International Journal of Academic Accounting, Finance & Management Research(IJAAFMR)
ISSN: 2643-976X
Vol. 10 Issue 7 July - 2026, Pages: 220-235

The Influence Of Modified Accounting Basis On The Financial Performance Of Small Enterprises In San Fernando, Pampanga

Cathlyne A. Magusib [1], Jhennelene Joyce G. Torres [2], Paula Joy O. Mallari [3], Czerney T. Manuyag [4], Tyra T. Cortez [5], Alan Y. Cabaluna, Ph.D. [6], Jason Y. Carreon, MBA [7]

[1]College of Business Studies, Pampanga State University, Bacolor, Pampanga, Philippines
cathlyne.mgsb@gmail.com
[2]College of Business Studies, Pampanga State University, Bacolor, Pampanga, Philippines
jhennelenetorres09@gmail.com
[3]College of Business Studies, Pampanga State University, Bacolor, Pampanga, Philippines
paulajoymallari02@gmail.com
[4]College of Business Studies, Pampanga State University, Bacolor, Pampanga, Philippines
yenrezc09@gmail.com
[5]College of Business Studies, Pampanga State University, Bacolor, Pampanga, Philippines
tyracortez04@gmail.com
[6]College of Business Studies, Pampanga State University, Bacolor, Pampanga, Philippines
aycabaluna@pampangastateu.edu.ph
[7]College of Business Studies, Pampanga State University, Bacolor, Pampanga, Philippines
jycarreon@pampangastateu.edu.ph

Abstract*: This study examined the influence of the modified accounting basis on the financial performance of small enterprises in San Fernando, Pampanga as a middle ground between the costly accrual accounting and the cash basis which is preferred by businesses for its easier application. Primarily, the researchers evaluated the influence of modified accounting to factors of financial performance, namely profitability, liquidity, solvency, and operational efficiency. A quantitative research design was used on the structured survey instrument, which was validated by experts and assessed for reliability before distributing to small businesses. Regression and correlation analysis were used to examine the data from the respondents. The results showed significant positive relationship between financial performance and the modified accounting basis, and the aspect with the strongest association observed is operational efficiency component (r = 0.74). Thus, the study came to the conclusion that using a modified accounting basis significantly affects financial performance of businesses through improved financial monitoring, reporting accuracy, and decision-making. These results suggest that adoption of modified accounting basis can substantially improve a business' overall financial performance and sustainability.*

Keywords—Modified accounting basis; financial performance; small enterprises; operational efficiency; profitability

1. INTRODUCTION

Small enterprises are the backbone of the economy. They are deeply embedded in the daily life and the economic status of the place they operate in. They are the foundation that supports not only the livelihood of the citizen but also the economy of the area as a whole. As reported by DTI Philippines (2023), small enterprises accounted for 8.82% of the Philippines' 1,246,373 registered businesses, collectively generating 2,490,210 jobs. The city of San Fernando in Pampanga is currently one of the emerging business cities; one of its barangays, Sto. Rosario is essential for its growth as a place for business. Yet despite their crucial role, they lie in the struggle, mainly to understand their own financial performance. Their understanding of their chosen accounting basis shapes how their financial performance is presented, which later helps them a lot in decision-making.

The modified basis of accounting is a mixture of both the accrual and cash bases of accounting (Investortools, 2023). Accrual accounting gives clearer financial information suited for medium and large companies, while micro and small businesses often use the simpler and less expensive cash or modified basis due to convenience, cost, and limited specialized knowledge (World Bank, 2019; Afresti, 2025).

Financial performance includes profitability, liquidity, solvency, and operational efficiency, serving as a guide for planning, investments, and credit decisions. Many countries, including the Philippines, are continually adopting enhanced reporting standards with regulatory requirements for financial reporting implemented strictly from large to even micro enterprises. There exists a gap between the regulatory standards and the actual practice among small enterprises. In the Philippines, small enterprises are required to use the accrual method as an accounting basis, but this is often not complied with due to owners' lack of expertise and financial capability to hire such expertise (Mizunoura, 2019). These barriers lead small businesses to adopt informal practices, cash or modified basis, rather than following the standards.

Given these realities, policymakers may need to recognize that small enterprises need simpler but still reliable accounting standards. A modified basis of accounting could serve as a substitute for the accrual basis. According to Villalon (2024), small businesses often switch to informal methods when complying with financial reporting rules becomes difficult or when adopting them is too complicated or costly. The modified accounting basis becomes a feasible solution because it reduces the reporting burden and is easier to understand while still providing more accurate information than a solely cash-based system. International organizations such as the World Bank (2019) state that financial reporting requirements in developing nations should consider the limited resources and expertise of these small businesses when implementing such frameworks.

While the modified basis is often used in practice, studies regarding it are limited. Most of the studies mention only its existence but do not necessarily include it as part of the accounting basis. Furthermore, much research does not check its influence on the financial performance that can impact the decision-making of the entity. Existing studies focus on the compliance issues and challenges in financial reporting, which leaves a gap in understanding how modified accounting basis influences these enterprises financially.

Accounting basis significantly influences financial performance of small enterprises. The three main accounting methods are cash, accrual, and modified that differ in features, advantages, and limitations that affect how companies disclose financial performance (Djamil, 2023; Shirley, 2022). Cash basis records transactions only when cash is received or paid, making it simpler and easier for small businesses without complex accounting systems, but often leads to limitations in accurately representing financial status (Zhang, 2024; Evianti et al., 2025). Accrual basis records revenues and expenses when rights and responsibilities exist, providing a clearer picture and more comprehensive view of financial performance, though it requires advanced record-keeping and skilled staff (Shirley, 2022; Ball et al., 2024). Modified accounting basis combines features of both cash and accrual methods, offering a compromise between simplicity and accuracy, making it beneficial for small businesses seeking cost-effective yet truthful financial portrayal (Sheykin, 2025; Christiaens et al., as cited in Evianti, 2025). Financial performance measures a company's ability to use resources to produce income and is evaluated through profitability, liquidity, solvency, and operational efficiency (Moshin et al., 2020; Hannoon, 2021). Studies show that accounting practices significantly affect financial performance, with accurate and timely financial reports helping businesses make sound decisions and maximize profitability (Sabore, 2025; Ramajeyam et al., 2023). However, existing studies focus on general accounting practices or compare cash versus accrual basis, leaving a gap in understanding how modified accounting basis specifically influences financial performance of small enterprises in the Philippine local setting.

This study seeks to examine the influence of the modified accounting basis on the financial performance of small enterprises in Sto. Rosario, San Fernando, Pampanga. Mainly, it seeks to assess how the use of a modified accounting basis influences the financial performance of the small enterprises in terms of profitability, liquidity, solvency, and operational efficiency. Through this study, the researchers aim to provide insights that can help small business owners to improve their financial reporting practices. Furthermore, this study aims to offer evidence that can help policymakers in making a policy that is realistic and is friendly to small business owners. Moreover, this study contributes to the accounting education itself, defining the role of the modified basis of accounting, which is what most small enterprises use.

2. Conceptual/ Theoretical Framework

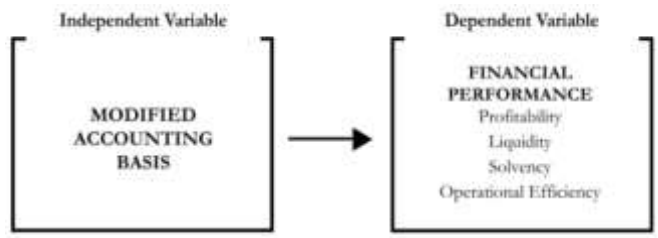

Figure 1. *Paradigm of the study*

For the study's conceptual framework, the researchers used the Independent–Dependent (IV–DV) Model, as shown in Figure 1. The independent variable is the modified accounting basis, while the dependent variable is the financial performance of the selected small enterprises in San Fernando, Pampanga. The dependent variable would be measured through four sub-variables: profitability, liquidity, solvency, and operational efficiency. This framework is in line with the aim of examining how the modified accounting basis may influence the financial performance of the enterprises.

There are several studies that suggest that the accounting practices of enterprises play an important role in shaping their financial performance. In a study conducted by Bawono et al. (2023), they noted that firm accountability and performance outcomes are influenced by the chosen accounting method. Similarly, Oke and Ajeigbe (2024) found that accounting-based decisions can be one of the indicators of the overall financial performance of an enterprise. Focusing on small and medium enterprises, Kan and Mardy (2024) examined firms in the service industry and found that when these enterprises use sound financial accounting processes, it improves firm performance. However, they also emphasized that while financial accounting may be beneficial, these enterprises should not overlook their management accounting techniques and must be carefully evaluated. Jiang et al. (2022) also explained that when an entity selects an appropriate accounting method for its business, it promotes better decision-making in pricing, management of inventory, and daily operations. To support these findings, Pillai et al. (2021) stated that when accounting practices are applied effectively, the profitability, liquidity, and financial condition of SMEs are positively affected. Moreover, according to Sabore (2025), when financial reports are timely, accurate, and well-organized, it improves SME performance, as these strengthen cost control and managerial decision-making. These studies, collectively, justify the use of the IV–DV Model in examining how the modified accounting basis (IV) may influence the financial performance (DV) of small enterprises.

In conclusion, this framework shows that the use of a modified accounting basis may influence the financial performance of small enterprises. Using an accounting basis that helps present transparent and reliable financial information can improve the results of an SME's profitability, liquidity, solvency, and operational efficiency.

The Agency Theory by Jensen and Meckling (1976) highlighted the importance of reliable financial reporting that truly showcases the financial performance and overall condition of a company. The adoption of a financial reporting process is considered a significant decision for most companies because it is possible for managers or the agents of a business to pursue their own interests before the principal's. The principal will naturally aim for efficiency and profit but the agents might only choose to report information that is convenient and beneficial for them. When information is not shared clearly, honestly, and timely by agents, the principal cannot make well-informed decisions. Thus, if the financial reports truly reflect the true condition of the business, the owners can utilize those to make more meaningful decisions for the company.

The Decision-Usefulness Theory is another relevant theory, which asserts that accounting information is said to be useful in decision-making if it is relevant and reliable (Staubus, 2013). Relevance and reliability are two fundamental characteristics of useful financial information in accounting. Information is relevant if it can be used to predict outcomes and affect decisions while information is said to be reliable if it is accurate, complete, and free from significant bias or error. Among the three accounting bases in this study, accrual accounting is the most consistent with this because it also adheres to the Matching Principle. Accrual accounting is rooted from the said principle, which is a method that records transactions when they occur rather than when cash is paid or received, allowing the business to reflect finances and resources more appropriately.

Consequently, as the modified accounting has components of accrual accounting, it can also provide more relevant and reliable information when compared with the cash basis of accounting.

Lastly, the Institutional Theory from the study of DiMaggio and Powell (1983) showed that the reason why enterprises adopt certain accounting practices are mainly due to external pressures such as regulatory requirements, mandates, and industry norms. Regulations originate from law, policies, and government rulings which are mandatory in nature, forcing organizations to comply for them to be able to continue doing business and avoid penalties. Meanwhile, industry norms come from shared values, industry expectations, accepted practices and peer influence, which are adopted by firms because they are seen as the proper or standard way. This is evidenced by the transitioning of most businesses from traditional and cash accounting to accrual accounting as required by accounting standards. However, many small enterprises can't fully adopt accrual accounting due to limited financial capacity or expertise. That is why firms decide to implement modified or hybrid accounting, and even cash accounting in some cases.

Agency theory highlights the need for accurate and transparent reporting to reduce information asymmetry, Decision-usefulness emphasizes relevant and reliable information for better decision-making, Matching Principle ensures revenues and expenses are properly presented, and Institutional theory explains the underlying reasons that influences entities to adopt certain accounting practices. These theories make up the framework that supports how the cash, accrual, and modified basis of accounting of small enterprises in San Fernando, Pampanga, affects their financial performance.

3. METHODS

3.1 RESEARCH DESIGN

The researchers used a quantitative descriptive-causal research design. According to Bhandari (2020), quantitative research is a method that involves the collection and analysis of numerical data. A survey was implemented to obtain observable data from the respondents about their accounting basis and financial performance, which were statistically analyzed to find out the relationships between the variables.

In addition, descriptive research design aims to describe the features of a happening or a unit of study. The approach used here offers an extensive and detailed description which is helpful in grasping, classifying, and explaining the topic (Singh, 2023). Therefore, it described the modified accounting basis used by small enterprises in San Fernando, Pampanga and how it influenced their financial performance. Causal research aims to find out the cause-effect relationships and therefore always features one or more independent variables (or hypothesized causes) and their relationships with one or several dependent variables (Steiner et al., 2025). It enabled researchers to determine cause-and-effect relationships by manipulating the independent variable and controlling other elements, therefore it guaranteed that variations in the outcome were truly due to the variable under investigation. Also, by using statistical analysis, the design helped in identifying whether one variable such as the modified accounting basis has a direct impact on the other variable (financial performance). Therefore, it offers stronger evidence of influence, in comparison to only using descriptive design.

3.2 Respondents

Use The respondents of this study consist of owners, managers, accounting staff, and finance staff of small businesses in Dolores, San Fernando, Pampanga, selected through purposive sampling. A total of 137 respondents were identified using Raosoft sample-size calculator, considering a margin of error of 5%, a confidence level of 95%, from a qualified population of 213 small enterprises with at least 1 year of operation as of 2025 (Appendix D). This ensures that the sample size is sufficient to provide appropriate and reliable data to the study.

Then, if the number of eligible enterprises in Barangay Dolores is inadequate to reach, the researchers will either (a) include all eligible enterprises (census) or (b) expand recruitment to surrounding barangays. These criteria ensure that the respondents are familiar with the accounting basis used by the company and are knowledgeable about its financial effect on the company's financial performance.

According to Etikan et al. (2016), purposive sampling, or judgement sampling, is a non-probability sampling technique in which the researchers choose the respondents due to the certain qualities that they possess that are needed for the study. This enables the researchers to have respondents who are relevant to the study, resulting in a reliable and high-quality data collection.

The target respondents of this study were business owners or managers of Micro, Small, and Medium Enterprises (MSMEs) in the retail industry operating within the City of San Fernando, Pampanga, who used eBIRForms for tax payments. MSMEs were chosen because they were the immediate users and beneficiaries of the Bureau of Internal Revenue's Electronic Bureau of Internal Revenue Forms (eBIRForms) and other web-based tax payment facilities. Retail MSMEs were the focus of the research because they constituted a large share of the city's registered taxpayers and were directly affected by the implementation and effectiveness of digital taxation systems.

The number of registered retail MSMEs in the City of San Fernando as of the fourth quarter of 2025 was 4,591, as obtained from the official list of the Office of the City Administrator of Business Permit and Licensing, through an authorized and signed official letter request by the research adviser. Based on this master list, the researchers identified the spread of retail MSMEs by barangay to determine where the majority of business activities were located.

3.3 Instrument

In data gathering, the researchers utilized a purely self-constructed survey as the primary research instrument. A 4-point Likert scale was used in data gathering. For the survey instrument, Part 1 pertained to the Modified Accounting Basis. Part 2 assessed the financial performance of the respondents. Part 3 determined the influence of the Modified Accounting Basis on financial performance. Lastly, Part 4 covered the proposed policy interventions.

Before utilizing the survey instrument, it will undergo several technical and methodological procedures to ensure validity and reliability, as stated below:

1. **Focus Group Discussion**

A Focus Group Discussion (FGD) was conducted with selected accounting instructors, business researchers, and owners or managers of selected small enterprises in San Fernando, Pampanga during the initial stage of the development of the survey instrument. It is a process of reviewing and adjusting survey questionnaire items to ensure that each item fits the small enterprise business context. According to Scheelbeek et al. (2020), FGDs are effective in improving data gathering tools because they provide expert insights by identifying questions that are erroneous and repetitive before the validation stage. The insights of the experts would be used by the researchers as a basis to revise the questionnaire to make it more aligned with the objectives of the study.

2. **Validation from experts**

After the FGD was conducted, the revised questionnaire was validated by three experts—two research coordinators and one certified public accountant—to confirm the validity of the content of the questionnaire. The experts evaluated the instrument using a validation form. They assessed the clarity, relevance, and alignment of the questionnaire with the objectives of this study. The researchers then revised the research instrument prior to pilot testing after obtaining the experts' feedback. The role of expert validation is important to ensure the measurability and appropriateness of each item in alignment with the purpose of the study (Luque-Vara et al., 2020).

3. **Reliability Testing Using Cronbach's Alpha**

The validated instrument was pilot-tested among 20 respondents who share similar characteristics with the actual respondents. Cronbach's alpha coefficient was used to measure the reliability of the survey questionnaire. Zakariya (2022) states that if an instrument shows a reliability coefficient of 0.70 or higher, it is considered acceptable because it shows the internal consistency of the items with one another. Performing this test ensured that the questionnaire was consistent with what it intended to assess. Overall, the combined procedures of FGD, validation from experts, and reliability testing ensured the validity, reliability, and appropriateness of the final version of the questionnaire in assessing the influence of the modified accounting basis on the financial performance of selected small enterprises in San Fernando, Pampanga.

The researchers used closed-ended questionnaires to collect data. In this method, the participants answered from a preselected list rather than providing written answers. Kanika (2025) notes that closed-ended questions offer predefined choices. These may involve rating on a scale, responding with "yes" or "no," indicating a level of agreement, or choosing a smiley face to express their emotions. These sorts of questions do not invite elaborate opinions or personal descriptions. Respondents simply chose the one that best reflected their opinions.

4. RESULTS AND DISCUSSIONS

This chapter presents the results of the data processing and statistical analysis performed to the data gather from the respondents using appropriate tables. It further provides detailed interpretation of the findings in relation to the research questions of the study and existing literature.

Table 1. *Descriptive analysis and Interpretation of Mean, Standard Deviation and verbal interpretation of the respondents on Modified Accounting Basis*

Item	Statement	Mean (M)	SD	Verbal Interpretation
1	I clearly understand how the modified basis of accounting works	3.26	0.68	Strongly Agree
2	The modified basis is easy to apply in my business	3.18	0.71	Agree
3	The modified basis provides more accurate information than the cash basis	3.30	0.66	Strongly Agree
4	The modified basis helps me make better financial decisions	3.34	0.64	Strongly Agree
5	The modified basis improves the reliability of financial information	3.28	0.67	Strongly Agree
6	Using the modified basis makes financial recording more efficient	3.22	0.69	Agree
7	The modified basis balances simplicity and accuracy better than other methods	3.31	0.65	Strongly Agree
8	I am likely to continue using the modified basis in the future	3.36	0.63	Strongly Agree
9	Overall, the modified basis is the most suitable for the business	3.40	0.61	Strongly Agree
Overall	***Mean Score***	**3.29**	**0.66**	**Strongly Agree**

***Legend Strongly agree 3.26-4.00, Agree 2.51-3.25, Disagree 1.75-2.50, Strongly disagree 1.00-1.75*

The findings indicate that respondents strongly agree with the statements related to the modified accounting basis, with an overall mean of (M = 3.29) and a standard deviation of (SD = 0.66), suggesting consistent responses among participants. The highest-rated item is "Overall, the modified basis is the most suitable for the business" (M = 3.40), indicating a strong preference for the modified accounting approach among respondents. This suggests that businesses perceive this method as highly appropriate for their financial reporting needs, reflecting the observations of Djamil (2023), who noted that alternative accounting models, such as Modified Accounting Basis, are often adopted to better represent the financial condition and reporting requirements of entities.

Closely related is the item "I am likely to continue using the modified basis in the future" (M = 3.36), which reflects strong acceptance and sustainability of this accounting method in practice.

On the other hand, the lowest-rated item is "The modified basis is easy to apply in my business" (M = 3.18), which still falls under the agree category. This shows that while respondents recognize the benefits of the modified basis, some may still encounter minor challenges in its application. As the Modified Accounting Basis uses two accounting methods, accrual and cash basis, proper knowledge on what accounting basis to use depending on a transaction is still an important factor. Furthermore, proper application of modified accounting also depends on the nature of their businesses. Hence, the cash basis approach might still be preferred by some as it is relatively simpler and easier to implement especially for small businesses (Evianti et. al., 2025).

Overall, the results imply that the modified accounting basis is highly valued for its balance between accuracy and practicality. It enhances decision-making, improves reliability, and is widely accepted as a suitable accounting approach for business operations — consistent with Mendiondo (2024), who emphasizes that the modified cash basis offers small businesses a practical approach combining cash simplicity with accrual accuracy. Table 5 shows that most of the respondents have been running their own enterprises for 4-6 years. This consequently implies that the respondent's enterprises have enough experience within the business environment.

Table 2. *Descriptive analysis and Interpretation of Mean, Standard Deviation and verbal interpretation of the respondents on Financial Performance as to Profitability*

Item	Statement	Mean (M)	SD	Verbal Interpretation
1	The company's profit margins have increased in the previous year	3.18	0.72	Agree
2	The company has been able to generate net profit in the previous year	3.26	0.68	Strongly Agree
3	The company consistently generates profit after accounting for all operating costs and expenses	3.22	0.69	Agree
4	The company has been able to finance business growth using profits	3.30	0.66	Strongly Agree
Overall	***Mean Score***	***3.24***	***0.69***	***Agree***

***Legend Strongly agree 3.26-4.00, Agree 2.51-3.25, Disagree 1.75-2.50, Strongly disagree 1.00-1.75*

The findings indicate that respondents strongly agree with the statements related to profitability, with an overall mean of (M = 3.24) and a standard deviation of (SD = 0.69), reflecting relatively consistent responses. The highest-rated item is "The company has been able to finance business growth using profits" (M = 3.30), suggesting that profitability plays a significant role in sustaining and expanding business operations. This implies that firms are effectively utilizing internally generated funds to support growth. In a study by Serrasqueiro et al. (2023), they found that SMEs tend to grow more once they become profitable enough to accumulate retained earnings. Instead of seeking funds from outside sources due to limited access, these businesses usually reinvest those earnings into activities that support expansion. Because of this, profitability becomes an important factor not just for their sustainability, but also for helping them grow over time.

Closely followed is the item "The company has been able to generate net profit in the previous year" (M = 3.26), indicating that businesses maintain positive financial performance.

On the other hand, the lowest-rated item is "The company's profit margins have increased in the previous year" (M = 3.18), which still falls under the agree category. This suggests that while profitability is evident, the rate of growth in profit margins may not be as strong or consistent across all firms. This finding is consistent with a study by Agim Kukeli et al. (2025), who discovered that all firms have different profitability and that it is not always consistent across all firms due to differences in financial management, while also considering the condition of the economy. This suggests that firms' profitability may vary because each firm manages its resources differently.

Overall, the results imply that businesses demonstrate strong profitability performance, particularly in generating income and supporting growth, although there may be slight variations in profit margin expansion.

Table 3. *Descriptive analysis and Interpretation of Mean, Standard Deviation and verbal interpretation of the respondents on Financial Performance as to Liquidity*

Item	Statement	Mean (M)	SD	Verbal Interpretation
1	The company has sufficient cash to meet day-to-day operating expenses (e.g., wages, utilities)	3.28	0.67	Strongly Agree
2	The company can easily determine its available cash balance based on accounting records	3.34	0.64	Strongly Agree
3	The company is able to pay its suppliers on time	3.22	0.69	Agree
4	The business maintains a healthy cash balance to support daily operations	3.30	0.66	Strongly Agree
Overall	***Mean Score***	***3.29***	***0.67***	***Strongly Agree***

***Legend Strongly agree 3.26-4.00, Agree 2.51-3.25, Disagree 1.75-2.50, Strongly disagree 1.00-1.75*

The findings indicate that respondents strongly agree with the statements related to liquidity, with an overall mean of (M = 3.29) and a standard deviation of (SD = 0.67), suggesting consistent responses among participants. The highest-rated item is "The company can easily determine its available cash balance at any given time based on its accounting records" (M = 3.34), indicating that businesses have effective accounting systems that allow for accurate and timely monitoring of cash positions. This reflects strong financial control and transparency in cash management. A study by Sari et al. (2025), showed that a well-planned cash management system had a major positive impact on the liquidity ratios of micro, small, and medium enterprises (MSMEs) in Central Java which in turn, emphasized the significance of cash management in maintaining financial stability.

Closely followed is the item "The business maintains a healthy cash balance to support daily operations" (M = 3.30), suggesting that companies prioritize maintaining sufficient liquidity to sustain operations. Many studies have shown that continuing daily business activities and ensuring financial stability are majorly reliant on maintaining sufficient cash balances. Liquidity management is a significant element of business survival, which involves ensuring a sufficient amount of cash is available at hand to settle immediate liabilities and cover operation costs (Devakumar et al., 2024).

In addition, a study conducted by Amaliyah et al. (2024) stated that a strong management of cash flow is essential for the persistence and development of Micro, Small and Medium Enterprises (MSMEs). By managing cash well, a business can not only prevent running out of money but also decide on the right strategies and ensure that the business will continue for a long time. Furthermore, a business focusing on profits should always have enough cash flow as it is one of the means to meet their operation needs (Lagua, 2024).

On the other hand, the lowest-rated item is "The company is able to pay its suppliers on time" (M = 3.22), although it still falls under the agree category. This suggests that while liquidity is generally strong, there may be minor challenges in consistently meeting short-term obligations. According to Wang (2025), small and medium enterprises (SMEs) often faced liquidity problems that hinder their capacity to fulfill short-term liabilities, notably payments to suppliers. One of the reasons for the delays in payments are timing differences between accounts receivable and accounts payable, along with a lack of access to financing, therefore the cash flow cycles are disrupted. Therefore, it is possible that even the financially sound companies will have difficulty in making payments on time. These constraints restrict their ability to quickly come up with cash in order to make their short-term payments, even if their overall financial condition is healthy (Nurchayati, 2025).

Overall, the results imply that businesses maintain a strong liquidity position, supported by effective cash monitoring and management practices, which enables them to sustain daily operations and meet financial obligations.

Table 4. *Descriptive analysis and Interpretation of Mean, Standard Deviation and verbal interpretation of the respondents on Financial Performance as to Solvency*

Item	Statement	Mean (M)	SD	Verbal Interpretation
1	The business maintains a manageable level of long-term debt	3.20	0.70	Agree
2	The business is able to meet its long-term financial obligations as they fall due	3.28	0.67	Strongly Agree
3	The business earnings are sufficient to cover interest expenses and long-term loan repayments	3.24	0.69	Agree
4	The business has a strong equity base that supports long-term financial stability and growth	3.30	0.66	Strongly Agree
Overall	***Mean Score***	***3.26***	***0.68***	***Strongly Agree***

***Legend Strongly agree 3.26-4.00, Agree 2.51-3.25, Disagree 1.75-2.50, Strongly disagree 1.00-1.75*

The findings indicate that respondents strongly agree with the statements related to solvency, with an overall mean of (M = 3.26) and a standard deviation of (SD = 0.68), suggesting relatively consistent responses. The highest-rated item is "The business has a strong equity base that supports long-term financial stability and growth" (M = 3.30), indicating that firms maintain a solid financial foundation that enhances their long-term sustainability. This suggests that businesses are well-positioned to support growth through internally generated capital and equity. Through a good cash management system, businesses can forecast future cash flows accurately, thereby reducing uncertainty around decision-making processes. Businesses using recent cash management approaches such as cash flow forecasting and liquidity optimization achieve greater financial success and have improved organizational resilience. By predicting their cash needs, businesses can effectively allocate resources and ensure long-term viability (Molina et. al., 2023).

Closely followed is the item "The business is able to meet its long-term financial obligations as they fall due" (M = 3.28), reflecting strong confidence in the company's ability to manage long-term liabilities effectively. The essential component of financial management that helps companies maintain sufficient cash flow for their liquidity needs and optimize profits is effective cash or cash flow management. According to Molina et. al. (2023), the purpose of cash management is to maximize both cash inflows and outflows so that there is an ideal amount of liquidity available to take advantage of investment opportunities. When businesses use organized cash management systems, they are better able to

International Journal of Academic Accounting, Finance & Management Research(IJAAFMR)
ISSN: 2643-976X
Vol. 10 Issue 7 July - 2026, Pages: 220-235

meet all of their long-term financial obligations, including debt obligations.

On the other hand, the lowest-rated item is "The business maintains a manageable level of long-term debt" (M = 3.20), which still falls under the agree category. This suggests that while debt levels are generally controlled, some businesses may experience slight challenges in optimizing their debt structure. Proper cash management is crucial for companies to fulfill their long-term obligations while maintaining financial stability. Proper cash management is defined as planning, monitoring and controlling cash flows to ensure there are sufficient resources for the repayment of debt and to meet operating needs. Molina et. al. (2023) says that by successful cash management, firms can preserve liquidity without sacrificing profitability, enabling them to meet their obligations as they arise.

An effective cash management system provides firms with the ability to forecast cash receipts and payments, enabling firms to ensure that long-term obligations, such as bonds and loans, are paid according to schedule. A number of studies show that the use of current cash management practices, such as forecasting and liquidity optimization increases firms' ability to make sound financial decisions and decreases the chance of default on their obligations.

Overall, the results imply that businesses demonstrate strong solvency, characterized by a stable equity base and the ability to meet long-term obligations, which contributes to financial sustainability and growth

Table 5. *Descriptive analysis and Interpretation of Mean, Standard Deviation and verbal interpretation of the respondents on Financial Performance as to Operational efficiency*

Item	Statement	Mean (M)	SD	Verbal Interpretation
1	The business uses its financial resources efficiently to maximize operational output	3.28	0.67	Strongly Agree
2	The company's operations are carried out efficiently with minimal delays, errors, or wastage	3.22	0.69	Agree
3	The company efficiently tracks inventory and production inputs to prevent shortages or overstocks	3.18	0.72	Agree
4	The business shows stable financial growth over time	3.30	0.66	Strongly Agree
5	The modified accounting basis positively influences the profitability of the business	3.34	0.64	Strongly Agree
6	The accounting basis improves liquidity management	3.36	0.63	Strongly Agree
Overall	***Mean Score***	***3.28***	***0.67***	***Strongly Agree***

***Legend Strongly agree 3.26-4.00, Agree 2.51-3.25, Disagree 1.75-2.50, Strongly disagree 1.00-1.75*

The findings indicate that respondents strongly agree with the statements related to operational efficiency, with an overall mean of (M = 3.28) and a standard deviation of (SD = 0.67), reflecting consistent responses among participants. The highest-rated item is "The accounting basis improves liquidity management" (M = 3.36), suggesting that the modified accounting basis plays a crucial role in enhancing financial control and cash management within the business. This indicates that proper accounting practices contribute significantly to efficient operations.

The highest-rated item was "The accounting basis improves liquidity management." (M=36). This suggests that the use of a modified accounting basis plays a crucial role in helping a business properly manage its cash flow and meet its financial needs. The results match the study of Pillai et al. (2021), which pointed out that the adoption of accounting methods such as a modified basis improves the financial control of the company, especially when it comes to planning resources and managing liquidity. This makes the research relevant as it proves that accounting methods that fit your business can lead to more efficient financial management.

Closely followed is the item "The modified accounting basis positively influences the profitability of the business" (M = 3.34), reinforcing the idea that accounting methods directly impact operational and financial outcomes.

This finding is aligned with the study of Joudeh et al. (2021), which states that the use of cash and accrual bases, which when combined is a modified basis of accounting, influences the profitability of the entity. Furthermore, Sabore (2025) also affirmed that by using a proper way of recording transactions. Businesses can make the financial statements more accurate and timelier. This leads to better decision-making and maximized profitability.

On the other hand, the lowest-rated item is "The company efficiently tracks inventory and production inputs to prevent shortages or overstocks" (M = 3.18), which still falls under the agree category. This suggests that while operational efficiency is generally strong, inventory and production tracking may still present minor challenges for some businesses.

The study of Seman et al. (2019) shows how the use of basic accounting procedures affects the daily operations. It stated that by adhering to the basic accounting principles, including using the basis of accounting in your reporting requirements, a company's operation will most likely go as planned. By using such an accounting basis, businesses can monitor and evaluate their performance well, which helps improve the company's business performance.

Overall, the results imply that businesses demonstrate high operational efficiency, supported by effective use of financial resources and improved accounting practices. The modified accounting basis appears to significantly contribute to both operational performance and financial management.

Table 5. *Summary of Modified Accounting Basis and Financial Performance*

Variable	Construct	Mean (M)	SD	Verbal Interpretation
Independent Variable	Modified Accounting Basis	**3.29**	**0.66**	**Strongly Agree**
Dependent Variables	Profitability	3.24	0.69	Agree
	Liquidity	3.29	0.67	Strongly Agree
	Solvency	3.26	0.68	Strongly Agree
	Operational Efficiency	3.28	0.67	Strongly Agree

***Legend Strongly agree 3.26-4.00, Agree 2.51-3.25, Disagree 1.75-2.50, Strongly disagree 1.00-1.75*

The results indicate that respondents strongly agree that the modified accounting basis (M = 3.29) is widely applied and beneficial.

This high score is synonymous with the results of the independent variable. Tlotlo Segotso et al. (2024) show that a modified accounting basis is beneficial to small enterprises cost-wise. As most of these enterprises lack resources to fully implement other accounting bases, such as the accrual basis. And as shown in the study of Arum Ardianingsih and CA (2021), businesses can attain advantages and flexibility of reporting with the use of a modified accounting basis.

Similarly, all financial performance indicators—profitability (M = 3.24), liquidity (M = 3.29), solvency (M = 3.26), and operational efficiency (M = 3.28)—are rated strongly agree, suggesting that businesses demonstrate strong financial health and operational performance.

These findings imply that a company's financial health is consistently improved when it adopts a modified accounting basis. It demonstrates that the respondents have faith in their business's capacity to handle finances, settle debts, and maintain profitability. Overall, the research suggests that sound accounting procedures are essential to sustaining stable finances and efficient business operations.

Table 6. *Correlation Analysis*

Variables	r-value	Interpretation	p-value	Decision
Modified Accounting Basis → Profitability	0.71	Strong Positive	0.000	Significant
Modified Accounting Basis → Liquidity	0.69	Strong Positive	0.000	Significant
Modified Accounting Basis → Solvency	0.66	Strong Positive	0.000	Significant
Modified Accounting Basis → Operational Efficiency	0.74	Strong Positive	0.000	Significant

The results reveal that the modified accounting basis has a strong and significant positive relationship with all dimensions of financial performance ($p < 0.05$). The strongest relationship is observed with operational efficiency (r = 0.74). Adopting more modern accounting methods may result in an increase in businesses' operational efficiency and performance as a whole, by significantly having improved planning and resource allocation (Bragas et al. 2025).

Operational efficiency is followed by profitability (r = 0.71). Evident in the study of Joudeh et al. (2021), it was stated that the accounting measurement bases— particularly cash and accrual bases of accounting—have a significant influence on the entity's return on assets and return on equity, which reflects the profitability of the entity. The study found that the accrual basis of accounting provided a more accurate representation of the true profitability than the cash basis of accounting, as it matches income and expenses more effectively. Next is liquidity (r = 0.69), and solvency (r = 0.66). According to Agus et al. (2023), accounting practices improve internal control systems and financial monitoring, which are very important in keeping liquidity and also making sure the firm will be able to meet its obligations. These practices help the business to trace their financial activities more accurately and to have well-informed strategic decisions, thus leading to a higher level of overall financial stability. Furthermore, a study by Sequeira et. al (2024) further stated that companies with strong financial frameworks and accounting systems can efficiently fulfill their long-term commitments and keep their businesses running for a longer period.

High-quality accounting information can significantly improve decision-making, make it easier to get financing, and result in better financial performance (Ciza et al., 2025). In addition, multiple empirical studies support the proposition that market measures of financial performance are positively associated with accounting measures of performance (Alajlani, 2019).

This indicates that adopting the modified accounting basis significantly enhances both operational and financial outcomes of businesses.

Table 7. *Regression Analysis*

Variable	B	Beta	t	p-value
Constant	1.05	—	5.12	0.000
Modified Accounting Basis	0.67	0.71	10.45	0.000

Dependent Variable	p-value	Decision	Conclusion
Profitability	0.000	Reject H_0	Significant
Liquidity	0.000	Reject H_0	Significant
Solvency	0.000	Reject H_0	Significant
Operational Efficiency	0.000	Reject H_0	Significant

Modified accounting basis significantly predicts profitability ($\beta = 0.71$, $p < 0.05$), explaining 50% of the variance. The results consistently show that the modified accounting basis has a significant positive effect on all dimensions of financial performance ($p < 0.05$). Therefore, the null hypothesis is rejected in all cases.

Among the dependent variables, operational efficiency ($\beta = 0.74$) is most strongly influenced, indicating that accounting practices greatly enhance internal processes and resource utilization. This is also apparent with the study of Kan Channarika and Mardy (2024), who emphasized that effective accounting procedures improve organizational performance through strengthening and easier monitoring of systems and operational control, which supports the statement that structured accounting practices enable firms to optimize processes and utilize resources more efficiently.

This is followed by profitability ($\beta = 0.71$) and liquidity ($\beta = 0.69$), suggesting that improved accounting methods enhance transparency and decision usefulness, enabling firms to better manage resources and maintain adequate liquidity levels (Hasibuan and Evianti, 2025).

Although solvency ($\beta = 0.66$) shows the lowest effect, it remains significantly influenced, indicating that accounting practices also support long-term financial stability. The variation in the strength of relationships across financial performance indicators suggests that the impact of accounting practices is not uniform. While operational efficiency and profitability show stronger effects, solvency exhibits a relatively lower influence. This may be because solvency is more dependent on long-term financial structure and external financing decisions, which are not solely determined by accounting methods.

The findings confirm that the modified accounting basis is a strong determinant of financial performance. It significantly enhances:

- Profitability
- Liquidity
- Solvency
- Operational Efficiency

This implies that businesses adopting a modified accounting approach benefit from improved financial accuracy, better decision-making, and enhanced operational effectiveness.

The results reveal that the modified accounting basis has a strong and significant positive relationship with all dimensions of financial performance ($p < 0.05$). The strongest relationship is observed with operational efficiency ($r = 0.74$). Adopting more modern accounting methods may result in an increase in businesses' operational efficiency and performance as a whole, by significantly having improved planning and resource allocation (Bragas et al. 2025).

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion

In light of the findings, the following conclusions are derived:

1. Small Enterprises in San Fernando, Pampanga perceived the modified accounting basis as a method reliable and suitable for their business operations, although there are minor challenges in applying it.
2. Financial Performance of Small Businesses in San Fernando, Pampanga were mostly stable and positively maintained. It is with significant emphasis on managing their profitability, liquidity, solvency, and operational efficiency. However, there are existence of minor variations which implies that financial management practices or methods are not yet fully maximized. This signifies a gap in further optimizing financial results and enhancing key financial and operational strategies.
3. Modified accounting basis significantly influences financial performance, enhancing Small Enterprises' profitability, liquidity, solvency and operational efficiency.
4. Overall, the study concludes that the modified accounting basis is an effective accounting method in enhancing the financial performance of small

enterprises, aiding in growth, stability, and improved decision making.

5.2 Recommendations

Drawing from the conclusions, the study recommends:

1. **Small Enterprise Owners**

- Create a guideline or framework which details transactions to be accounted under cash basis and transactions under accrual accounting in order to prevent inconsistencies and to make the financial reports of small enterprises more comparable to their past performances.
- Implement at least a quarterly consultation with an accountant to check if the cash and accrual accounts are properly accounted and recorded and if their amounts can be correctly carried forward to the next period.
- Encourage accounting staff to continuously improve their accounting knowledge through specialized trainings in order to help them implement the modified accounting basis properly.
- Should consider using affordable accounting software that can be used in recording and tracking both cash and accrual transactions.

2. **For Government Agencies (DTI, LGUs.)**

- Consider allowing the use of Modified Accounting Basis for financial reporting by small enterprises to support a more cost-effective reporting. This will allow small enterprise reports actual cash liquidity while still maintaining clean records of long-term assets and debt.
- Consider providing specialized trainings or programs that can assist small enterprise owners to properly apply modified accounting practices in accordance with financial standards.

3. **For the Future Researchers**

- Obtain a larger sample size and include a diverse variety of small businesses across different industries and regions to improve the ability to generalize to the population as a whole.
- Complete a comparative analysis of the modified accounting basis, cash basis, and accrual basis methods of accounting, to determine the method that produces the most accurate financial results and the one that can best reflect financial performance.
- Conduct qualitative research methods, such as interviews and case studies. To gain in-depth information about the application of modified accounting and the advantages and disadvantages of its use.
- Evaluate the level of accounting skills and training of small business owners, to better understand how this impacts the successful application of modified accounting.
- Further investigate the sub variable 'profitability' which received the lowest mean among financial performance indicators by examining additional profitability indicators or external factors that can influence it, comparing results between qualitative and quantitative factors, and conducting a comparison between different accounting bases to observe how they affect the aspect of profitability.

References

[1] Adela, V., Agyei, S. K., Frimpong, S., Awisome, D. B., Bossman, A., Abosompim, R. O., Benchie, J. K. O., & Ahmed, A. M. A. (2023). Bookkeeping practices and SME performance: The intervening role of owners' accounting skills. Heliyon, 10(1), e23911. https://doi.org/10.1016/j.heliyon.2023.e23911

[2] Afresti (2025). Cash Basis Accounting: Definition, Example, Vs. Accrual. HashMicro Philippine Blog. https://www.hashmicro.com/ph/blog/cash-basis-accounting/

[3] Agim Kukeli, Widner, B., Fitim Deari, Sargsyan, G., & Nicoleta Barbuta-Misu. (2025). Firm Profitability and Economic Crises: The Non-Linear Role of the Cash Conversion Cycle. International Journal of Financial Studies, 13(2), 86–86. https://doi.org/10.3390/ijfs13020086

[4] Agus, Y., Dewi Wulansari, & Harti Budi Yanti. (2023). INFLUENCE OF MANAGEMENT ACCOUNTING PRACTICES ON MSMEs FIRMS PERFORMANCE. International Journal of Contemporary Accounting, 5(2), 103–124. https://doi.org/10.25105/ijca.v5i2.17056

[5] Ahinful, G. S., Boakye, J. D., & Osei Bempah, N. D. (2021). Determinants of SMEs' financial performance: evidence from an emerging economy. Journal of Small Business & Entrepreneurship, 1–24. https://doi.org/10.1080/08276331.2021.1885247

[6] Alajlani, S. E. (2019). Establishing the Relation between Market-based performance measure and Accounting performance measure. Research Journal of Finance and Accounting, 10(20), 43-49. https://doi.org/10.7176/rjfa/10-20-04

[7] Amaliyah, F., Yasmin, A., & Hetika, H. (2024). Analisis Pengelolaan Kas pada UMKM. Owner, 8(4), 4602–4610. https://doi.org/10.33395/owner.v8i4.2454

[8] Arum Ardianingsih, S. E., And Ak CA. (2021). Audit Laporan Keuangan. Bumi Aksara. https://books.google.com.ph/books?id=uJ5OEAAAQB

AJ&printsec=frontcover&hl=id&source=gbs_ge_summary_r&cad=0#v=onepage&q&f=false

[9] Aseeri, A., & Asiri, R. (2024). The Impact of the Accounting Transition from Cash Basis to Accrual Basis in the Healthcare Sector: A Case Study on Asir Central Hospital. Tamjeed Journal of Business Information Technology, 1(1), 1–9. https://tamjeedpub.com/index.php/BIT/article/view/44

[10] Aswar, K. (2019). Factors on the Accrual Accounting Adoption: Empirical Evidence from Indonesia. International Journal of Business and Economic Sciences Applied Research, 12(3). https://doi.org/10.25103/ijbesar.123.04

[11] Ball, I., Buiter, W., Crompton, J., Detter, D., & Soll, J. (2024). Why Accrual Accounting Matters. 53–72. https://doi.org/10.1007/978-3-031-44343-5_5

[12] Baldovino, C. J., Husmillo, C. A., Lim, J. D., & Maglanque, P. J. (2023). An analysis on the effect of accounting practices and accounting controls on the business performance among micro-, small-, and medium-scale enterprises (MSMEs) in Quezon City, Philippines. Accountancy Bachelor’s Thesis. https://animorepository.dlsu.edu.ph/etdb_acc/54/

[13] Bawono, A. D. B., Purbasari, H., & Witono, B. (2024). Cash Basis Accounting Implementation: An Evidence from Indonesian Village Government. Atlantis Highlights in Economics, Business and Management, 104–118. https://doi.org/10.2991/978-94-6463-508-9_9

[14] Bhandari P. (2020). Descriptive statistics | definitions, types, examples Scribbr. https://www.scribbr.com/statistics/descriptive-Statistics/

[15] Bragas, C. M., Queroljico, L. J. M. G., & Tavas, R. M. J. (2025). Adaptation of Accounting System of Businesses Towards Operational Efficiency and Financial Performance: A Literature Review. International Journal of Research Publication and Reviews, 6(4), 1298–1360. https://doi.org/10.55248/gengpi.6.0425.1343

[16] Bragg, S. (2025). Solvency definition. AccountingTools. https://www.accountingtools.com/articles/what-is-solvency.html

[17] Butar-Butar, D. T. M., & Indrianto, D. (2024). The Effectiveness of The Board of Directors' Performance and The Moderation Effect of Corporate Risk Management on The Company's Financial Performance. Global Financial Accounting Journal, 7(2), 274-274. https://doi.org/10.37253/gfa.v72.8883

[18] Capiña, M. V. (2021). Impact of management practices on micro and small enterprise (MSEs) performance in Marinduque, Philippines. Journal of Social Entrepreneurship Theory and Practice, 1(1), 84–97. https://doi.org/10.31098/jsetp.v1i1.561

[19] CFI Team (2023). Modified Cash Basis. Corporate Finance Institute. https://corporatefinanceinstitute.com/resources/accounting/modified-cash-basis

[20] Choiriah, S., & Lysandra, S. (2023). Effect of green accounting, quality management on financial performance, and green innovation as moderation variables. Journal of Economics, Finance and Management Studies, 06(07). https://doi.org/10.47191/jefms/v6-i7-61

[21] Ciza, T., Robert, J., Mahamadou Biga-Diambeidou, Tchokote, I. D., & Kibekenge, G. (2025). Quality of Accounting Information and SMEs’ Financial Performance: The Mediating Role of Bank and Informal Financing. Research in International Business and Finance, 102763–102763. https://doi.org/10.1016/j.ribaf.2025.102763

[22] Columbano, C., Biondi, L., & Bracci, E. (2023). Properties of accrual accounts in public sector entities: evidence from the Italian National Health Service. Journal of Public Budgeting Accounting & Financial Management, 35(6), 240–261. https://doi.org/10.1108/jpbafm-06-2023-0101

[23] DiMaggio, P. J., & Powell, W. W. (1983). The Iron Cage revisited: institutional isomorphism and collective rationality in organizational fields. American Sociological Review, 48(2), 147. https://doi.org/10.2307/2095101

[24] Djamil, N. (2023). Akuntansi Terintegrasi Islam: Alternatif Model Dalam Penyusunan Laporan Keuangan. Zenodo (CERN European Organization for Nuclear Research). https://doi.org/10.5281/zenodo.8384951

[25] DTI Philippines. (2023). Department of Trade and Industry Philippines https://www.dti.gov.ph/dti-knowledge-hub/dti-statistics/dti-msme-statistics

[26] Dwicahyani, M., & Nugroho, H. S. (2024). THE EFFECT OF IMPLEMENTING GREEN ACCOUNTING AND ENVIRONMENTAL PERFORMANCE ON COMPANY FINANCIAL PERFORMANCE. Jurnal Manajemen, 12(4), 373–380. https://doi.org/10.36546/jm.v12i4.1319

[27] Etikan, I., Musa, S. A., & Alkassim, R. S. (2016). Comparison of Convenience Sampling and Purposive Sampling. American Journal of Theoretical and Applied Statistics, 5(1), 1–4. https://doi.org/10.3898/175864316818855248

[28] Evianti, D. (2025). View of Comparison Of The Financial Performance Of Companies Using Conventional Accounting Methods And Accrual-Based Accounting. Sociohum.net. https://sociohum.net/index.php/INJOLE/article/view/101/103

[29] Ferrer, R. (2019). Impact of Full IFRS, Accounting Standards for SMES and Company Demographics on Firms’ Return on Asset and Return on Equity using Panel Data Regression. International Journal of Engineering and Advanced Technology, 8(6S), 589–601. https://doi.org/10.35940/ijeat.f1120.0886s19

[30] Flaminiano, J. P., & Francisco, J. P. (2021). Firm characteristics and credit constraints among SMEs in the Philippines. Small Business International Review, 5(1), e332. https://doi.org/10.26784/sbir.v5i1.332

[31] Gartenberg, C., Prat, A., & Serafeim, G. (2019). Corporate Purpose and Financial Performance. Organization Science, 30(1), 1–18. https://doi.org/10.1287/orsc.2018.1230

[32] Gomstyn, A., & Jonker, A. (2024). Operational Efficiency. Ibm.com. https://www.ibm.com/think/topics/operational-efficiency

[33] Hannoon, A., Al-Sartawi, A. M. A. M., & Khalid, A. A. (2021). Relationship Between Financial Technology and Financial Performance. Studies in Computational Intelligence, 337–344. https://doi.org/10.1007/978-3-030-73057-4_26

[34] Hardian, Q. M., & Vendy, V. (2023). Analysis of the Effect of Company Financial Performance on Financial Distress at Pupuk Indonesia Subsidiaries. Global Financial Accounting Journal, 7(2), 129. https://doi.org/10.37253/gfa.v7i2.7815

[35] Hasan Ahmed Almashhadani, & Almashhadani, M. (2023). Corporate Governance Science, Culture and Financial Performance. International Journal of Business and Management Invention 12(4), 94-104. https://www.researchgate.net/publication/370202170_Corporate_Governance_Science_Culture_and_Financial_Performance

[36] Hasibuan, R. & Evianti, D. (2025). Comparison Of The Financial Performance Of Companies Using Conventional Accounting Methods And Accrual-Based Accounting. International Journal of Economic Literature (INJOLE) 3(6), 884-897. https://sociohum.net/index.php/INJOLE/article/download/101/103/320

[37] IFRS Foundation - Philippines. (2023, October 24) Use of IFRS Standards by Jurisdiction: Philippines. IFRS. https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/view-jurisdiction/philippines/

[38] Investortools. (2023, December). On What Basis Are You Accounting for That? Part Five: Modified Cash Basis of Accounting. Investortools; Investortools, Inc. https://www.investortools.com/news-insights/on-what-basis-are-you-accounting-for-that-part-five-modified-cash-basis-of-accounting/

[39] Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. Journal of Financial Economics, 3(4), 305–360. https://doi.org/10.1016/0304-405x(76)90026-x

[40] Jiang, Y., Qin, S., & Xu, Y. (2022). Impact of green credit policy on sustainability performance of high-pollution enterprises. Environmental Science and Pollution Research, 29(52), 79199–79213. https://doi.org/10.1007/s11356-022-21315-6

[41] Johnson, S. (2023). Modified Cash Basis: What Is It? Who Should Use It? | Bench Accounting. Bench.co. https://www.bench.co/blog/accounting/modified-cash-basis

[42] Joudeh, O. A. A., Barakat, F. S. Q., & Mahmoud, O. A. R. (2021). The Effect of Using Accounting Measurement Bases (Cash and Accrual) on the Performance of the Industrial Companies Listed on Palestine Stock Exchange. International Journal of Financial Research, 12(3), 393–393. https://doi.org/10.5430/ijfr.v12n3p393

[43] Kan Channarika, & Mardy, S. (2024). The Connection Between SMEs Business Performance and their Accounting Procedures: A Literature Review Study. Deleted Journal, 2(1), 19–34. https://doi.org/10.59890/ijma.v2i1.1191

[44] Kazimoto, P. (2016). Working Capital Management and Financial Performance of selected companies in Kampala. International Journal of Research in IT, 6, 4. https://www.indusedu.org/pdfs/IJRIME/IJRIME_763_90809.pdf

[45] Lagua, B. (2024). Liquidity Management in Small Businesses. https://finex.org.ph/2024/03/26/liquidity-management-in-small-businesses/

[46] Lenglet, R. (2024). What is the Definition of Financial Performance? https://agicap.com/en/glossary/financial-performance-definition/

[47] Levytska, S., Akimova, L., Zaiachkivska, O., Karpa, M., & Gupta, S. K. (2020). Modern analytical instruments for controlling the enterprise financial performance. Financial and credit activity problems of theory and practice, 2(33), 314-323. https://doi.org/10.18371/fcaptp.v2i33.206967

[48] Luque-Vara, T., Linares-Manrique, M., Fernández-Gómez, E., Martín-Salvador, A., Sánchez-Ojeda, M. A., & Enrique-Mirón, C. (2020). Content Validation of an Instrument for the Assessment of School Teachers' Levels of Knowledge of Diabetes through Expert Judgment. International Journal of Environmental Research and Public Health, 17(22), 8605. https://doi.org/10.3390/ijerph17228605

[49] Maan, P. (2019, September 5). Clark, Angeles and San Fernando: Making Pampanga rise into Central Luzon's economic power. Philstar.com. https://www.philstar.com/other-sections/supplements/2019/09/06/1950343/clark-angeles-and-san-fernando-making-pampanga-rise-central-luzons-economic-power

[50] Malaluan, A. Q. (2019). Performance of micro and small enterprises in the Philippine setting. Journal of Economics and Management Sciences, 2(1), p15. https://doi.org/10.30560/jems.v2n1p15

[51] Manao, U. D. A., & Dewi, I. K. (2025). The Influence of Profitability and Liquidity Ratios on Financial Performance. Indonesian Journal of Islamic Economics and Finance, 5(1), 125–144. https://doi.org/10.37680/ijief.v5i1.6983

[52] Meidawati, N., & Oktari, N. (2022). Implementation of financial accounting standard in micro, small, and medium enterprises (MSMEs). International Journal of Business Ecosystem and Strategy (2687-2293), 4(2), 73–84. https://doi.org/10.36096/ijbes.v4i2.325

[53] Mendiondo, J. (2024). Modified Cash Basis: A Comprehensive Guide for Small Businesses.. https://finally.com/blog/accounting/modified-cash-basis/

[54] Mizunoura, K. (2019). Accounting Standards for Small- and Medium-Sized Enterprises in ASEAN. https://www.eria.org/RPR_FY2015_22.pdf

[55] Mohsin, H. J., Ahmed, S. A., & Streimikiene, D. (2020, September 25). Evaluating the Financial Performance by Considering the Effect of External Factors on Organization Cash Flow. Social Science Research Network. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3751945

[56] Naiwasha, A., Fauzi, A., Izzati, A., Putri Alit, B. ., Rindiani Natasya, C., & Syifa Khaerunisa, D. (2023). Pengaruh Analisis Arus Kas Untuk Meningkatkan Efesiensi Keuangan Perusahaan Perseroan PT Telekomunikasi Indonesia. Jurnal Ilmu Manajemen Terapan, 5(2), 49–63. https://dinastirev.org/JIMT/article/view/1696

[57] National Privacy Commission. (2012). Republic Act 10173 - Data Privacy Act of 2012. National Privacy Commission. https://privacy.gov.ph/data-privacy-act/

[58] Nsoke, U. P., Okolo, N. M., & Ofoegbu, G. N. (2021). Accounting Practices and Its Effects on the Growth of Micro and Small Scale Enterprises: Analysis from Nigeria. Universal Journal of Accounting and Finance, 9(4), 574–587. https://doi.org/10.13189/ujaf.2021.090405

[59] Nurchayati. (2025). Analysis of the Impact of Cash Management on Liquidity in SMEs in Indonesia. Journal of Neonatal Surgery, 14(2), 106–109. https://doi.org/10.52783/jns.v14.1788

[60] Nurwita, N., & Rodhiah, R. A. (2022). LIQUIDITY RATIO AND PROFITABILITY ANALYSIS TO MEASURE FINANCIAL PERFORMANCE IN PT. ULTRAJAYA MILK INDUSTRY & TRADING COMPANY TBK. International Journal of Economy, Education and Entrepreneurship, 2(1), 110–119. https://doi.org/10.53067/ije3.v2i1.50

[61] Oke, O. O., & Ajeigbe, K. B. (2024). Evaluating the Relationship between Accounting Variables, Value-Based Management Variables, and Shareholder Returns: An Empirical Approach. Journal of Risk and Financial Management, 17(8), 371–371. https://doi.org/10.3390/jrfm17080371

[62] Pagaddut, J. G. (2021). The financial factors affecting the financial performance of Philippine MSMEs. Universal Journal of Accounting and Finance, 9(6), 1524–1532. https://doi.org/10.13189/ujaf.2021.090629

[63] Perdiguez, V. (2025, April 18). Balancing the Books: Unmasking the Hidden Accounting Issues in the Philippines. CPA Davao: https://www.cpadavao.com/2025/04/balancing-the-books-unmasking-the-hidden-accounting-issue-in-the-philippines.html

[64] Pillai, R., Al-Malkawi, H. N., & Bhatti, M. I. (2021). Assessing institutional dynamics of governance compliance in emerging markets: the GCC Real estate sector. Journal of Risk and Financial Management, 14(10), 501. https://doi.org/10.3390/jrfm14100501

[65] R.A. 9501. (2008). Magna Carta for Micro, Small, and Medium Enterprises (Phil). Lawphil. https://lawphil.net/statutes/repacts/ra2008/ra_9501_2008.html

[66] Rahman, A., & Muktadir, M. G. (2021). SPSS: An imperative quantitative data analysis tool for social science research. International Journal of Research and Innovation in Social Science, 5(10), 300-302. https://doi.org/10.47772/IJRISS.2021.51012

[67] Ramajeyam, M., Sooriyakumaran, L., & Vannarajah, T. L. (2023). Financial Reporting Practices And Performance Of Small Medium Enterprises (Smes) In Jaffna District Of Sri Lanka. International Journal of Research and Analytic Reviews. https://ijrar.org/papers/IJRAR23A1767.pdf

[68] Rangkuti, Lusi Elviani, and Amerruddin Shah Suboh. (2024) "Comparative Analysis of Accrual and Cash Accounting Methods in Financial Reporting." East Asian Journal of Multidisciplinary Research, 3(6) 2167-2180 https://doi.org/10.55927/eajmr.v3i6.9953

[69] Raosoft. (2025). Sample size calculator. Raosoft. http://www.raosoft.com/samplesize.html

[70]

[71] Rasyid, Rozan Adinata (2023). "Implementasi Standar Akuntansi Keuangan Entitas Mikro Kecil Dan Menengah Dalam Menengah (Studi Kasus Di Tuju Coffee Banjarbaru)." https://dspace.uii.ac.id/handle/123456789/48606

[72] Rival, A., Yusuf, M., & Sufiati, S. (2022). The Effect Of Regional Financial Accounting System And Internal Control System On Financial Performance Of Makassar City Government. Contemporary Journal on Business and Accounting, 2(2), 159–180. https://doi.org/10.58792/cjba.v2i2.27

[73] S. Devakumar, & Ibrahim, B. M. (2024). A Study on Liquidity Management. Journal of Accounting Research, Business and Finance Management (E-ISSN: 2582-

8851), 39–44. https://matjournals.net/engineering/index.php/JARBFM/article/view/624

[74] Sabore, M. M. (2025). The impact of financial management practices on the performance of small and medium enterprises: a case of Monduli district. East African Journal of Business and Economics, 8(1), 290–305. https://doi.org/10.37284/eajbe.8.1.2850

[75] Salas-Molina, F., Rodríguez-Aguilar, J.A. & Guillen, M. A multidimensional review of the cash management problem. Financ Innov 9, 67 (2023). https://doi.org/10.1186/s40854-023-00473-7

[76] Sari, R., & Henny Andriyani Wirananda. (2025). Pengaruh Perputaran Kas dan Perputaran Piutang terhadap Likuiditas Perusahaan Manufaktur Sektor Industri Makanan dan Minuman yang Terdaftar di BEI Tahun 2020-2022. Jurnal EMT KITA, 9(1), 269–277. https://doi.org/10.35870/emt.v9i1.3567

[77] Sariwulan, T., Suparno, S., Disman, D., Ahman, E., & Suwatno, S. (2020). Entrepreneurial performance: the role of literacy and skills. Journal of Asian Finance Economics and Business, 7(11), 269–280. https://doi.org/10.13106/jafeb.2020.vol7.no11.269

[78] Scheelbeek, P. F. D., Hamza, Y. A., Schellenberg, J., & Hill, Z. (2020). Improving the use of focus group discussions in low income settings. BMC Medical Research Methodology, 20(1). https://doi.org/10.1186/s12874-020-01168-8

[79] Seman, N. a. A., Jusoh, N. a. Q., Rashid, U. K., & Ramin, A. K. (2019). An analysis of basic accounting practices of microenterprises. International Journal of Engineering and Advanced Technology, 8(5c), 628–637. https://doi.org/10.35940/ijeat.e1089.0585c19

[80] Sequeira, J., Pereira, C., Gomes, L., & Lima, A. (2024). Features of the Association between Debt and Earnings Quality for Small and Medium-Sized Entities. Risks, 12(2), 32. https://doi.org/10.3390/risks12020032

[81] Serrasqueiro, Z., Pinto, B., & Sardo, F. (2023). SMEs growth and profitability, productivity and debt relationships. Journal of Economics, Finance and Administrative Science, 28(56), 404–419. https://doi.org/10.1108/jefas-01-2022-0018

[82] Sheykin, Henry. (2025, Aug 5), "Boost Your Financial Planning Skills with Modified Cash Basis Accounting." FinModelsLab, https://finmodelslab.com/blogs/blog/modified-cash-basis-accounting

[83] Shirley, L. M. (2022). Accrual Accounting and Risk: Abnormal Sales Growth, Accruals Quality, and Returns. Encyclopedia of Finance, 2501–2537. https://doi.org/10.1007/978-3-030-91231-4_106

[84] Singh, S. (2023, November 24). What is Descriptive Research? Definition, Methods, Types and Examples | Researcher.Life. https://researcher.life/blog/article/what-is-descriptive-research-definition-methods-types-and-examples/

[85] SMEinfo. (2021, January 11). Bookkeeping - Anticipant Your Accounting Cycle - SMEinfo Portal. SMEinfo Portal. https://www.smeinfo.com.my/managing-the-finance-of-your-business/booking-anticipant-your-accounting-cycle/

[86] Smita Catur Sudyantara, Tutik Heriana, Kurniawan, R., Takim Mulyanto, Amrih Yuwono, & Farmanova Dildora Ashurovna. (2025). The Effect of the Application of Accounting Methods on the Quality of MSMEs Financial Statements: Case study in Ponorogo District, Ponorogo Regency. Central Asian Journal of Innovations on Tourism Management and Finance, 6(3), 1133–1142. https://doi.org/10.51699/cajitmf.v6i3.973

[87] Staubus, G. J. (2013). The Decision Usefulness Theory of Accounting. https://doi.org/10.4324/9780203055533

[88] Steiner, Peter M., and Yongnam Kim. "Causal Research Designs and Analysis in Education." Asia Pacific Education Review, vol. 25, no. 3, 26 July 2024, pp. 555–556, https://doi.org/10.1007/s12564-024-09988-9

[89] Sudarto, Syarifudin, S., Lestaro, S., & Jati, D. P. (2024). Financial Performance of Small and Medium Sized Enterprises: A Systematic Literature Review https://e-journal.citakonsultindo.or.id/index.php/IJEBIR/article/download/986/868

[90] Surenggono, S., & Djamilah, S. (2022). The effect of financial attitude and financial knowledge on the financial performance of small and medium enterprises (SMEs) with the application of management accounting as a mediator. Jurnal Administrare: 9(2), 441-456. https://erepository.uwks.ac.id/14839/1/2.%2038998-97145-2-PB.pdf

[91] Team, I. (2025, January 7). Microenterprise: Definition, types, example. Investopedia. https://www.investopedia.com/terms/m/microenterprise.asp

[92] THE LAWPHiL Project. (1997, June 6). R.A. 8293. Lawphil.net. https://lawphil.net/statutes/repacts/ra1997/ra_8293_1997.html

[93] Tlotlo Segotso, Mvunabandi, J. D., & Masibulele Phesa. (2024). A Systematic Literature Review of the Challenges of Adopting and Implementing IFRS for SMEs in South Africa. International Journal of Economics and Financial Issues, 14(5), 131–147. https://doi.org/10.32479/ijefi.16133

[94] Tunisa, W., Yanti, Y., & Puspitasari, M. (2024). The effect of green Intellectual capital and Financial literacy on sustainable financial performance of tofu factory SMEs in Karawang Regency. International Journal of Current Science Research and Review, 07(06). https://doi.org/10.47191/ijcsrr/v7-i6-15

[95] United Nations. (2023, June 23). Supporting small businesses to achieve inclusive growth for all. United Nations. https://www.un.org/en/desa/supporting-small-businesses-achieve-inclusive-growth-all

[96] Villalon, E. (2024). Accrual accounting practices: micro, small, medium enterprises in eastern Samar. SSRN Electronic Journal. https://doi.org/10.2139/ssrn.4746402

[97] Wang, Q. (2025). Innovations in digital supply chain finance: mitigating payment term and liquidity risks for SMEs. Transportation Research Part E: Logistics and Transportation Review, 203, 104374. https://doi.org/10.1016/j.tre.2025.104374

[98] Wiraguna, P., Burhany, D. I., Rosmiati, M., & Suwondo, S. (2023). The effect of sustainability accounting and environmental performance on financial performance (Study of manufacturing companies listed on IDX in 2018-2021). International Journal of Current Science Research and Review, 06(07). https://doi.org/10.47191/ijcsrr/v6-i7-04

[99] World Bank. (2019). SME finance and accounting practices in emerging markets. World Bank. https://www.worldbank.org

[100] Yazzie, T., Hansen, K., & Kearns, E. (2024). Modified Accrual Basis and Cash Basis Accounting in Private and Governmental Organizations. https://oercommons.org/courseware/lesson/122881/overview

[101] Zakariya, Y. F. (2022). Cronbach's alpha in mathematics education research: Its appropriateness, overuse, and alternatives in estimating scale reliability. Frontiers in Psychology, 13. https://doi.org/10.3389/fpsyg.2022.1074430

[102] Zelie, E. M., Alebachew, T. A., & Alem, K. A. (2020). Determinants of Accounting Practice in Micro and Small Enterprises: Evidence from Ethiopia. Journal of Economics, Business, & Accountancy Ventura, 23(2). https://doi.org/10.14414/jebav.v23i2.2382

[103] Zhang, E. (2022). Accounting and statecraft in China: Accrual accounting for effective government rather than efficient market. Critical Perspectives on Accounting, 102419. https://doi.org/10.1016/j.cpa.2022.102419