an option for SMEs in order to maintain a competitive advantage in the business world environment as outsourcing could lessen the burden borne by SMEs [7]. The choice of appropriate accounting system and capability is necessary for all businesses to sustain. According to Ismail and King, if innovations are properly used in SME's by investing in AIS and its allied technologies, the result is increased operational efficiency and productivity or so. Although computerized accounting provides convenience for use based on findings by Fazli et.al. (2012) stated that strong positive perception of the usefulness of Computerized Accounting System among respondent [8], SME still chooses to use Microsoft Excel for accounting purposes. This argument is also supported by

Bradbard et al. (2014) which explore spreadsheet usage by management accountants and identify a list of 37 skills and competencies associated with spreadsheet expertise [9]. Besides, Jacobs et al. (2016) also position Excel as the tool of choice in facilitating strategic managerial decisions [10], and Ojua (2016) studies the perception of Excel usage and financial reporting in manufacturing firms, with emphasis on the control risks associated with spreadsheets [11].

As using Microsoft Excel for accounting tools can be categorized as manual accounting, the cost efficiency is the factor of choosing this instrument of accounting. According to Arcega et.al (2015) it is considered manual because each transaction is entered into the systems individually. The manual system though it requires a greater understanding of how to book keep, can be easier to manage. It is easier to set up. It can be more flexible than a computerized accounting system. Unlike the computerized, it does not need electricity or battery. Comparative cheap workforce and resources, reliability, independence from machines, and skilled workers availability are the advantages of manual accounting [12]. The low cost is the highest factors that influence the decision of using accounting tools such Excel. Weber (2014) cites that a good computerized accounting system can cost thousands and even millions dollars, depending on the complexity and the size of the organization [13].

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