

# **ACCOUNTING: A NECESSARY TOOL FOR MICRO AND SMALL COMPANIES**

## **ACCOUNTING: A NECESSARY TOOL FOR MICRO AND SMALL ENTERPRISES**

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### **SUMMARY**

Nowadays, with high market competitiveness, accounting is seen as a management tool that supports companies in their decision-making processes, in the artifice of managing, planning, executing and controlling their actions. Thus, this article explores accounting as a necessary tool for the success of micro and small companies. It is worth showing that for this to happen, the management of these companies needs to be informed of the improvements and be prepared to take advantage of this instrument, since with such an investment, it is likely that the accountants will raise all the true data of how the situation is of the business organization, in such a way that they can observe and pay attention to the best path and processes to be followed.

**KEY WORDS:** Micro companies, small companies, accounting, administration.

### **ABSTRACT**

Today, with the highly competitive marketing, accounting is seen as a management tool that supports companies in their decision-making processes in the device to manage, plan, execute and control their actions. Thus, this article explains the accounting as a necessary tool for the success of micro and small businesses. Worth showing that for this to happen, it is necessary that the management of these companies stay informed of improvements and are prepared to favor this instrument because there is such an investment, it is likely that accountants stand up all the current data of how the situation financial business of the organization, so that they can observe and pay attention to the best way and processes to be followed.

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## 1. INTRODUCTION

Bringing to the knowledge of business administration that accounting should be seen as a necessary tool for the management of business institutions and not just a way to meet legal and operational requirements, it has become a new trend for accountants and researchers. When the administration of the enterprises comes to know that the accountant exists to help them in the decision-making process, whether to make strategic decisions or to calculate taxes, it is evident that the company benefits from the services offered by this professional.

In Brazil, however, there is still a culture that the accountant is a very expensive professional for small and medium-sized companies. Because of this, many entrepreneurs do not have this professional assistance. There is also the issue that many are unaware of the benefits that investing in transparent accounting can bring to a business institution, such as reducing costs with unnecessary taxes, accounting analysis available, organized finance work, clear budget for investments and expenses, cost-benefit ratio, better planning possibilities, among others. However, due to this lack of information, they only seek this specialized assistance when faced with a financial crisis, which greatly hinders institutional development and often goes bankrupt.

Through a simple observation it is possible to see that most small businesses do not know the results of the accounting service, or even what accounting is, which is extremely important to know the main concepts about accounting:

Accounting is often called the company's language. It is a system of collecting, synthesizing, interpreting and disseminating, in monetary terms, information about an organization. Like any other information system, Accounting goes through a continuous evolution in the search to improve its methods and processes. (PIZZOLATO 2000, p. 1).

In the concept of Franco (1997), Accounting studies the incisive facts about the assets, rights and obligations of institutions, through the records, classification, expository demonstration, analysis and interpretation of these facts, with the purpose of informing

and guiding on the patrimonial arrangement, its variants and the economic result arising from the management of the patrimonial wealth for a better decision making.

In the view of Sá (1998, p. 42), "accounting is the science that studies heritage phenomena, concerned with their realities, evidence and behavior, in relation to the effectiveness of social cells". Therefore, it can be said that Accounting is a science that aims to study, control and reveal the real state of the entities' assets.

In this way, the importance of accounting becomes more evident for companies to succeed in the task of offsetting expenses and revenues. This equation, expenses greater than revenues, which is the premise for the success of an organization is out of control much more easily than imagined, especially in the first year of the start of activities. This is because most investors are laymen with regard to tax charges and market implications, they have many expenses that are not controlled, with regard to the assembly of the company's structure, and that acquiring revenues at the beginning of activities of a business is not as simple as spending it.

According to Anholon (2007, p. 89), "despite the excellent correlation between the importance of micro and small companies to the country and entrepreneurship rates, Brazil still today has a high mortality rate for enterprises with up to four years of existence [...] ". Mainly because of the lack of knowledge of the market and changes in legislation, even with regard to labor laws, among other implications that most small investors have.

For Fedato; Goulart; Oliveira (2014), this fact is due to the fact that micro and small companies feel great difficulties in organizing their priorities, due to the lack of an efficient business strategy, which, at times, can lead the entity to uncertain directions. Most of the time, the management of these companies does not feel prepared to make decisions that mainly involve financial issues for fear of acquiring debts and not knowing the proper payment terms.

As a result, constant clarification about the accountant's role within these companies is necessary. In this case, the accountant will be the one who will assist these companies in balancing their finances, generating many benefits that, consequently, will lead to a marked decrease in the reasons that lead to the closure of the companies' activities, providing continuous business improvement.

## **2 CHARACTERIZATION OF MICROS AND SMALL COMPANIES**

The economic stability experienced in Brazil in recent years has allowed many people to invest their savings in small businesses. What we saw in this first decade of the 21st century was the expansion of these so-called micro and small companies. According to data from the Brazilian Micro and Small Business Support System - SEBRAE (2014), in Brazil, nine out of ten companies are classified as micro or small companies, which absorb a larger contingent of labor in relation to the large ones.

The problem is that many of these companies do not support market pressures, mostly due to the inexperience of these small investors with regard to commercial procedures and end up closing their activities with a short life span. About 71% of micro and small companies opened annually in Brazil close before completing five years, according to information from SEBRAE (2014).

The lack of tax knowledge and current legislation also helps these entrepreneurs to operate informally. According to Canterle (2003):

The history of micro and small companies has been marked by the creative reaction to change and disadvantage, by the search for forms of competitive balance in the face of the supremacy of the resources of large organizations. Micro and small companies counterbalancing the efficiencies of production scales and operating leverage of large companies use what can be called their most modest advantages: economic tenacity, ability to react more quickly, personal relationships and superior ingenuity.

As noted in the text, although they do not have large financial resources for similar competition with large corporations, these companies make use of any and all tools that

give them market power. It is very common for these entrepreneurs to use marketing based on direct contact with the consumer. But not only that, these investors always develop new strategies to establish themselves in the market, consolidating the clientele of their business, in order, obviously, to expand it. In this sense, accounting assistance has been presented as a highly effective tool.

About what would be a micro or small company we have that:

The Micro and Small Business Statute (Law No. 9,841 / 99), which establishes an incentive by simplifying its administrative, social security and credit obligations and by eliminating or reducing these by law, as defined: - Microenterprise is the legal entity with annual gross revenue equal to or less than R \$ 433,755.14 . Small business is from R \$ 433,755.15 to R \$ 2,133,222.00. The Federal Simple Law (Law no. 9,317 / 96), which gives benefits from a tax and fiscal point of view, defines them in this way: - Micro-company, one with annual sales of up to R \$ 240,000.00. Small business that invoices up to R \$ 2,400,000.00. (SEBRAE, 2014)

It can thus be understood that micro and small companies are those that have a reduced annual turnover and an equally small number of employees compared to companies considered large and medium-sized. In addition, it is clear that the payment of taxes is a much less complex process than that applied to large companies. This is due to the new government incentive measures.

Micro companies and so-called small businesses obey complementary law no. 123, of December 14, 2006, which in its 1st Chapter regulates:

Art. 1 This Complementary Law establishes general rules regarding differentiated and favored treatment to be given to micro and small companies within the scope of the Powers of the Union, the States, the Federal District and the Municipalities, especially with regard to:

- I - the calculation and collection of taxes and contributions from the Union, the States, the Federal District and the Municipalities, through a single collection system, including ancillary obligations;
- II - the fulfillment of labor and social security obligations, including ancillary obligations;
- III - access to credit and the market, including the preference for purchases of goods and services by public authorities, technology, associations and inclusion rules.

§ 1 The Management Committee referred to in item I of the caput of art. 2 of this Complementary Law to appreciate the need to revise the amounts expressed in currency in this Complementary Law. (SEBRAE, 2014)

### **3 ABOUT ACCOUNTING**

Accounting is the human science that aims to control the company's equity. Accounting science has several tools that, if well used, are capable of providing information to assist in decision making; this is the real objective, to generate coherent information that is easy to understand for those who use it. The world and the market evolve very quickly and in order for you to follow such evolution, it is necessary that these tools also follow this evolution and become increasingly faster and more effective, in terms of how to generate the information that entrepreneurs need when making decisions and also, knowing the real situation of your business. According to Silva and Moura,

[...] information today has gained a great speed with technological advances, and Accounting as an applied social science could not be ignored by so much evolution. The Accounting Profession has sought to keep up with changes and adapt to the new market reality. (2001, p. 2)

Thus, understanding the evolution of companies, in their economic aspects, in the users of accounting information, in their information needs, is the best way to understand and define the real functions of accounting. Traditionally and in the view of Franco (1997) these functions consist of registering, classifying, demonstrating, auditing and analyzing all the phenomena that occur in the entities' assets, aiming to provide authentic and timely information about the entity's assets and results to the various users accounting information. In this sense, it is worth noting that, fundamentally, accounting must provide conditions for management to make more rational decisions for the preservation, expansion of assets and, consequently, continuity of the entity.

However, the great challenge of accounting is that it is closer to its users every day, which will cause new statements and methods to be developed in order to transmit the desired information. This is because different users need different information.

### **4 ACCOUNTING CONTRIBUTIONS TO MICRO AND SMALL COMPANIES.**

Accounting is not a tool that benefits only medium and large companies and publicly traded companies, however it is a tool that should be used from micro and small entrepreneurs, to the largest multinationals, because it is through this method that it becomes possible to identify and control everything that happens within the organization.

The market is highly competitive and for companies to survive in it, it is necessary that they have total control of everything that happens internally and externally. For Martins (2000, p. 323), "Control means knowing reality, comparing it with what it should be, taking a quick look at diversity and its origins and taking action".

To control is to manage the information obtained from the other employees regarding the activities developed by the entity. "An organization without control is not viable. Each organization has control systems that coordinate the exercise of the right of decision that is diluted among a certain number of individuals "(CREPALDI, 2004, p. 79).

Accounting in general exists so that the entrepreneur has knowledge of the financial health of his company, exactly to classify and control well all his assets, rights and obligations in order to provide more security for him to compete in the market. For this, it is necessary that they have planning, organization and, above all, control over their functioning.

In Crepaldi's view,

With the analysis of the balance sheet and the statement of income for the year, it is possible to check the company's situation, under the most diverse approaches, such as: analysis of structure, evolution, solvency, guarantee of equity and third parties, banks, finance companies, customers, etc. (1995, p.24)

Thus, all information related to the company is organized, being possible to identify and control all purchases and sales, which are the acquisitions that still have to be made, which expenses will be necessary to cut, what is possible to change and improve, so that the organization continues to pay off.

For Sá, the contributions of accounting are numerous, among them are:

Guidance for investors and the capital market. Guidance for creditors and credit institutions. Social and labor guidelines. Scientific analyzes for wealth behavior models to give rise to administrative decisions. Models for prosperity. Government control and fiscal audit controls. Instruments of judicial evidence and accounting expertise. Forecasts of events and budgetary effects. Explanation of equity facts and accounting analysis. Research on the regularity of management. Social and economic data and research. (1998, p. 89)

In this way, it definitely contributes to the effective growth of the organization, because if companies today do not have the information to support them, they will hardly be able to survive. It is through the information produced by their respective accounting controls, that companies guarantee their credit with different markets.

Do not forget to comment on the obligations that companies have with the Government, State, etc .; each company with its particularity also needs to take care of its fiscal situation, with regard to the payment of taxes and delivery of ancillary obligations, all of this is possible to do, as soon as the accounting information is adequate, as each wrong information may harm the company, when calculating taxes, deliver some ancillary obligation so that the company can continue its activities.

Finally, accounting is the tool that, through its methods of control and providing accurate information, allows companies to survive in this globalized world.

## **5 THE ACCOUNTANT'S WORK IN THE SMALL COMPANY**

An accountant can have several functions within a company, be it small, medium or large, but traditionally speaking, their function is to do the accounting records, closing and analysis of balance sheets, deeds, financial statements, income tax returns, etc.; but unfortunately many managers who have little knowledge of the need for accounting services, use accountants only to comply with tax requirements, as they do not have a broad view of how the competitive market works.



Currently, with the new market trends and this rapid evolution that the organizational structures are going through, the accounting professional has come to be seen with different eyes, as it is increasingly visible how much the accountants have made the information more dynamic, which, make it possible for administrators to have better business planning, because in addition to complying with tax requirements, the accountant is also most responsible for managing the company's assets and, in order for this to be possible, he must capture, produce and provide information of great relevance to the companies. organizations.

Today much is said about the modern accounting scenario, in which there is an exacerbated concern with the entity, more than with its own owner; this contemporary scenario brings real importance to the services provided by the accountant within the organization, because much more than closing a balance sheet or even meeting the requirements of the tax authorities, the accountant has the obligation to know and understand how the organization works in full, because through this, he will provide relevant information to the entrepreneur, with regard to the business, how is the company's financial and economic health, where can he invest, what can he save, how are the company's costs, what is necessary to achieve profit, in general, the accountant became a great advisor, because it is through the information produced by him,

In view of everything that has already been studied about the role of the accountant within the organization, it is clear that today its main role is not just to close a balance sheet and find out whether the company has made a profit or loss, but to assist managers in getting there good result for the organization.

## **FINAL CONSIDERATIONS**

As we discussed in this article, accounting is the most used tool with regard to decision making, as these directly influence the entire negotiation process of a company, as well as the marketing of its products, according to the industry. and particularities.

It is clear from the large number of bankruptcies and the difficulty of growth that many micro and small companies have that they do not use accounting tools. The costs with the payment of accounting professionals include the main factor for these companies to stop using this tool in their favor. Many seek only when they are in crisis, which hinders their growth and bankruptcy is often inevitable.

Accounting is the heart of a company, so if the company does not have a well-organized and organized accounting, it is as if it did not have a healthy life, as it is through this that managers can better control and manage their organization. It is through the information contained in accounting that managers can make the most coherent decisions that will benefit the company. Decisions that will allow the company to develop with the market and the world that is becoming more and more globalized and demanding, both in financial, administrative, tax and accounting matters.

In view of the researched bibliography, it is also understood that the use of accounting has not been sought as an emergency measure to save companies from bankruptcy, but that it should be used as a preventive measure in order to prevent the entrepreneur from having his assets legal and even physical diluted in debts that would be perfectly avoidable by monitoring qualified accountants to carry out effective financial monitoring.

It appears that companies really need information and technical clarifications to manage their business, more complete opinions to diagnose whether the company is profit or loss, and attest to the real conditions of continuing to grow in the market. However, this is only possible if the company's accounting is carried out correctly.

The relevance of accounting as an aid and prevention tool with regard to expenses and transparency of entities' financial transactions is undeniable. If accounting is flawed within a company, everything in it will be too, because effective observation of income and expense will not be possible. Thus, the responsibility and importance of accounting work for entities, be they small or micro, become more and more known and their contri-

butions, more and more effective and with more simplified access to these small entrepreneurs.

It is understood that the most serious factor for micro and small companies with the non-use of accounting is the ratio of the obligations of the entities in view of their cash availability, being that, many times the small owners do not correctly observe what will be the need for working capital in the near, long or even in the future. In this sense, the company may not have enough money in a period of great growth and end up having to close its doors due to the lack of an efficient cash flow projection.

The use of accounting in micro and small companies helps managers and owners to make decisions that may have great influence on the future of the entity, providing management information on economic and financial factors, giving more credibility and security in the attitudes and directions outlined by the company.

Therefore, it is concluded that the use of accounting in order to cover the needs of micro and small companies can bring many benefits and advantages, helping the management of these companies, providing continuous improvement of their businesses, allowing greater control over the points to improve, in addition to the development and growth of the organization, thus reducing the risk of early closing with debts.

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