

## **Correlation between Accountants' Competence and the Quality of Financial Reports of SMEs in the Province of Nakorn Nayok**

Dr.Vichian Puncreobutr<sup>1</sup> kawita Tipajatuporn<sup>2</sup> Charung Chumark<sup>3</sup>

<sup>1</sup> Lecturer-M.Ed.English Program, Faculty of Education

<sup>2</sup> Lecturer-Bachelor of Accountancy Program, Faculty of Business Administration

<sup>3</sup> Lecturer-B.Ed. Mathematics Program, Faculty of Education  
St. Theresa International College Thailand

### **Abstract**

The purpose of the research on the accountants' competence and the quality of financial reports of SMEs in the province of Nakorn Nayok, is to study the levels of competency of the accountants, the levels of the quality of financial reports and to find the correlation between the accountants' competence and the quality of financial reports of SMEs in the province of Nakorn Nayok.

The model group consisted of 175 managers of the industrial SMEs in the province of Nakorn Nayok. Tools used are questionnaires, statistic is by mean, t-test, pearson's simple correlation moment. It is found that the levels of the accountants' competence of SMEs in the province of Nakorn Nayok are high and the levels of the quality of financial reports of SMEs in the province of Nakorn Nayok are also high. It is also found that the correlation between the accountants' competence and the quality of financial reports is at a medium level, with statistic significant at .01, correlation coefficient at .678

**KeyWord:** Accountants' competence, quality of financial reports, SMEs

## 1. Introduction

In such a competitive business, apart from having a good administration, financial information from a financial report is a very important matter in running a business. This is the role and duty of good accountants (Wanchai Kamjornmenukul, 2007). A knowledgeable, skillful accountant who has the competency of being professional in accounting, is the one who is the main cause of increasing the levels of competency in an organization, in such a competitive business (Tuen Thongkaew, 2012; Supamitr Pinitkarn, 2009).

There are many SMEs business in Thailand (Thitirat Meemak and Ratikorn Boonsawat, 2015), to be successful in running SMEs, one must obtain financial information and good quality financial reports, in order to be able to keep up with the competition (Nipan Henchokechaichana and Silpaporn Srijanpetr, 2011; Thanasukarn Khumyim, 2008; Thitirat Meemak and Ratikorn Boonsawat, 2015)

An accountant in SMEs who is knowledgeable and has the abilities will produce effective work (Paphawee Sookmanee and Chatratchada wirojrat, 2011). It is found from the study that the accountants in SMEs have a high level of performance (Benjawan Trakittarakul, 2009) and it is also found that according to the international study standard of the accountants, there is a high level of correlation between competency and effectiveness of the accountants of SMEs (Boonruey Napao, 2013). Nakorn Nayok is a small provincial town near Bangkok, the capital city of Thailand . Although a small province but it has many SMEs, especially the companies which produce processed agricultural products (Nakorn Nayok Provincial Office, 2015). Even though, there is a project of developing the local residents of the province to be able to run SMEs, by setting up a project of developing the accounting management according to the standard of accounting correctly, for a period of time already, there has not been any study on the accountants' competence in the province, nor any study on the quality of financial reports of SMEs in the province of Nakorn Nayok.

Therefore, it is of the researcher's opinion that, to be able to assess the performance of which to develop the accounting management according to the standard of accounting correctly, there should be a study of the accountants' competence and a study on the quality of financial reports of SMEs in the province of Nakorn Nayok. Apart from being useful to assess the development of the province, the findings from this study will be beneficially to the development of human resource in accounting profession. Even though, creating a competence accountant to be a professional accountant, is from the whole process of education of an institution (Nutjarin Lohapan, 2015) and from the development of human resource in an organization (Rojana Koonkaew, 2557). That the academic administrator of accounting department of an institution of higher education, could use the information to develop the syllabus, the learning and teaching process further. The findings and information from this study would be useful for the Council of Professional Accountant, in setting up the policy and development planning thoroughly further.

## 2. Objective of the Research

1. To study the levels of the accountants' competence in SMEs in the province of Nakorn Nayok
2. To study the levels of the quality of financial reports of SMEs in the province of Nakorn Nayok
3. To compare the levels of the accountants' competence in SMEs, in the province of Nakorn Nayok, categorized by the size of the business.
4. To compare the levels of quality of financial reports of SMEs in the province of Nakorn Nayok, categorized by the size of the business.
5. To find the correlation between the accountants' competence and the quality of financial reports of SMEs in the province of Nakorn Nayok.

## 3. Methodology

The model group of people used in this study are the managers of industrial SMEs in the province of Nakorn Nayok, where there are 317 industrial plants (Nakorn Nayok Provincial Office, 2015). The 175 SMEs model group is selected by simple random from the chart of Krejcie and Morgan.

Variables in the study:

The independent variables are the SMEs

The dependent variables are:

1. The accountants' competence in SMEs integrated from the international study standard of accountants (Board Members of Professional Accounting. The Study and Technology of Accounting, 2007a; Board Members of Professional Accounting. The Study and Technology of Accounting, 2007b), which consisted of knowledge of the accountants, skills of the accountants and characteristics of the accountants

2. The Quality of the financial reports of SMEs, according to the qualitative characteristics of the financial budget, following the role model of accounting (Thai Accounting Council under royal patronage, 2009), which consisted of understanding, reliability, ability in making a comparison and any relevance to making a decision .

Tools used are questionnaires set up by the researcher, with discriminating value of .46-.90, reliability at .91, statistic by mean, t-Test and pearson's simple correlation moment.

## 4. The Findings

The findings from the study are as followed:

### 4.1. The study of levels of the accountants' competence in SMEs

The levels of the accountants' competence in SMEs in the province of Nakorn Nayok, as shown in Table 1

**Table 1 Shows the levels of the accountants of SMEs in general (n=175)**

Category	mean	S.D.	Level of capabilities
Knowledge of the accountants	3.82	.772	high
Skills of the accountants	3.74	.797	high
Characteristic of the accountants	3.43	.709	medium
The accountants' competence, in general	3.66	.667	high

From the Table, it is found that the accountants 'competence in SMEs, in the province of Nakorn Nayok, in general, is at a high level (mean 3.66). Considering by category, it is found that competency in the knowledge of the accountants is high (mean 3.82), next is the competency of skills (mean 3.74). The competency in the characteristics of the accountants is at a medium level (mean 3.43).

#### **4.2 The study of levels of the quality of financial reports of SMEs**

The levels of the quality of financial reports of SMEs in the province of Nakorn Nayok as shown in Table 2

**Table 2 Shows the levels of the quality of financial reports of SMEs in general (n-175)**

Perspective	mean	S.D.	Level
Understanding	3.71	.766	high
Reliability	3.73	.701	high
Ability in making a comparison	3.62	.924	high
Information relevance to making a decision	3.74	.854	high
Quality of a financial report in general	3.70	.748	high

From the Table, it is found that the levels of the quality of financial reports of SMEs in the province of Nakorn Nayok, in general, are at a high level (mean 3.70). Considering by category, it is found that in every perspective of the quality of the reports is at a high level. In the perspective of information relevance to making a decision, the quality of the reports is the highest (mean, 3.74), next is the reliability (mean, 3.73), understanding (mean, 3.71 and ability in making a comparison (mean, 3.62) accordingly.

#### **4.3 Comparison of the levels of the accountants' competence**

The comparison of the levels of the accountants' competence in SMEs, in the province of Nakorn Nayok, categorized by the size of the business, as shown in Table 3

**Table 3 Comparison of levels of the accountants' competence, categorized by the size of the business**

Category	Small (n=90)		Medium(n=85)		t	P
	mean	S.D.	mean	S.D.		
Knowledge of the accountants	3.79	.767	3.84	.782	.425	.671
Skills of the accountants	3.73	.730	3.76	.867	.282	.788
Characteristics of the accountants	3.43	.691	3.44	.731	.100	.920
The accountants' competence, in general	3.65	.649	3.68	.689	.312	.755

\* p< .05    \*\* p< .01

From Table 3 The Comparison of the levels of the accountants' competence in SMEs, in the province of Nakorn Nayok, categorized by the size of the business, it is found that the accountants' competence, in general, comparing to the accountants' competence by categories of knowledge, skills and characteristics of the accountants in SMEs, are different with no statistic significant.

#### 4.4 The comparison of the levels of quality of financial reports

The comparison of the levels of the quality of financial reports of SMEs in the province of Nakorn Nayok, as shown in Table 4

**Table 4 The comparison of the levels of the quality of financial reports, categorized by the size of the business**

Perspective	Small(n=90)		Madium(n=85)		t	P
	mean	S.D.	mean	S.D.		
Understanding	3.70	.752	3.72	.785	.228	.820
Reliability	3.72	.708	3.74	.697	.234	.816
Ability in making a comparison	3.66	.888	3.58	.964	.601	.549
Information relevance to making a decision	3.70	.830	3.78	.882	.636	.526
Quality of financial reports	3.69	.732	3.71	.769	.109	.913

\* p< .05    \*\* p< .01

From Table 4 Comparison of the levels of quality of financial reports of SMEs in the province of Nakorn Nayok, categorized by the size of the business, it is found that the quality of financial reports, in general, comparing to the quality of financial reports by perspective, that in every perspective which are understanding, reliability, ability in making a decision, ability in making a comparison and information relevance to making a decision of SMEs, are different with no statistic significant.

#### **4.5 To find the correlation between the accountants' competence and the quality of financial reports**

To find the correlation between the accountants' competence and the quality of financial reports of SMEs in the province of Nakorn Nayok, as shown in Table 5

**Table 5 The correlation between the accountants' competence and the quality of financial reports**

Perspective	Knowledge	Skills	Characteristic	Competency
Understanding	.606**	.585**	.481**	.637**
Reliability	.588**	.550**	.543**	.638**
Ability in making a comparison	.528**	.496**	.456**	.562**
Information relevance to making a decision	.600**	.621**	.551**	.674**
Quality of financial reports in general	.626**	.608**	.548**	.678**

\*\* p< .01

From Table 5 it is found that the accountants' competence has a correlation with the quality of financial reports at a medium level with statistic significant .01, correlation coefficient .678. Upon considering by category, it is found that the accountants' competence in general, has a correlation with all the categories of the quality of financial reports at a medium level with statistic significant .562 - .674. The quality of financial reports has a correlation with all the categories of the accountants' competence at a medium level with statistic significant .01 and correlation coefficient .549-.608

#### **5. Conclusion of the study**

1. The accountants' competence in SMEs, in the province of Nakorn Nayok, in general, is at a high level. Upon considering by category, it is found that the competency in knowledge and the skills of the accountants are at a high level, while the competency of characteristics is at a medium level.

2. The levels of the quality of financial reports of SMEs in the province of Nakorn Nayok, in general, is at a high level. Upon considering by Perspective, it is found that in every perspective, the quality of the reports is at a high level with perspective of information relevance to making a decision at the highest level, next is the reliability, the understanding and the ability in making a comparison accordingly.

3. The comparison of the accountants' competence in SMEs in the province of Nakorn Nayok, categorized by the size of the business, it is found that there is no different in the levels of competency of the accountants in general, and in every categories of SMEs,

4. The comparison of the quality of financial reports of SMEs in the province of Nakorn Nayok, categorized by the size of the business, it is found that in general, the quality of financial reports and in every perspectives, there is no different in the levels of quality of financial reports.

5. The accountants' competence has a correlation with the quality of financial reports at a medium level, with statistic significant .01, correlation coefficient .678. Upon considering by category, it is found that the correlation between the accountants' competence and the quality of financial reports is at a medium level with statistic significant .01, correlation coefficient .548-.608.

## **6. Discussion**

From the study, it is found that the accountants' competence and the quality of financial reports of SMEs in the province of Nakorn Nayok, are at a high level. This shows that SMEs give a serious attention to the management of accounting. From the study it is found that there is no difference in the competency and quality of financial reports of the accountants of SMEs. This shows that the size of the business does not affect the quality of the personnel nor the quality of the financial reports.

From the study, it is found that the accountants' competence has a correlation with the quality of financial reports at a medium level which shows that the quality of financial reports does not depend on the accountants' competence only, but must also give the importance to the other matters as well, such as, managing of accounting, in order to be successful in running the business.

## **7. Recommendation**

Recommendation in using the findings from this study: It is found that the accountants' competence is at a high level but upon considering by category, it is found that in the characteristics of the accountants, it is at a medium level which shows that the characteristics of the accountants must be developed. Therefore, administrator of the accounting syllabus, administrator of an institution, administrator of the Thai Council of Accountant, must urgently adjust the syllabus, give an important attention to the learning and teaching process which concerns the development of the characteristics of the accountants.

Recommendation for the next research: It is found that there is a correlation between the accountants' competence and the quality of financial reports at a medium level. It is also found that the size of the business has no effect to the accountants' competence nor to the quality of financial reports. Therefore, there should be a further study of factors which will have an effect to the accountants' competence and to the quality of financial reports, in order to increase the effectiveness in managing of the business further on.

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