# PHÂN TÍCH HỆ THỐNG KẾ TOÁN ĐỐI VỚI HOẠT ĐỘNG BÁN LẺ CỦA CÔNG TY TNHH IVY MANAGEMENT SOLUTIONS

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**Tóm tắt**

Các công ty vừa và nhỏ, đặc biệt trong lĩnh vực bán lẻ, luôn gặp khó khăn trong việc thiết lập một hệ thống kế toán hiệu quả và có năng suất cao. Tuy nhiên, các nghiên cứu trong lĩnh vực kế toán phần lớn tập trung vào môi trường tài chính vĩ mô cho các mô hình kinh doanh quy mô lớn. Bởi vậy, bài nghiên cứu này nhắm tới việc xác định các vấn đề cốt lõi trong thiết kế và triển khai hệ thống kế toán phù hợp cho doanh nghiệp vừa và nhỏ, thông qua nghiên cứu điển hình công ty TNHH Ivy Management Solutions. Bài nghiên cứu sử dụng phương pháp phân tích định tính và nghiên cứu điển hình. Nghiên cứu đã xây dựng một mô hình phân tích toàn diện dựa trên các lý thuyết kế toán và các phương pháp thực hành tốt nhất trong kế toán doanh nghiệp để đánh giá thực tiễn hệ thống kế toán của công ty TNHH Ivy Management Solutions. Dựa trên cơ sở này, nghiên cứu đưa ra các khuyến nghị liên quan đến việc tìm kiếm nhân sự cấp cao cho phòng Tài chính và cải thiện các chức năng của hệ thống quản lý thông tin (MIS) hiện tại. Mô hình phân tích toàn diện nói trên cũng sẽ hữu ích cho các doanh nghiệp vừa và nhỏ khác trong việc đánh giá và cải thiện hệ thống kế toán của mình.

**Từ khoá:** hệ thống kế toán, hoạt động bán lẻ, doanh nghiệp vừa và nhỏ, mô hình phân tích.

## AN ANALYSIS OF ACCOUNTING SYSTEM IN RETAIL OPERATION OF IVY MANAGEMENT SOLUTIONS LTD.

**Abstract**

Having an efficient and effective accounting system has always been a struggle to SMEs, especially retail business. However, studies in the subject of accounting system have been largely focused on the macro financial environment for large-scale business model. This research paper aims to identify the core problems in designing and implementing a suitable accounting system for SMEs, by studying the case of Ivy Management Solutions Ltd, specifically its retail operation. The qualitative and case study methods are applied in the paper. A holistic model was built by authors

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based on the accounting theories and best practices in business and accounting application to assess the performance of Ivy Management Solutions Ltd. On this basis, it is recommended that Ivy Management Solutions Ltd. hire a new talent to lead the Finance Department and improve the functions of its Management Information System. The holistic model can be also applicable for other SMEs.

**Keywords:** accounting system, retail operation, SME, analysis model.

## 1. Introduction

The effectiveness of accounting system is very crucial for the business operation, especially in retail operation. There was plenty of research done about these issues. However, there are questions that are left unanswered.

Firstly, there is a lack of official study about financial matters for SMEs. Most studies on this topic are general and unfocused, funded by governments and corporations. On one hand, this is good for the economy and the creation of many modern finance instruments and the global financing market itself, lay the stone for the invention of e-currency such as Bitcoin and Ethereum; but, on the other hand, this leaves out SMEs. Studies about financial management in SMEs are hardly founded because they have been struggling to survive in a competitive market and have no resource to produce proper research about how they manage their finance information. Furthermore, financial information is kept secret from competitors, so a wide and comparable research among SMEs is an impossible task. In short, most financial studies, besides being general, are only benefiting the macro economy as a whole and large corporations, not individual problems.

Secondly, the financial market and instrument is always growing and evolving. Fraud risks can occur at any step of the financial management process, and the methodology for fraud is ever changing. Moreover, the risk in retail operation is even higher, in which the accounting system process involved employees from multiple levels. These are the reasons for continuous development for fraud detection and prevention. A plan or method to mitigate fraud risk for SMEs is needed.

Lastly, business needs a fully functional accounting system to provide the business with cutting edge knowledge to increase the competitiveness of operation. Retail businesses with its fast-changing pace of business will benefit greatly on a functional accounting system. Therefore, a complete study for accounting system and its functions is needed.

In conclusion, previous studies are general and failed to recommend practical solutions for SMEs to increase the effectiveness of accounting system, and also failed to provide a comprehensive model to assess accounting system in SMEs. The author of this research paper will try to fill this gap, by studying the operation and accounting system of Ivy Management Solution Ltd. during the period of 2018 – 2019. By looking into the financial records and accounting system of IMS, this paper will provide a completed model to assess the standard accounting system for SMEs and recommend a practical solution to improve IMS 's accounting performance, which can be applicable for others.

## 2. Literature review

### 2.1. Accounting system

An accounting system is consisted of accounting and system. Accounting is a method of recording, analyzing and summarizing transactions data of a business (BPP Learning Media, 2019), while system is understood as a way of doing things, or a set of connected things and devices that operate together (Cambridge University Press, 2021). Together, an accounting system can be understood as a set of connected devices or procedures that record, analyze and summarize transactions data of a business.

Accounting is considered as one of the significant and most critical factors for both Private and Public entities. With many financial methodology and applications, decision making process can improve its effectiveness due to the collection of supporting data. Moreover, accounting is viewed as an economic management tool which supports in summarizing, controlling and recording of financial transactions of the companies (Allen, et al., 2012). The main objective of the accounting system is to provide specific information to the various stakeholders which includes investors, public, creditors and the government authorities. The aim behind providing the information is that with the help of this information, related parties can effectively analyze the financial condition, development, growth and profitability of the companies.

According to the research of Burns and Needles (1994), the theory of accounting was first conceptualized in early 1930s. With more than 80 years in development, it has been assessed that with the advancement and development of accounting, a standard modern financial system must be able to carry out the followings: collect and record transactions information, process transactions data, issue financial and management reports (BPP Learning Media, 2019). Specifically, for SME retail business, the accounting system is also in charge of executing transactions (Horngren *et al.*, 2013).

Collecting and recording transactions information is always important for a business. Nowadays, every decision is expected to be data-driven, therefore, this function is the most crucial for an accounting system, as accounting is the method of recording, analyzing and summarizing transactions data (BPP Learning Media, 2019). For example, a business can know its profit for the month, and calculate the amount needed to invest in inventory next week based on the transaction information in the last month.

Processing transactions data is usually computerized, using Management Information System. This provides the company with advantages of processing large amount of data in less time, improving accuracy, increasing functionality and issuing better external reports (Ghasemi *et al.,* 2011). With the support of Information Technology, a sale manager can get real time update on his or her department's performance without going through papers and invoices, which makes the decision-making process simpler and easier than before.

Issuing financial and management reports can provides important information that helps coordinate decentralized decision-making in different departments of the company. In the modern era, decision making process is data driven. Therefore, the competitiveness level of the accounting system in regard of the ability to provide crucial information in a timely manner is extremely important for business operation. The information needs of managers are mainly covered by reports based on information from the management accounting and financial accounting. The reports are drawn up according to the manager's objectives, which relate to managerial functions (Munteanu *et al.,* 2011).

Executing transactions refers to the method for settling payment are designed to manage with the expense and the risks related with the procedure. Costs emerge through processing fees, transfer taxes, and the maintenance of collateral, while risk arises because one party may not keep its end of the contract. For instance, the purchaser will most likely be unable to financing, or the seller can't deliver the products. The process of executing a transaction can be loosely divided into three categories of execution, clearing and settlement, according to the opinion of Santomero, Viotti & Vredin (2013). The execution stage requires the most attention from the stakeholders involved, and with the development of banking system and technology nowadays, business concern is mostly about the process of execution, and how to avoid fraud and dysfunction during this step.

According to Foundations in Accountancy: Accountant in Business (2019), the Finance Department, who is responsible for the operation of the accounting system, should carry out the followings:

• Financial Accountant and Management Accountant provides information and reports to relevant stakeholders. However, their needs are different, and not all stakeholders are equally satisfied. The information analyzed was the transaction data from executing transactions activities, processed by a Management Information System.

• Treasurer is responsible for executing transactions, which in the process collecting transaction data for Financial Accounting and Management Accounting to process

• Processing and recording are often computerized, using a Management Information System.

In conclusion, the purpose of the accounting system is to execute transactions, collect and record transaction data, process data and provide financial statements and management reports.

### 2.2. Elements of an accounting system

One of the important elements of an accounting system is people, who is heavily involved in the operation of the business as well as the accounting procedures. Typically, the Finance Department of a company usually has the following structure:
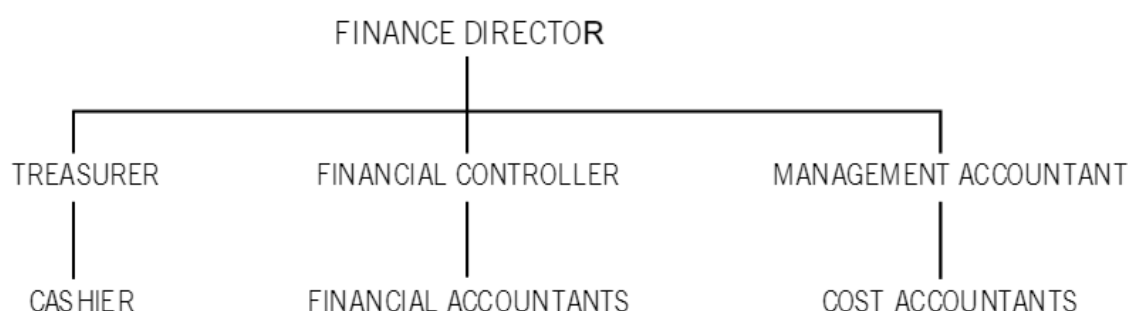


**Figure 1.** Typical structure of a Finance Department
**Source:** (BPP Learning Media, 2019)

In which, each of the separated subdivision has its own responsibility (BPP Learning Media, 2019):

• Treasurer is responsible for fund raising, investing surplus and controlling cashflow. To fulfill their objectives, Treasurer manages the Input Stages of the accounting system. The transaction data was later processed and stored by their Management Information System.

• Financial Controller is responsible for routine accounting, providing accounting reports and cash controlling. Financial Controller use information provided by the Management Information System.

• Management Accountant is an important part of the business, as they have a vital and separate responsibility to do cost accounting, budget control and financial management for projects. Management Accountant also use information provided by the Management Information System.

Usually in a SME, the Accounting Department is responsible for the above. In smaller company (05-10 people), the department consists only one to two people to act simultaneously as a Financial Controller, Management Accountant and Treasurer. SMEs usually have General Accountant positions, which responsible for all procedures below.

A standard accounting system must be able to do financial accounting procedure and management accounting procedure (Tan Thanh Thinh Ltd., 2021), which issues financial statements and management reports for relevant stakeholders. Financial accounting procedure is required and heavily regulated by the government, as it is the method to determine tax balance of a company, based on its income and expense. Financial accounting standards are expressed in Circulars and Decree from the Government, and the information required is fixed. Financial statements are often referred to as external statements, as it illustrates the status quo of the company and does not include crucial information for the prediction growth of the company. For example, standard financial statements from a retail business are not required to disclose the growth rate of its customer base, which is very important for this business model. The Vietnamese government also has requirements for receipts, invoices and payments (Vietnamese Congress, 2019), therefore, in SMEs, financial accounting function has to execute transactions, including payment and receipt as well to uphold the standards. This procedure is done by Financial Controller.

To fulfill the need for management – related information, the shareholders established another system to produce internal reports, or management reports. Management accounting procedure collects the data that are relevant to the operation and management of the business and generates meaningful information from this. Moreover, to suit the management needs, these reports are customizable. For example, the managers of a retail business can require a tracking number of their growing customer base on monthly basis. These reports are issued by Management Accountant.

To generate the mentioned reports and statements, the accounting system requires processed data. Therefore, another crucial part of the accounting system is the procedures to collect and process transactions data (BPP Learning Media, 2019).

There are two procedures to collect transactions data: purchase procedure and sale procedure. The purchase procedure collects information about payments the company made and execute the settlements, while the sale procedure collects the receivables from external stakeholders. The Vietnamese government issued requirements for the process of collecting transactions data, as well as provide proof of payment or receipt (Vietnamese Congress, 2019).

On the other hand, the procedure used to process transactions data depends from the managers of each company, however, in the modern context this is usually done by a computerized system called Management Information System to gain more in-depth insights from said data automatically. This system is designed to suit the needs of accountants in the company.

### 2.3. Information flow through standard accounting system

The modern accounting system should have the general information flow (Kaplan Publishing UK, 2018):
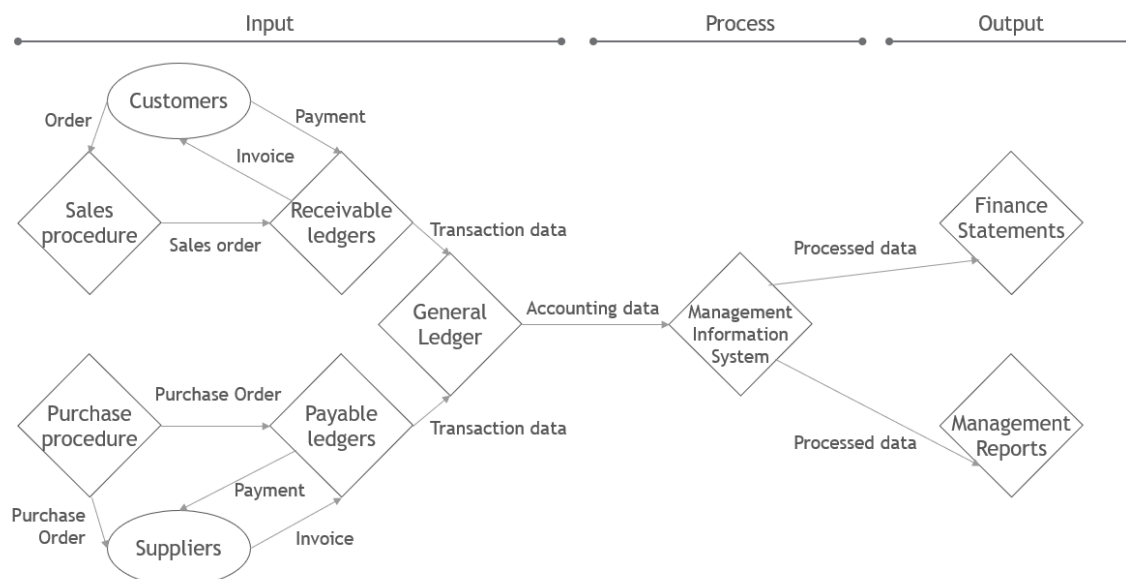


**Figure 2.** Information flow through the accounting system
**Source:** Author

This is the basic operation model of an accounting system. The Treasurer mainly manages the input stage to execute day to day settlements and generate transactions data, which was then put into the Management Information System to further processing. This processed data will be later analyzed by Financial Controller and Management Accountant to produce their respective outputs.

- Input

The input stage is comprised of many Transactions Processing Systems (TPS) of the accounting system, which record historic information and represent the simple automation of the manual systems (Kaplan Publishing UK, 2018). This system routinely records, processes and stores and output low level transaction data.

- Process

After being recorded in the General Ledger, transactions data is further processed by Management Information System (MIS). MIS focuses on providing useful information to all level of management, to enable effective and timely decision-making process. Information from this system can be used for planning and controlling activities, which is very helpful for middle managers (Kaplan Publishing UK, 2018).

- Output

There are two outputs for the accounting system: Financial Statements and Management Reports.

Financial Controller is responsible for financial accounting, which is a way recording, analyzing and summarizing financial data. This is different from management accounting. Although both are interested by managers, financial accounting provides historical data about the business, and mostly to satisfy the needs of external stakeholders who are not involved in running the business (BPP Learning Media, 2019).

Management Accounting is concerns with using the financial data and how to communicate it as information to users. Management Accounting is the application of the principles of accounting and financial management to create, protect, preserve and increase value for the shareholders of for-profit and not-for-profit enterprises in the public and private sectors (BPP Learning Media, 2019).

## 2.4. Accounting system in retail operations

Retail operations consists of buying and selling goods rather than services. The difference between a retail and service firm is that a retail organization has cost of goods sold, which generates from the process of making physical products (Horngren, et al., 2013). Therefore, it is important for a retail business to have an inventory system to manage its goods.

## 3. Methodology

To assess the performance of accounting system in SMEs accurately and comprehensively, the author used a qualitative and case-study approach. By building a holistic framework based on the information flows of standard accounting system (Kaplan Publishing UK, 2018) and the best practices of modern accounting system, the authors can grasp a snapshot of the performance of the accounting system of the company with clear strengths and weaknesses. After expert review and adjustment, this model can be used to assess the case of Ivy Management Solution Ltd., who was experiencing problems with its accounting system, to analyze their performance and recommend practical solutions to improve.

The model assesses three fundamental processes of an accounting system

- **Input:** The process of recording, storing and processing low-level transactions data, which ultimately appear on the General Ledger as accounting data
- **Process:** The accounting data was further processed by a Management Information System (MIS), to generate first level insights and reports, which are useful for middle managers (e.g. customized monthly sales report for Sale Department)
- **Output:** Refined information will be used to issue Financial Statements and Management Reports, which was insightful for various stakeholders. Financial Statements are suitable for external stakeholders with its standard format, while Management Reports are used by internal stakeholders for its customization, especially high-level managers.

Base on theoretical basis of information flow and element in an accounting system, the author has built a holistic model that assess accounting system with detailed marking on the criteria. This model is built on the basis of information flow in accounting system, with consideration to the status of the subject at hand, which is a SME in retail business.

The model was also modified and adjusted based on the comments of 02 experts in the field of accounting and 03 accountants in retail business, to provide perspectives and balance between effectiveness and efficiency. The experts were asked to assess the comprehensiveness, precision,

relevancy, phrasing and fairness of the model, as well as provide written comments with more detailed information about the types of misunderstanding that may occur using this model.

After reviewing accounting theories, modern practices of accounting system and incorporating experts' comments, the following model was constructed by the authors as follows:

**Table 1.** Holistic model to assess an accounting system

| Step | Criteria | Evaluation | | |
|---|---|---|---|---|
| | | **Weak (1)** | **Medium (3)** | **Strong (5)** |
| **Input** | *A. Accounting system* | | A=(A1+A2+A3)/3 | |
| | 1. Payroll system | Unable to settle wages and salary | Able to settle wages and salary, but need correction | Precisely settle wages and salary in timely manner |
| | | | Correction requests take a lot of time to process. | Correction requests was processed quickly. |
| | 2. Purchase cycle | Unable to settle payment and track payable accounts of suppliers | Able to settle payment and track payable accounts of suppliers, but need correction | Precisely settle payment and track payable accounts of suppliers. |
| | | | Correction requests take a lot of time to process. | Correction requests was processed quickly. |
| | 3. Sale cycle | Unable to receive payment and keep track of the revenue | Able to receive payment and keep track of the revenue but need correction. | Able to receive payment, keep track of the revenue. |
| | | Unable to track inventory | Able to track inventory with low precision | Able to track inventory with high precision |
| | 4. Cash system | Unable to maintain the cash balance | Able to maintain the cash balance, but can't keep track of the expenses | Able to maintain the cash balance and keep track of the expenses |
| **Process** | *B. Management Information System* | | B=(B1+B2+B3+B4)/4 | |
| | 1. Database | Unable to maintain a correct record of financial accounts | Able to maintain a correct record of financial accounts, but unorganized | Able to maintain a correct record of financial accounts in a meaningful order |

| Step | Criteria | Evaluation | | |
|---|---|---|---|---|
| | | Weak (1) | Medium (3) | Strong (5) |
| | 2. Direct control | Unable to produce reports on company's activities | Able to produce reports on company's activities | Able to produce high-quality reports on company's activities |
| | 3. Enquiry | Unable to search for specific information in the database | Able to search for specific information in the database, but time consuming | Able to search for specific information in the database in a timely manner |
| | 4. Support | Unable to do simple analytics of the database | Able to do simple analytics of the database, but time consuming | Able to do simple analytics of the database in a timely manner |
| Output | *C. Financial reporting* | C=C1+C2 | | |
| | 1. Regulation alignment | Unable to align with the VAS | Able to produce VAS-aligned statement | Able to produce VAS-aligned statement and insights related to company's business |
| | 2. Time &Resources | Ineffective and inefficient | Somewhat effective and efficient | Effective and efficient |
| | *D. Management accounting* | D=(D1+D2+D3)/3 | | |
| | 1. Strategic planning | Unable to provide high level information on ad hoc basis | Able to provide high-level information on ad hoc basis with low quality and time consuming | Able to provide high-quality high-level information on ad hoc basis in time |
| | 2. Management control | Unable to have routine reports about the activities of departments | Able to have routine reports about the activities of departments with low quality and time consuming | Able to have high-quality routine reports about the activities in time |

| Step | Criteria | Evaluation | | |
|------|----------|-----------|---|---|
| | | Weak (1) | Medium (3) | Strong (5) |
| | 3. Operational control | Unable to export operational information to front line staffs | Able to export operational information to front line staffs but time consuming | Able to export operational information to front line staffs in a timely manner |
| Overall score | | $T=(A+B+C+D)/4$ | | |

## 4. Results and discussion

### 4.1. Assessment of IMS's accounting system using holistic model

Based on the holistic model, the author assesses the accounting system of Ivy Management Solutions. The result is sent to experts in the field to be evaluated, then remarked and commented for reliability. The following table presents the comprehensive result of said approach.

**Table 2**. Assessment of IMS's accounting system using holistic model

| Step | Criteria | Evaluation | |
|------|----------|-----------|---|
| | | IMS | Note |
| **Input** | *Accounting system* | | *3.5* |
| | Payroll system | 3 | Able to pay employee in time with low precision. However, correction process was time-consuming |
| | Purchase cycle | 3 | Able to track payable accounts for suppliers with poor precision. |
| | Sale cycle | 3 | Able to receive and keep track of the revenue and inventory. However, the front-line employees made a lot of mistakes, and correction process was time-consuming |
| | Cash system | 5 | Able to maintain a cash balance and keep track of spending. With limited fund and only one person in charge, this was simple. |
| **Process** | *Management Information System* | | *1.6* |
| | Database | 2 | There were records of financial accounts but was unreliable. Moreover, it's was multiple Excel sheet without connection with each other. |

| Step | Criteria | Evaluation | |
|------|----------|-----|------|
| | | IMS | Note |
| | Direct control | 1.5 | The system consisted of Excel sheet and statements was unable to produce any type of reports. However, some insights were gained from the sale system/ |
| | Enquiry | 2 | Using Excel, the accountant still be able to search for the information. However, the accuracy of the input data and the reliable of the sheet was questionable |
| | Support | 1 | The Excel sheet was made only for recording purpose and did not provide any analytics. |
| **Control** | *Financial reporting* | | *1* |
| | Regulation alignment | 1 | The Finance Department is unable to produce any VAS-aligned statements |
| | Time & Resources | 1 | If needed, the said process would be inefficient and ineffective due to insufficient experience |
| | *Management accounting* | | *2.3* |
| | Strategic planning | 2 | Able to produce some low-quality information manually with high inefficiency |
| | Management control | 2 | Able to produce some information, mostly using existing POS system. |
| | Operational control | 3 | Front line staffs in the store can use reports from POS system to operate. |
| | | | Front line staffs in products did not have a comprehensive report or system to assist them. |
| Overall score | | | 2.1 |

### 4.2. Using holistic model to assess accounting system of benchmark example in retail operation

The author interviewed a similar SME in clothing retail to estimate the average performance of the market. Pomme de Han (PH) was a new clothing brand in Hanoi, whose revenue was mostly from online sources. PH also used the same sale system as IMS, but with a stronger accounting team. An analysis of PH's accounting system using the holistic model is showed below.

**Table 3.** Assessment using holistic model of benchmark example (Pomme de Han)

| Step | Criteria | Evaluation | |
|---|---|---|---|
| | | **PH** | **Note** |
| **Input** | *Accounting system* | | *3.5* |
| | Payroll system | 4 | PH was able to maintain a time record of its employees, pay on time with precision. However, this process was still manual. |
| | Purchase cycle | 4 | PH had an online record of settlement for each supplier. However, proper invoice collection was not properly executed. |
| | Sale cycle | 3 | Able to receive and keep track of the revenue and inventory. However, the front-line employees made a lot of mistakes, and correction process was time-consuming |
| | Cash system | 5 | Able to maintain a cash balance and keep track of spending. |
| **Process** | *Management Information System* | | *4* |
| | Database | 4 | PH stored its sale and inventory data using Google Sheet. Twice a day, data was pulled from sale system. Any purchase was recorded immediately, due to limited transactions. However, this practice was manual, and vulnerable for contamination. |
| | Direct center | 4 | PH's analyst integrated a report about sale data and cost in Google Sheet using updated data, which was automatically generated every day or month. This practice had a limit since the heavy data online made the file slow. |
| | Enquiry | 4 | Leveraging Google Sheet and meaningful sorting method, PH's system was able to pull any data as requested in a timely manner. The process was mostly automatic, but slow due to file size. |
| | Support | 4 | The established finance team can execute basic analytics on the provided data. However, the process was slow due to file size. |

| Step | Criteria | Evaluation | |
|---|---|---|---|
| | | **PH** | **Note** |
| **Output** | *Financial reporting* | | *2.5* |
| | Regulation alignment | 3 | PH paid an external accountant to produce VAS-aligned financial statements for investors with an acceptable quality |
| | Time &Resources | 2 | PH paid a high fee for the external accounting service |
| | *Management accounting* | | 3.7 |
| | Strategic planning | 4 | By using the report data provided daily, high-level management of the brand could better decide the next steps |
| | Management control | 4 | Middle managers could request a specialized report for their departments, but these requests would take time. |
| | Operational control | 3 | Front line staffs in the store can use reports from POS system to operate. |
| | | | Front line staffs in products did not have a comprehensive report or system to assist them |
| | Overall score | | 3.55 |

### 4.3. Results and discussion

Using the holistic model to assess, it could be seen that IMS's accounting system was performing poorly (2.1) compared to their peer (3.55) in the same business. This proved that IMS has a lot of room to develop in the future.

Their current system had some benefits that was discussed below.

Firstly, their accounting system was affordable for a SME. The Finance Department only had one manager and one staff, and the company was still functional. Their input system score was not too low (3.5) compared to PH (4.0). This was largely due to the same sale system both of the companies were using, and the nature of cash balance in the business, which was unusual and in small amount.

Secondly, the process of recording and reporting was made very simple, therefore, it did not require capital expenditures or training period if key personnel was absent.

Lastly, the short process ensured supplier payment requests were responded quickly, which improve the relationship between the company and other stakeholders.

In addition to the strengths, their weaknesses are worth discussing. Through the model, the performance of their accounting system can be assessed as weak compared to their peer. In order to grow strongly in the future, there are several deficiencies that IMS's team can direct for immediate improvement.

Firstly, their Management Information was extremely weak compared to its peer, especially the database function. The method the Finance Department use, which use several different Excel files for the purpose of storing data without cleaning or validating it, made the later function in the system extremely harder. This resulted in an extremely poor score in Process stage performance, with only 1.6 compared to PH at 4.

Secondly, their output of the accounting system was also weak compared to peer. Their financial reporting abilities (1.0) was null, and their management accounting abilities (2.3) was lower than expectation, could trace back to the poor performance of the process stage.

### 4.4. Root cause analysis

During 03 stages of IMS's accounting system (Input, Process, Output), clear weaknesses were showed in Process and Output stage. Their Input stage score was decent to do business because of the usage of a suitable system and the simple nature of the business.

Therefore, the following reasons were the root causes for their weak performance in accounting system.

Firstly, IMS had a weak Management Information System. This was expressed through their inefficiency in financial management (growing unknown expenditures, long cash cycle) and the below-peer MIS score (1.6 vs 4.0). The underdeveloped MIS could be explained by the unawareness of the importance of the said system from the high level of the company.

Secondly, Finance staff inexperience in the output process was a major problem for the performance of their financial accounting reports. This was the main cause for the weak performance of the output stage of their accounting system, and partly the cause for the weak MIS.

If IMS could improve these weaknesses, their result would change positively in a near future. From these analyses, recommendations were formed to help IMS advance their accounting system's performance.

## 5. Recommendations and conclusion

Accounting System is always a crucial part of a business, especially in retail operation. To grow in the future, the businesses are required to develop a strong accounting system to execute transactions, collect and store transactions data, process said data and provide meaningful output in form of financial statements and management reports. This system is the equivalent of the heart in a human body, coordinating the activities of the business. The need for a strong system is increasing now more than ever during the economy hardship of COVID – 19.

Developing a strong accounting system is a challenge for SMEs with limited funding and resource. They need to ensure the performance of all the stages in the accounting system, which include input, process and output without heavily investment. Although the IMS's revenue was growing strongly, there are room for improvement in their accounting system, to operate even

more efficient and generate more profit for shareholders, thus survive during the COVID – 19 hardship.

Using holistic model to assess the current performance of IMS's accounting system and comparing with peer activity, the accounting system in IMS was performing poorly, especially during process and output stages. Through analyzing, two main weaknesses were identified: Lack of an effective Management Information System, and the inexperience of Finance staff. To overcome these disadvantages, two solutions were recommended. Firstly, IMS should take after their peer, and try to develop their own MIS on Google Sheet, focus strongly on the ability to store and sort data in a meaningful order to improve the performance of their accounting system. Secondly, IMS needed strong personnel on the Finance Department, to not only develop the MIS in accordance with their demands, but also improve the quality of their output, which was financial statements and management reports.

The research showed and solved a problem that many SMEs in the market has encountered – how to build an effective and efficient accounting system. In this particular situation, the Ivy Management Solution Ltd. accounting system were using still has its flaws in collecting, processing and reporting on its transactions data, however, by implementing the recommendations, IMS's accounting system would be improved significantly.

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