

The Study on the Problems in Financial Accounting of the Community Enterprise Groups from Rimnue Sub-district, Maerim District, Chiang Mai Province

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Abstract

This research study has the objective to study problems in financial accounting of the community enterprise groups from Rimnue Sub-district, Maerim District, Chiang Mai Province. It is a qualitative research study in which the researcher collected data from 120 members from the community enterprise groups of Rimnue Sub-district, Maerim District, Chiang Mai Province from 5 villages from April to November 2016. In this study, the author employed inductive analysis and found out that both the community enterprise groups, including the community enterprise group which produces handicraft and gifts had many problems as following 1) The real cost of each type of the goods cannot be clearly concluded. 2) Having no inventory controlling and raw material balance system 3) The group's cannot calculate the profit accurately and do not know the actual performance. 4) The accounting system was not proper and the waste management had many problems as following 1) The real cost of each type of garbage cannot be calculated properly. 2) Having no inventory controlling 3) The group's cannot calculate the profit accurately and do not know the actual performance. 4) There was no proper accounting system.

Keywords - community enterprise groups, enterprise's accounting system, household accounting system

1. Introduction

Nowadays most people live individually which leads to the relationship in community weaker and urban lifestyle is spreading into the countryside. In addition, in the current economic situation which many goods are higher in prices resulting in the cost of living today to soar. Therefore, communities outside of cities come together to strengthen their own communities and prevent traditional community system from urbanization. Moreover, many communities set up groups to do activities together. Each one establishes their own local business so as to maintain traditional community through activities and enhance the economic situation and strengthen the community in the long run. (Puttamon Suwan-art, 2011: 1)

Today many communities come together to organize community enterprise groups:

- 1) The group which produces local products such handicraft and souvenirs as Thai funeral flowers, cloth dolls, brooms, bags, balms, herbal balls, and dish washing soap to increase community's income. This results in communities having better economic situations and members of the community having better interaction;
- 2) a community enterprise group named the Waste Management Group which coordinates in eliminating different kinds of waste such as plastic, metal, and organic by using waste compressing machines for plastic. They are able to turn waste cubes into products to raise some earnings to the community. Both groups come from 5 villages within Rimnue, Sub-district, Maerim District, Chiang Mai Province.

Upon conducting a survey on the community circumstance, many major problems were identified, especially problems about the financial accounting of the group. The underlying cause was the ineffective accounting system which makes the real cost of the product unknown. As a result, they cannot calculate the profit accurately and do not know the actual performance. Having no inventory controlling and raw material balance system makes receiving and releasing raw material unsystematic and incorrect. Furthermore, there is also confusion in the accounting system of the community enterprise group of Rimnue

Sub-district, Maerim District, Chiang Mai Province. Therefore, people in the community demanded that the researcher organize a workshop to provide the community with proper accounting principles including small household accounting and waste management accounting system. This is because people in the community are aware of the importance of accounting and accounting in the household in a correct way so that the economic status of each household becomes sustainably stable.

2. Research Objective

To study the problems in financial accounting of the community enterprise group of Rimnue Sub-district, Maerim District, Chiang Mai Province

3. Literature Review

3.1 Accounting System and Financial Accountancy

The accounting system is a system that collects information and documents which are used in recording account, accounting report, as well as policy, procedure, and tools in presenting necessary information to the management for making the further decision and presenting to outsiders involved (Chalitpun Boonmeesuwan, 2004: 23)

In doing financial accounting, there is a need for credible evidence to record a list of items from where they occur until they are processed to present budget planning. The process of conducting a financial report can be summarized as following

1) Transaction Analysis

After each transaction two report items were affected by the same dollar amount. This is the essence of double-entry accounting – two items are affected by every transaction. (Keith King, ed., 2012: 52)

2) Recording Entries

Having applied the rules of double-entry to the three classifications of A, L and Oe, they must now be expanded to include the other two types of ledger accounts: those of revenues and expenses. Revenues, being inflows of economic benefits, have the effect of increasing owner's equity. Expenses are defined as losses of economic benefits and have the effect of decreasing the owner's equity. (Keith King, ed., 2012: 55)

3) Posting Entries

Ledger accounts may contain debits and credits from many transactions during a reporting period. The balance of an account is the difference between the total debit entries and the total credit entries in the one account. (Keith King, ed., 2012: 58)

4) Adjusting Entries

A trial balance will not balance if double-entry accounting has not been completed properly. If a trial balance does not balance, the cases of the problem must then be located. Errors can result because of a number of reasons but there are some common errors that are easily detectable. (Keith King, ed., 2012: 60)

5) Preparing Financial Statement

An accounting report prepared at the end of every reporting period is the statement of financial position reports values of assets, liabilities and owner's equity at a given date. (Keith King, ed., 2012: 17-22) And income statement is to report on the profit performance of business over a given period. (Keith King, ed., 2012: 180)

6) Closing Entries

Once a trial balance has been prepared at the end of a reporting period there are two basic procedures still to be performed. These are: 1) Determining the profit earned

by the firm during the reporting period. 2) Preparing the ledger accounts in readiness for the new reporting period. (Keith King, ed., 2012: 164)

The research Framework in The Study on the Problems in Financial Accounting



Fig.1. The research Framework in The Study on the Problems in financial accounting

In the research framework in The Study on the Problems in financial accounting of the Community Enterprise Groups of Rimnue Sub-district, Maerim District, Chiang Mai Province, which consists of 1) the community enterprise 2) the waste management group, there is an idea that the strength of community enterprise comes from a good accounting and financial system. Therefore, the researcher is of the opinion that household accounting system should be improved. If people in the community do household accounting, the economic status at the household level will be better. This is because there is a record in receiving and spending money, a plan in saving money, and a plan in spending money properly in the future which will be a solid foundation the waste management group's

accounting. This accounting system is developed from household accounting and then effectively applied to community enterprise accounting. The researcher started from studying the community context in order to study the problems and current situations in different aspects. When the community sees problems and is aware of the importance of an accounting system, there is a demand for learning and practicing doing accounting following accounting principles. The researcher suggested that there should be a workshop in providing people in the community with basic knowledge in summarizing the income and expenses in households and applying the knowledge to doing household accounting so that it can be a guideline for creating an accounting system of community's enterprise group. By doing this the community enterprise group knows the actual performance and can allocate their spending and save properly.

4. Research Method

This research is a qualitative study in which the researcher employed an in-depth interview with the 120 community enterprise group members from Rimnue sub-district, Maerim District, Chiang Mai Province. They took part in this participatory research and gave real information of the community.

The researcher used inductive analysis (Appleton, 1995) by dividing the processing and analyzing of data into 2 major parts: 1) Studying the problems both community enterprise groups and a waste management group by participatory action research method 2) Synthesizing the data from step one and conclude it in each aspect.

5. Population

The population in this study is the 120 community enterprise group members from Rimnue sub-district, Maerim District, Chiang Mai Province. The data was collected during April to November 2016.

6. Results

In this study, it is found that from surveying the community context at community's enterprise, the community enterprise groups from Rimnue Sub-district invited all concerning parties such as Municipality, Headmen, members of the community enterprise groups, and researcher from Chiang Mai Rajabhat University (Research and Development Institute), there were the community enterprise group which produces handicraft and gifts had many problems as following: 1) The real cost of each type of the goods cannot be clearly concluded. 2) Having no inventory controlling and raw material balance system. 3) The groups cannot calculate the profit accurately and do not know the actual performance. 4) The accounting system was not proper and the waste management group as following this 1) The real cost of each type of garbage cannot be calculated properly. 2) Having no inventory controlling. 3) The groups cannot calculate the profit accurately and do not know the actual performance. 4) There was no proper accounting system.

Table 1 The problems of financial accounting of the Community Enterprise Groups which Produce Handicraft and Gifts from Rimnue Sub-district, Maerim District, Chiang Mai Province

| Problems | Community Enterprise Groups which Produce Handicraft and Gifts |
|-----------------|--|
| 1. | The real cost of each type of the goods cannot be clearly concluded |
| 2 | Having no inventory controlling and raw material balance system |
| 3. | The groups cannot calculate the profit accurately and do not know the actual performance |
| 4. | The accounting system was not proper |

Table 2 The problems of financial accounting of the Community Enterprise Groups which Waste Management from Rimnue Sub-district, Maerim District, Chiang Mai Province

| Problems | Community Enterprise Groups which Waste Management |
|----------|--|
| 1. | The real cost of each type of garbage not be calculated properly |
| 2 | Having no inventory controlling |
| 3. | The groups cannot calculate the profit accurately and do not know the actual performance |
| 4. | There was no proper accounting system |

The aforementioned problems were significant to the community enterprise groups, particularly the problems that involved their financial accounting. In other words, they were not capable of knowing the actual cost of the products which led to incorrect spacing in profit and loss. Furthermore, they did not know their real performance. Having no inventory and raw material controlling system resulted in unsystematic receiving and releasing raw material and confusion in the accounting management system of the community enterprise groups from Rimnue Sub-district, Maerim District, Chiang Mai. The researcher suggested a solution to the problems starting by building a foundation: organizing a training to provide people in the community with knowledge in household accounting. In doing this, each household has knowledge and ability in recording income and expenses which are called incoming and outgoing currency of household. All this is to encourage each household to learn and apply their knowledge to creating the groups' accounting system properly because they both have the same principles in acknowledging, and recording. When accounting system is done properly, household and group's accounting system will become more effective. Furthermore, this will create the strength in accounting for the community under

participation from the community. The designing of the accounting system followed a form developed from needs of the people in the community. Take for example the easy recording of accounting made people in the community understand and be able to bring it to use. Afterwards, information from the research was concluded and used to develop a proper accounting system.



Fig.2. The Studying of the enterprise groups' community context at Rimnuar sub-district, Maerim district, Chiang Mai

7. Conclusion

In this study, it is found from surveying the community context at community's enterprise that the community enterprise groups from Rimnue Sub-district had invited all concerning parties such as Sub district Administrative Organization, Municipality, Office of the Non- Formal and Informal Education, The Research Coordination Center for Community of Chiang Mai University (The Thailand Research Fund), Headmen, members of the group, and lecturers from Chiang Mai Rajabhat University (Research and Development Institute), there was no proper accounting system. In other words, the actual cost of the products and the real performance were not known. The researcher suggested a solution to the problems starting by building a foundation: organizing a training to provide people in the community with knowledge in household accounting. In doing this, each household has knowledge and ability in recording income and expenses which are called incoming and outgoing currency of household. All this is to encourage each household to

learn and apply their knowledge to creating the group's accounting system properly because they both have the same principles in acknowledging, and recording. When accounting system is done properly, household and group's accounting system will become more effective. All this is to encourage each household to learn and apply their knowledge to creating the group's accounting system properly because they both have the same principles in acknowledging, and recording. When accounting system is done properly, household and group's accounting system will become more effective. Furthermore, this will create the strength in accounting for the community under participation within it. This was supported by Jinda Dokkaew (2013) who studied knowledge management on financial accounting in construction business group from Bangbua community, Bangkhen District, Bangkok. The conclusion can be drawn that the members of Bangbua community are construction workers who constructed Ban Munkong Project. The construction work was not done systematically and there was no record of accountancy. Therefore, the researcher developed the knowledge by developing financial management and knowledge management in accounting system for Bangbua community business group as a guideline for developing stronger financial management and knowledge management in the accounting system to meet the needs of Bangbua community business group.

8. Suggestions

From studying the above information, if the community enterprise groups receive knowledge from a training in financial accounting properly and are able to apply the knowledge to practice in both recording accounts and managing the financial budget in household and community enterprise. This will lead to sustainable development and growth.

9. Reference

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