THE IMPACT OF TAXATION MANAGEMENT ON FINANCIAL PERFORMANCE IN AN ORGANISATION

Case study of Bidco Company Ltd

BY

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17/U/BSAF/0832/K/WKD

A RESEARCH REPORT SUBMITTED TO FACULTY OF BUSINESS FOR THE PARTIAL FULFILLMENT OF THE AWARD OF BACHELORS OF SCIENCE IN ACCOUNTING AND FINANCE OF MUTEESA I ROYAL UNIVERSITY

2020

DECLARATION

I declare that the work presented is my original work with all its contents compiled and produced out of my efforts under the guidance of my supervisor Mr. Kifanta Sanday. It has never been presented for any award in any university/institution and where the work of other authors has been consulted, due acknowledgement has been made.

Signature…………………………………………………………………………………….

Date…………………………………………………………………………………………

APPROVAL

This is to certify that this report has been under my supervision and is now ready for submission to Muteesa 1 Royal University with my approval as a partial requirement for the award of a Bachelor of accounting and finance.

Signature……………………………………………………………………………….

MR. KIFANTA SANDAY

(SUPERVISOR)

Date…………………………………………………………………………………………

DEDICATION

This research report is dedicated to my beloved parents, my brother and my sisters for their guidance, moral and financial support they have wholeheartedly rendered to me towards the success of this research project and my Education. May the Almighty God bless you abundantly.

ACKNOWLEDGEMENT

I would like to express my innermost appreciation to my parents who have worked tirelessly to see me reach this level of education. I truly thank them for their endless love and support during this period.

I wish to express and extend my sincere gratitude to my supervisor, Mr. Kifanta Sanday for his professional guidance which facilitated the accomplishment of this research project.

Above all, I thank the Almighty God for His faithfulness throughout my studies. Without Him, I would not have been able to make it this far.

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ABSTRACT

The study was carried out on Taxation management and financial performance of BIDCO (U) Limited, basing on BIDCO Company Jinja branch. It was conducted by the guidance of the following objectives; to determine the influence of direct tax on financial performance of organization, to estimate the extent at which progressive tax affects the company's financial performance and to establish the effect of indirect tax on the financial performance of organizations.

The study was carried out using descriptive, cross-sectional and correlation research design based on 52 respondents who were selected using simple random and stratified sampling methods. Questionnaires were the main instruments of the study and data was analyzed using Statistical Package for Social Science (SPSS) method and presented in tables, frequencies and percentages.

The findings revealed that the company's financial performance level is still low and also the company has not been able to balance between its profits and losses which greatly affects the financial performance of the company. The study also revealed that there is a strong positive relationship between Taxation management and the financial performance of organizations. This implies that better Taxation management techniques are accompanied with higher financial performance levels likewise; poor Taxation management techniques are reflected by poor financial performance levels. Direct tax can be levied on profits of an organisation and Direct taxes greatly affect organisational financial performance negatively as stated by (Manasseh 2000),

The study was concluded that the company should maintain better Taxation management techniques like filing tax returns on time to avoid tax penalties. The company should maintain proper taxation management levels to increase on the company's working capital.

ABBREVIATIONS

URA	Uganda Revenue Authority
VAT	Value Added Tax
ITA	Income Tax Act
SPSS	Statistical Package for Social Science
GDP	Gross Domestic Product

CHAPTER ONE

1.0 Introduction

This chapter presents the background of the study, problem statement, Research objectives, research questions, purpose and scope of the study as well as the significance of the study.

1.1 Background to the study.

The evolution of taxes in Uganda is attributed to the development of the modern state which led to increased expenditure for infrastructure and public services. Tax is the price we pay for civilization which goes hand in hand with organized society. For society to be organized it needs a well-financed administrative structure therefore, taxation in its different forms has existed as long as the society had a minimum elements of government. Tax can also be defined as a monetary charge imposed by the government on persons, entities, transactions or property to yield public revenue, (Taxation hand book, a guide to taxation in Uganda, a publication of URA).

Where payment is not monetary, a more wide embracing definition has been adopted as, taxes are the enforced proportional contributions from persons and property levied by the state by virtue of its sovereignty for the support of the government and for all public needs Thomas. M. cooley (2009). One of the main characteristics of taxes is that the payer doesn't demand something equivalent in return from the government for the payment. It's expected that when taxes are collected, they are used by the government for public good and not just for those who make the payment. (Background to taxation part A-2, taxation handbook, a guide to taxation in Uganda a publication of URA by fountain publishers).

Taxation management is a strategy where a person or company manages its business and other transactions or activities in such a way so as to make maximum use of tax holidays, exemptions concession, rebates, tax credits and deductible allowances available under law and as a result is able to derive the benefit of minimizing his tax liability. While taxation refers to the legal compulsory transfer of money from individuals and companies to the government as a source of revenue (Glickman, 2000). While Cossa defines taxation as the compulsory contribution of wealth of a person or body of persons for the service of the public powers. (Glickman 2000) says that taxation is payment exerted by legislative authority and the first tax to be introduced was the retail sales tax which emerged in 1930s and was Levied on retail sales. Taxation is also a means by which the government gains revenue to finance its budget. The revenue collected goes into a vast number of items like deafening the potential for implementing certain policies, paying for public services and welfare benefits and the military.

Financial performance is the level of performance of a business over a specific period of time, expressed in terms of overall profits and losses during that time. Evaluating the financial performance of a business allows decision makers to judge the results of business strategies and activities in objective monetary terms.

A company's financial performance is shown by a financial statement which is drawn over a certain period of time, generally every fiscal quarter. The financial statement consists of three different statements which are; balance sheet, income and loss statement and the cash flow statement. BIDCO (U) Limited deals in the production of Fortune Butto cocking oil, Nuunu carry powder, White star bull soap among others. These products are distributed in different parts of Uganda and at times, the products are imported to different countries like Kenya, Tanzania, South Africa and Rwanda. The products are produced in large quantities and this means that BIDCO (U) Limited is equipped with a variety of products and therefore there is a need for BIDCO to prepare periodically financial statements to monitor its performance.

Several theories of taxation exist in public economics. Governments at all levels (national, regional and local) need to raise revenue from a variety of sources to finance public-sector expenditures.

Adam Smith in the Wealth of Nations (1776) wrote: "Such things as defending the country and maintaining the institutions of good government are of general benefit to the public. Thus, it is reasonable that the population as a whole should contribute to the tax costs. It is also reasonable to demand certain other things of a tax system – for example, that the amounts of tax individuals pay should bear some relationship to their abilities to pay… Good taxes meet four major criteria. They are (1) proportionate to incomes or abilities to pay (2) certain rather than arbitrary (3) payable at times and in ways convenient to the taxpayers and (4) cheap to administer and collect."

In modern public-finance literature, there have been two main issues: who can pay and who can benefit (Benefit principle). Influential theories have been the ability theory presented by Arthur Cecil Pigou and the benefit theory developed by Erik Lindahl. There is a later version of the benefit theory known as the "voluntary exchange" theory. Under the benefit theory, tax levels are automatically determined, because taxpayers pay proportionately for the government benefits they receive. In other words, the individuals who benefit the most from public services pay the most taxes. Here, two models adopting the benefit approach are discussed: the Lindahl model and the Bowen model.

Lindahl's model, In the Lindahl model, if SS is the supply curve of state services it is assumed that production of social goods is linear and homogenous. DDa is the demand curve of taxpayer A, and DDb is the demand curve of taxpayer B. The Horizontal summation of the two demand curves results in the community's total demand schedule for state services. A and B pay different proportions of the cost of the services which is vertically measured. When ON is the amount of state services produced, A contributes NE and B contributes NF; the cost of supply is NG. Since the state is non-profit, it increases its supply to OM. At this level, A contributes MJ and B contributes MR (the total cost of supply). Equilibrium is reached at point P on a voluntary-exchange basis.

At BIDCO (U) Limited, sales and stock are meant to be invoiced through the store department and eventually reflected on the Company's computerized system. Sales made indicate the company's turnover for that particular trading period and therefore reflected in its financial performance for that same period. BIDCO (U) Limited is no exemption of other related enterprises like Mukwano enterprises which produce similar products. It also maintains high volumes of white star soap, curry powder cocking oil, non-trading stock, raw materials like coconuts, and palm oil among others (stock flow material report 2008). The company's financial performance however has consistently fallen short of the target performance and in 2006 and 2008; the company reported less than 50% of its target profits. The report attributes that BIDCO (U) Limited's failure to meet the set target and unsteady trend of its financial performance mostly blamed on stolen stock, poor stock taking and credit unworthiness of their clients, poor or lack of authorized or poor segregation of duties.

BIDCO (U) Limited has been paying tax since the beginning of 1990. However, the taxation system has negatively affected the financial performance of the company and the overall profits of the company however the company has tried to balance between its profits and losses and it has been making profits for the last few years which has enabled it to grow and expand. Tax collection as a percentage of Gross Domestic Products grew significantly from 1992 by 1.7%, soon after Uganda Revenue Authority started levying different taxes like direct tax, indirect tax, proportional tax, Value Added Tax which has led to declining performance of the company (New vision February 2013).

1.2 Statement of the Problem

Proper financial management ensures regular monitoring and inspection of all the funds of the company and this comes up with realized profits when all the revenues that are obtained from sales are monitored and kept safely (Pandey 1995). However, BIDCO (U) Limited's financial performance has persistently been low compared to the set target levels (Management Performance appraisal 2008). BIDCO (U) Limited has tried to minimize such short comings by training its staff in store department on how to use store ledger cards in receiving and issuing of stock to the user departments, introduction of computerized system in material control and hiring of security to help curb petty thieves and has tried to insure bad debts to avoid losses from un creditworthy customers (Management Report 2009).

Despite of all these, BIDCO (U) Limited experiences a problem of poor financial performance since it incurs more losses and this is due to existence of many different taxes that are being imposed on the company. If this situation continues, the company will eventually produce less products and this means that orders will not be turned into sales and thus will lose most of its potential customers and would be reflected by the low profit margins hence poor performance (Management Report 2010).

1.3 Purpose of the study

The purpose of the study is to establish the relationship between taxation management and the financial performance of BIDCO (U) Limited.

1.4 Objectives of the study

1. To determine the influence of direct tax on financial performance of organizations.
2. To estimate the extent at which progressive tax affects the companies' financial performance
3. To establish the effect of indirect tax on the financial performance of organizations.

1.5 Research questions

1. How effective are the taxation management techniques at BIDCO (U) Limited?
2. How can financial performance be improved at BIDCO (U) Limited?
3. What is the effect of taxation on financial performance of BIDCO Company?

1.6 Scope of the study

1.6.1 Geographical scope

The study was conducted at BIDCO (U) Limited located on plot 152/Masese Industrial Area P.O Box 1136 Jinja – Uganda. The study covered all the departments which included Human Resource department, Accounting and Finance department, Marketing department and Advertising and publicity department.

1.6.2 Content scope.

The study focused on taxation management as the independent variable and financial performance as the dependent variable. The key areas to be covered includes income tax, Direct tax, indirect tax, Value Added Tax and exercise duty.

1.6.3 Time scope

The study covered a period of two years from 2015 to 2017. This time was selected because it is when according to the Management Report (2017), financial performance of BIDCO (U) Limited declined from 53% in 2013 to 40% in 2017.

1.7 Significance of the study

1. The study will help BIDCO Company improve on its financial performance

2. The study will help the company in identifying its weaknesses in its financial performance and therefore suggest recommendations for some improvement and once the company follows the study findings and recommendation, it will be able to strengthen its management

3. The study will equip skills and knowledge to the researcher and therefore be able to handle matters related to financial management in an effective and efficient way.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews the literature on Taxation management and financial performance of organizations in Uganda that was done by the scholars and therefore will include the relationship between the two variables.

Several theories of taxation exist in public economics. Governments at all levels (national, regional and local) need to raise revenue from a variety of sources to finance public-sector expenditures.

Adam Smith in the Wealth of Nations (1776) wrote: "Such things as defending the country and maintaining the institutions of good government are of general benefit to the public. Thus, it is reasonable that the population as a whole should contribute to the tax costs. It is also reasonable to demand certain other things of a tax system – for example, that the amounts of tax individuals pay should bear some relationship to their abilities to pay… Good taxes meet four major criteria. They are (1) proportionate to incomes or abilities to pay (2) certain rather than arbitrary (3) payable at times and in ways convenient to the taxpayers and (4) cheap to administer and collect."

In modern public-finance literature, there have been two main issues: who can pay and who can benefit (Benefit principle). Influential theories have been the ability theory presented by Arthur Cecil Pigou and the benefit theory developed by Erik Lindahl. There is a later version of the benefit theory known as the "voluntary exchange" theory. Under the benefit theory, tax levels are automatically determined, because taxpayers pay proportionately for the government benefits they receive. In other words, the individuals who benefit the most from public services pay the most taxes. Here, two models adopting the benefit approach are discussed: the Lindahl model and the Bowen model.

2.1 Taxation management

Taxation management is a strategy where a person or company manages its business and other transactions or activities in such a way so as to make maximum use of tax holidays, exemptions concession, rebates, tax credits and deductible allowances available under law and as a result is able to derive the benefit of minimizing his tax liability.

According to Hoffman (1961 pg. 136), taxation, mostly are based on business or accounting concepts, thus a firm can modify such activities towards the attainment of reduction in tax liability. Hoffman identified some ambiguity and loopholes in tax laws due to unclear intentions of the legislators and concluded that successful tax schemes work with the legal concepts and precise working of the statute and complying with these concepts very precisely as it relates to individual firm tends to be advantageous to firms in for of tax savings despite the fact the organization faces challenges in managing the taxation system.

While taxation refers to the legal compulsory transfer of money from individuals and companies to the government as a source of revenue (Glickman, 2000 pg. 92). While Cossa defines taxation as the compulsory contribution of wealth of a person or body of persons for the service of the public powers. (H Glickman 2000 pg. 92) says that taxation is payment exerted by legislative authority and the first tax to be introduced was the retail sales tax which emerged in 1930s and was Levied on retail sales. Taxation is also a means by which the government gains revenue to finance its budget. The revenue collected goes into a vast number of items like deafening the potential for implementing certain policies, paying for public services and welfare benefits and the military.

2.2 Financial performance of organizations

Financial performance is the level of performance of a business over a specific period of time, expressed in terms of overall profits and losses during that time. Evaluating the financial performance of a business allows decision makers to judge the results of business strategies and activities in objective monetary terms (Adam Colgate 2010). A company's financial performance is shown by a financial statement which is drawn over a certain period of time, generally every fiscal quarter. The financial statement consists of three different statements which are; balance sheet, income and loss statement and the cash flow statement. Pitcher Partners 2015 defines financial performance as the way in which the people who comprise your organization work together. Are they working to maximum capacity and they highly motivated, if yes, the organization is made much easier and far more effective. Shawn Grimsely (2015) adds that performance refers to a combination of the organization's profitability, efficiency, and solvency and as well as market prospects and that every organization is designed because of a specific objective which can only be achieved if the project output comes as intended. Twinamasiko (2000) says that financial performance is the process of measuring the result of a firm's policies and objective operations in monetary terms . It is used to measure the firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation and therefore proper taxation management improves on the organization's financial performance.

It is the objective of every profit-oriented organization to attain financial performance, which is seen as the metric for assessing the effectiveness of management. Iswatia and Anshoria, (2007) posit that the ability of the organization to align the people and resources to tasks that are strategic for attaining organizational performance, in moral and ethical ways that ultimately leads to sustainable competitive advantage. In measuring organizational performance, managers use financial performance and non-financial performance to assess their ability and that of the whole organization in moving the business towards financial performance.

A study in South Korea by Lee, (2008) that relied on panel data for the country from 2000-2006 on the ownership structure of the organizations and financial performance, which revealed that firm performance, is attained at a hump-shaped level between the ownership structure concentration of the organization and firm performance. The study further provided some empirical results on the linkage between organizational ownership structure and firm performance, which showed a positive relationship. Another empirical study conducted in Greece by Liargovas & Skandalis, (2008) on factors that impact the financial performance of an organization by distinguishing it from the non-financial performance.

2.3 Effects of direct taxes on the financial performance

Direct tax is the tax which is levied or imposed on incomes and wealth of individuals (Mannasseh 2000 pg.42). He continues that direct tax can be levied on profits of the organization, companies or any business entity .However these taxes greatly affect their organizations' financial performance negatively and such taxes may include; corporate tax which is levied on profits of the organizations, income tax which is levied on the incomes of individuals or companies, capital gains tax which is levied on the increase of the monetary value of an asset between the time of acquisition and the time of disposal and graduated income tax which is imposed on incomes received by individuals either inform of incomes or properties such as rent or interest. However, these taxes reduce the profits of the organizations and sometimes may lead to closure of organizations due lack of liquidity to continue in operation (Gregory Mankiw 2009).

Djankor (2003) urges that corporate income tax greatly affects the financial performance of organizations since it reduces the profits of the organizations and this has hindered the growth of many infant organizations and in most times it leads to closure of such organizations while Wleibfritz (2008) argues that once taxes are imposed on capital assets like land and their property, the organizations will lack adequate funds to pay labor, and this implies that the organization's output will be low hence reduction in its market. Campy (1997 pg. 134) says that direct taxes are on the liability to pay principle and they work as disincentives to work harder and even more because that would mean paying more tax. Therefore, direct tax especially income tax have severely blunted incentives to work, save and invest which distort the performance of organizations and due to the above shortcomings, (radical tax restructuring law) was passed in 1986 to reduce the income tax rates and the organizations work hand in hands to ensure that the profits made meet the set standards and therefore is able to continue in operation.

According to Andreea Laura (2007) proposed a model that provide an optimal level of debt and found that the marginal benefit of debt is even worse, as the tax base is reduced by other noncash expenses deductible. According to the Modigliani-Miller, the firm is inversely proportional to the weighted average cost of capital. Therefore, changes in tax law that lowers tax rates should increase firm value. Consequently, Downs and Hendershott (1987) showed that changes to the tax legislation of 1986 tax reform would increase the value of companies from 10% to 13%. In 1987, Mauer and Lewellen conducted a study that showed the debt problem by increasing the long-term debt financing structure, a company becomes more valuable. In 1990, Mackie-Mason found that there is a substantial effect of taxation on the choice of financing structure. The organization is closer to the point where the source tax benefits are exhausted, the effect of tax savings is becoming increasingly important. In conclusion, each monetary unit must be assessed additional interest deducted using a marginal tax rate, which is a decreasing function of the interest charges.

In Romania, a recent study by Tatu Lucian (2006) tested the applicability of the Modigliani-Miller model in Fical conditions on Romania's case, taking into account the specific nature of the interest deductibility. Study results showed that the surplus value of a company indebted compared to unlevered one is influenced by the tax rate and the share of deductible interest expense Total interest. If all interest expenses would be tax deductible when not affect the company's financial structure.

Tax impact on the financial structure of the company is surprised and more recent studies (Wu and Yue, 2009), which examined such as adjust their capital structure of listed companies in China, in response to increasing the rate of profit . The conclusions were: increasing the rate has increased leverage which is correlated with the degree of access to bank loans, so the availability of funding sources may be an important determinant of capital structure. In Romania, for a company to fully benefit from interest deductibility must meet certain criteria. First indebtedness must be less than 3 (in which case interest is fully deductible expenses in the year in which it accrues) and secondly EBIT is positive and sufficient to cover interest charges and bank fees. Otherwise, the company may receive partial tax advantage. In addition to the financial structure, taxation influences the performance of business profits. Thus, with interest expense and depreciation expenses are deductible expenses that may influence the amount of income and hence tax due, depending on the policies of depreciation used. The analysis deductible expenses or tax incentives that can benefit companies are elements that may impact the tax liability of the company. Lead to a financial structure resulting tax savings due to the deductibility of interest expenses, bank fees and even due to the fact that they are tax deductible depreciation expense of investment projects which have probably been contracted loans more. Thus, in the presence of taxation of profits and debt conditions, the market value of capital increases by the amount of tax savings resulting from the deductibility of interest.

Large firms may have more political power to negotiate their tax burden, particularly through trade unions, because they are more mobile and have a greater impact on employment when moving or leaving a market. This theory of political power (Siegfried, 1972) predict that large companies face lower effective tax rate. On the other hand, political cost theory (Watts and Zimmerman, 1978) argue that because of the high visibility and control, large companies will end up paying a higher tax burden. Several authors have estimated directly the size of the Company's effective tax rate. Siegfried (1972) estimates such a relationship and although the results seem to be influenced by a large presence of large companies in some sectors, finds a negative relationship between size (measured by assets) and effective taxation. His results are consistent with the theory of political power and a similar relationship is also found by Pocarno (1986). Such a negative relationship is however in contrast with the findings of Zimmerman (1983), using U.S. data for 1948-1981 and believes that in 1971, the largest fifty companies were faced with significantly higher rates of tax actual profit which confirms rather political cost theory.

2.4 Factors Influencing Financial Performance of organisations

Liquidity

The current ratio is the common measure of liquidity. Liquidity is an important factor for the company in the capability of meeting the debt obligations by using the available cash and current assets that can be quickly turned into cash. The current ratio is measured by the current assets to current liabilities, The ratio shows the ability of the company to convert its assets into cash that can form part of the working capital. This working capital is a critical means towards attaining financial performance for the company. The ability of the company to convert assets into cash is equivalent to its ability to manage the working capital which has to be kept to normal levels to avoid the company in becoming insolvent. The liquid assets are useful for the company in times when external streams of finance to the company are not accessible, or the cost of using external finance is more than resorting to liquid assets to finance its operational expenses and investments. Liargovas and Skandalis (2008) are in support of holding higher liquidity as it served a contingency plan in dealing with the future uncertainties and kept as reserves that can be used in times of low earnings to settle short-term obligations for the company.

Leverage

Leverage is an important ratio measured by total liabilities to total assets, which the company makes use of debt in financing assets for the business pursuit of achieving favorable financial performance. Equity holders treat leverage as an alternative for claiming residual to boost their financial performance (Rajan and Zingales, 1995). The study by Aquino (2010) covered firms that are listed and unlisted on the stock exchange in the Philippines and concluded by showing a positive relationship between the company's high debt ratio and its growth rate and profitability. Research conducted by Joshua (2005) on financial leverage revealed a positive return on equity through utilization of the ratio of total debt to total assets. An empirical study on the impact of financial leverage on the company's investment decisions done by Aivaziana et al (2005), found a negative correlation, in which Ahna et al (2006) add that the negative correlations between financial leverage and investment decisions are much strategic considering that they occur in less important sectors of the economy than when they occur in core strategic sectors. According to Youmatelo (2012), investment decisions have been found by scholars to be affected negatively by the patterns of financial leverage, and there is the indication of motivated to not invest in capital assets when the total debts to total assets are higher in companies. The following proposition can be derived:

Asset utilization

Asset utilization as an organizational factor to determine the financial performance of the company is based on the clarification of assets that are crucial to the production or service processes necessary to drive the financial performance (Belanova, 2016). The consideration of asset utilization is significant towards identifying and measuring the capability and different functions of these assets owned by the company in ensuring the attainment of financial returns (Ellis, 1998). When assets are not effectively and efficiently utilized it leads to poor financial performance such as losses in the accumulation of revenue from investments. According to Fleming, Heaney and Mc Cosker (2005) posited that agency costs are highly to increase when assets are inefficiently and ineffectively utilized which is an indication of management not promoting the interests of the business owners. A study done by Okwo (2012) on fixed assets investment and its relation to the profitability of the company indicates a positive relationship between the two variables. While Xu and Xu (2013), based their research on testing the significance of achieving business performance from the optimal allocation of the assets structure and the statistical testing showed a significant correlation. Moreover, studies conducted by other various researchers have confirmed and affirmed the significant effect of efficient and effective utilization of assets on the financial performance of a company (e.g. Wu et al., 2010; Jose et al., 2010; and Seema et al., 2011). Based on the review above, the following can be tested:

Firm Size

The literature in the field proposes different results regarding the influence of so-called "size effect." The research conducted by Pervan (2012) found the negative relationship between the size of the firm and financial profitability. It is stated that due to the presence of high market power, firms can charge higher prices for their products and services in the market. Moreover, high profitability of the firm can be the result of the economies of scale of good negotiating power of the firm with the suppliers. Moreover, Numerous scholars studied the link between the size of the firm and the financial returns arising from it, e.g. an empirical study conducted by Vijayakumar and Tamizhselvan (2010) significantly proved that there is a positive link between the size of the firm and financial performance. The study focused on the profitability aspect of the financial performance and found that big business firms have resources and capability to make a profit for the long term compared to the capabilities of small firms that are more of short to medium term in effectuating profitability. The quantitative results and analysis study conducted on 3035 Greek manufacturing business firms by Papadognas (2007) revealed that the size classes of business firms were positively and somewhat proportionally linked to the firms' profitability. Lee (2009) also examined the sources of firms' profitability and the analysis revealed that one of the strategic sources of profitability was the size of the business firm, which positively influenced and plays an important role in opening streams of cash inflows and performance in general.

Market share position

The resource-based view (RBV) posits that differences in performance of firms are owing to the resource ownership. The resource-based view of the firm is not considered only as the pure theoretical structure, but also significant in formulating the long-term strategy of the firm. The main focus of the resource based view focuses on using and relying on efficient usage of the resources to establish the competitive advantage of the company (Isanzu, 2015). However, such resources should be valuable, rare, and not easy to imitate, and substitute. To validate the above view the following scholars have studied and tested it in various industries and found such link is positive. For example, Anderson (1988) validated in his study that the efficiency of the business firm in overall, be it gaining a large market share was highly dependent on its resources. Business firms gain market share position higher than their rivalries when their resource or products are superior to that of competitors in the hearts and minds of customers. Superior products of an organization significantly impact competitive advantage in a positive manner, which translates into financial performance.

A study conducted by Mc Taggart, Kontes and Mankins (1994) reveals that the favorable financial returns in various forms amount into an organizational value which depends on two factors, that is market share positioning and having the competitive advantage over its rivalries to gain higher returns along with economies of scale. The above argument is in line with that of Porter (1998) in competitive advantage, in which he argues that having the cost advantage and product differentiation build an organization's market share position that consequently leads to sustained financial performance. In support of this view, Grundy (2002) posits that financial performance can be sustained and improved by increasing the market share position, whereby an organization's objective is to be the leader in the market which should be characterized by the potential of increasing shareholder value in the process.

2.5 Influence of Indirect tax on financial performance of organizations

William (2001) defines an indirect tax is a tax collected by an intermediary (such as retail tax store) from the person who bears the ultimate economic burden of the tax. He continues that unlike direct tax, an indirect tax can be shifted to another person and it is imposed on goods consumed or raw materials used by the different organizations. However, this tax is reflected by the rise in the prices of goods and raw material hence making these goods expensive to the consumers. Federal income tax (1862 pg.52) has realized that application of indirect tax has grown from historical average of about 8% of the population to around 90% of the population paying it. An indirect tax can also be defined as the nature of tax that is levied on goods or services rather than individuals and is ultimately paid by consumers inform of higher prices and examples of indirect tax include, export duty which is imposed on goods leaving the producing country, import duty which is levied on goods entering the country, exercise duty which is imposed on locally produced goods and they are for domestic consumption, sales tax which is imposed on retail sales or traders. However (Dvivedi 1991 pg.51) says that all these taxes affect the organization’s financial performance since they reduce on the company’s equity and therefore failing to account for these taxes correctly can have a huge effect on business costs and cash flows and therefore expertise is highly sought after. He continues that Value Added Tax is the main discipline in the United Kingdom in which we find indirect tax specialists, but in addition there are experts in areas such as customs and exercise duty, insurance premium tax and export control to monitor and effectively manage the performance of organizations.

Alvarez and Marsal (2011 pg.72) says that their team is able to support organizations an all indirect tax issues that may affect them and any other businesses by providing executive compensation and benefits. They continue that a well-designed compensation and benefits package is an important component of an executive’s financial arrangement and an organization’s business strategy. This is because an executive benefit consulting brings experience and expertise in assisting companies to design and manage executive compensation and benefit programs to the victims.

While W.Leibfritz (1997 pg.44) says that indirect taxes affect the organization’s financial performance via their effects on capital, labor and markets because they increase the prices of consumption goods, raw materials and transport at large and therefore, a high indirect tax rate tend to increase the price of raw materials as well as labor force which lowers the organization's financial performance.

Thomas Griffith (2009) argues that because of inequality in the society significantly reduces happiness of people and therefore a progressive tax structure which redistributes income would increase welfare and happiness of individual as well as improving the financial performance of the infant industries since they would be subjected to a relatively lower tax rate. Thomas Piketty and Emmanuel Saez (1999) argue that decreased progressiveness in the United States tax policy increases income inequality and therefore emphasizes the use of progressive tax structure. Mieszkewski (1983 pg. 132) says that progressive tax is levied according to personal income that's to say, as personal income increases, tax rate also increases but as it decreases, tax rate also decreases and likewise organizations with progressing performance pay higher taxes than poorly performing organizations. Oates (2008 pg.32) says that the United States progressive income tax is effectively a means of income redistribution since companies with higher profits pay higher taxes than companies with less profits and therefore such a tax structure is in favor of poor performing companies since they pay low taxes and taxes collected from high income earners are used to fund social welfare programs that are used primarily by individuals who earn less as well as funding the infant industries.

Critics of the progressive tax consider it to be discriminatory and believe that a flat tax system which imposes the same tax on every individual or organization regardless of income is a fairer method of taxation since all individuals or organizations are treated equally. Vaillancourt (2006 pg. 19) say that the United States income tax is considered progressive where in 2010, organizations who earned up to $ 8375 profits fell into the 10% tax bracket, while individuals earning $373650 or more fell into the 35% tax bracket. Basically, tax payers are broken down into categories based on taxable income, the more one earns, the more taxes they will have to pay once they cross the benchmark cut- off points between the different tax bracket levels. He continues that increased progressiveness in United States tax policy in the post-world war 11 era has increased income equality by enabling the poor performing organization get access to capital. A report published by the OECD (2008 pg.39) presented empirical research showing a negative relationship between the progressivity of taxes and economic growth. Economist Gary Becker argues that progressive tax rates, while raising taxes on higher income, have the goal and corresponding effect of reducing the burden on low income thereby improving income equality and financial performance of infant organizations.

2.6 Conclusion

The available literature suggested that taxation management has an influence on the organizational financial performance, in cases where taxation management was recorded to be strong, it was discovered that the organization's financial performance was improving and therefore high profits were realized. Contrary, where taxation management was recorded to be weak, less profits were realized which indicates that the organization's performance is very poor. The available literature indicated that financial performance can only be guaranteed at an optimum level of taxation management but however, the available literature never indicates whether BIDCO (U) Limited was having problems in managing its tax structure. This made it more necessary for the researcher to continue and conduct this study.

CHAPTER THREE

3.0 METHODOLOGY

3.1 Introduction

This chapter presents the methods and instruments that were used to collect data. It presents the research design, study population, sampling techniques, data collection methods and instruments, data processing and analysis and the anticipated limitations of the study.

3.2 Research design

The research followed a cross sectional research design. This design was used because the study was largely descriptive and comparative basing on the views of respondents backed by secondary data, using both qualitative and quantitative data therefore the researcher used the cross sectional research design to collect information from different participants like the managers to provide information relating taxation management and financial performance of the company, the store manager to provide information on the company's financial performance is affected by taxes levied on the company. The researcher mainly used the descriptive design as it's the one requirement in reviewing different literature written on the topic by different authors and explaining the literature in relation to the current literature.

3.3 Study population

The study population consisted of the management, store managers, procurement managers and clerks. BIDCO (U) Limited constituted of 10 managers, 10 procurement managers, 10 clerks and 10 store managers and 20 other staff members from the organisation, the respondents were 60.

Table 3.1 showing population size

Categories	**Population**
Managers	10
Procurement managers	10
Clerks	10
Store managers	10
Other staff	20
Total	**60**

3.4 Sampling

3.4 Sampling techniques

The researcher used a stratified sampling technique; here the researcher divided the population into strata that is groups and from each stratum, simple random sampling was used to get responses from the respondents in each stratum. This was intended to add more value to the findings and this method was convenient.

3.5 Sampling size

Using Krejcie & Morgan table (1970), a sample size of 52 respondents was used with an average of all the respondents used by other researchers on the related topics of the respondents in each stratum. This was intended to add more value to the findings and this method is convenient.

Table 3.2 showing sample size

Categories	**Population**	**Sample size**
Managers	10	9
Store managers	10	8
Procurement managers	10	9
Clerks	10	8
Others employees	20	18
Total	**60**	**52**

3.6 Data sources and types.

The source of data was categorized into primary and secondary

3.6.1 Primary data

According to Ruston (2001), primary data is data that has been gathered for the first time, it has never been appeared anywhere. Primary data was collected from respondents through questionnaires, interview guides and few face to face interviews.

3.6.2 Secondary data

According to Ruston (2001), secondary data is data that is available or already reported by other people. Secondary data was collected from both internal and external source. The internal source includes data collected from different departments of the company whereas external source includes the internet, journals, newspapers, magazines and textbooks.

3.7 Data collection methods and instruments

3.7.1 Questionnaire

The researcher designed a set of questions and produce a questionnaire basing on the objectives of the study and research questions in chapter one. The questions were both open and close ended to enable the respondents express the views and opinions. The questionnaires was delivered to clients and employees / staff from BIDCO CO Ltd and then collected later and some were administered by the researcher personally.

3.7.2 Interview Methods

The researcher used interview method to obtain primary data. The interviews were both informal and formal with the respondents. Here the researcher visited the selected key participants during working hours and conduct interviews to seek clients and employees / staff from BIDCO CO Ltd opinion about taxation management and financial performance.

3.7.3 Documentary review Method.

Documentary review method was used to get the research proposal ideas and these include journals, text books, ministries' periodicals review reports and many others publications on taxation management on financial performance which the researcher sourced by himself so as to get relevant ideas of the study.

3. 7. 4 Observation

The observation method was basically for supplemental purposes. It helped the researcher to see events as they were happen, for instance complaints, long queues among others. Observation was of great importance to the researcher in that it helped her make independent judgments in scenarios of lies, false information or when the respondent has failed to understand the questions.

3.8 Data Processing Presentation and Analysis

Data collected from primary survey was compiled, sorted, edited, classified, coded into a coding sheet and analyzed using excel. Descriptive statistics described the data. Data was presented using frequency distribution tables.

3. 9 Reliability and validity of data

3.9.1 Reliability

This was the degree at which an instrument consistently measure data so as to come with corrective results. The trust worthiness of an instrument would be investigated by carrying out tests for instance using the test rest coefficient stability method which was more suitable for questionnaires (Linken 2005).

3.8.2 Validity

This involved measuring and producing accurate results (appropriateness of an instrument). Instruments were tested to investigate their appropriateness that is to say an instrument's ability to avail the researcher with findings that were in agreement with both the conceptual and theoretical values of the study Rugoft (2015).

3.9 Limitations of the study

3.9.1 Limited financial Resources

The researcher was constrained by the limited financial resources. However, efforts were made to try out a reasonable piece of work out of what was available.

3.9.3 Unwillingness to Respond

The researcher encountered the problem of poor response by the respondents. This delayed the exercise. However, through physical contacts by the researcher and the respondents, this helped to motivate the respondents.

CHAPTER FOUR

DATA PRESENTATION AND INTERPRETATION OF FINDINGS

4.0 INTRODUCTION

This chapter covers the presentation and interpretation of findings as revealed from the field study. The findings were presented according to the objectives that guided this study; these were to identify effects of direct tax on financial performance, factors influencing financial performance of organisation and the influence of indirect tax on financial performance.

Findings on Response

Table 1 showing the response rate

Category of respondents	Frequency	%
Staff/employees	35	67
Tax officials	17	33
Total	**52**	**100**

From the table 1 all questionnaires distributed were filled and collected. Thus the researcher obtained over 67 % response rate from the staff members and 33% from the tax officials. This implies that data obtained was adequate and sufficient to find to the research problem.

Gender of all respondents

Table 2: Showing Gender of Respondent

Gender	Frequency	Percentage%
Male	40	77
Female	12	23
Total	52	100

Source: Primary Data.

From table 2: 77% of the respondents were male and 23% of the respondents were female, therefore, this meant that more males were more engaged in BIDCO Company operations than Female.

Age groups of respondents

Table 3: Showing age group respondents

Age group	Frequency	Percentage
Below 20 yrs.	1	2
20 to 30 year	26	50
31 to 40 years	20	38
41 + years	5	10
Total	**52**	**100**

Source: Primary Data.

From table 4, 2% of the respondents were below 20 years, 50% lie between 20- 30 years, 38% lie between 31-40 years and 10 % were 40 years and above.

Education level of all respondents

Table 4 showing education level of all respondents

Education level	Frequency	Percentage
Certificate	1	2
Diploma	10	19
First degree	26	69
Masters	5	10
Others	-	-
Total	52	100

Source: Primary Data

From table 5, 2% of the respondents were holding a certificate, 19% were having a diploma, 69% of the respondents were holding a first degree, and 10% were having masters. This implied that all the respondents were educated and study findings can be relied on.

4.1 Finding on Taxation Management

Table 4.1 Showing responses on taxation management

Items	SA		A		NS		D		SD		Total
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	
Taxation are mostly based on accounting concepts	15	**30**	35	**67**	2	**3**					**52**
Loopholes in tax laws are due to unclear intentions of the legislators	2	**3**	40	**78**	10	**19**					**52**
Successful tax schemes work with the legal concepts	35	**68**	10	**19**	2	**3**	5	**10**			**52**
Taxation is a mean by which government gains revenue to finance its budget	48	**92.5**	4	**7.5**							**52**

Source: Primary data

From table 4.1 it was found out that 30% of the respondents strongly agreed, 67% of the respondents agreed, 3% of respondents were not sure. This implied that taxes is assessed basing on the accounting concepts.

From table 4.1 findings shows that 3% of the total respondents strongly agreed that loopholes in tax laws are due to unclear intentions of the legislators, 78% of the respondents agreed and 19% of the respondents were not sure. This implied that loop holes in tax laws are just because of the unclear intentions legislators have toward tax payers, and failure of tax payers to pay taxes is as result of the tax legislators.

From table 4.1 it was found that 68% of the respondents strongly agreed that Successful tax schemes work with the legal concepts, 19% of the respondents agreed, 3% of the respondents were not sure, 10% of the respondents disagreed and this implied that a successful tax must be legally acceptable/recognised in Laws of the country and this evidences successful tax schemes are working under legal concepts.

From table 4.1 it was found that 92.5% of the total respondents strongly agreed that Taxation is a mean by which government gains revenue to finance its budget, 7.5% of the respondents agreed and this implied that government collects taxes from the public to finance its activities such constructing road.

4.2 Finding on Financial Performance of organisation

Table 4.2 Showing responses on Financial Performance of organisation

Items	SA		A		NS		D		SD		Total
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	
Financial performance of a business allows decision makers to judge the results of business strategies and activities	10	**19**	30	**58**	8	**15**	-	-	4	**8**	**52**
A company's financial performance is shown by a financial statement	2	**4**	50	**96**	-	-	-	-	-	-	**52**
Managers use financial performance and non-financial performance to assess their ability and the whole organisation	40	**77**	12	**23**		-	-	-	-	-	**52**

Firm's performance is attained at hump shaped level between the ownership structure concentration of organisation	5	**10**	30	**57**	10	**19**	5	**10**	2	**4**	**52**
There is positive relationship/linkage between organisational ownership structure and firm performance	10	**19**	25	**48**	15	**29**	-	-	2	4	**52**

Source: Primary Data

From table 4.2 it was revealed that 19% of the total respondents strongly agreed, 58%of the respondents agreed, 15% of the respondents were not sure and 8% of the respondents strongly disagreed. This implied that financial performance of a business allows decision makers to judge the results of business strategies and activities this is due to the fact books of accounts portrays the financial position of the organisation and the financial performance trends over the last years.

From table 4.2 findings shows that 4% of the total respondents strongly agreed and 96% of the respondents agreed and this implied that company's financial performance is shown by a financial statement this is due to fact that it contains all business transaction carried annually by the organisation.

From table 4.2 it was revealed that 77% of the total respondents strongly agreed, 23% of the respondents agreed. This implied that Managers use financial performance and non-financial performance to assess their ability and the whole organisation, this is because every target of a manager in an organisation to make the organisation prosper and financially perform well.

From table 4.2 findings shows that 10% of the total respondents strongly agreed, 57% of the respondents agreed, 19% of the respondents were not sure, 10% of the respondent disagreed, and 4% of the respondent strongly disagreed. This implied that firm's performance is attained at hump shaped level between the ownership structure concentrations of organisation.

From table 4.2 it was revealed that 19% of the respondents strongly agreed, 48% of the respondents agreed, 29% of the respondents were not sure and 4% of the respondents strongly disagreed. This implied that there is positive relationship/linkage between organisational ownership structure and firm performance since the ownership are the major determinants of capital to put in the business operations.

4.3. EFFECTS OF DIRECT TAX ON FINANCIAL PERFORMANCE

Table 4.3 showing the responses on the effects of direct tax on financial performance

Items	SA		A		NS		D		SD		Total
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	
Direct tax can be levied on profits of an organisation	20	**38**	15	**29**	10	**19**	5	**9**	2	**4**	**52**
Direct taxes greatly affect organisational financial performance negatively	5	**9**	40	**77**	2	**4**	5	**9**			**52**
Direct taxes lead to closure of organisations due to lack of liquidity to continue operation	10	**19**	5	**9**	10	**19**	15	**28**	12	**23**	**52**
Direct taxes greatly affects the financial performance of organisations since it reduces profits of the organisation	40	**77**	5	**10**	7	**13**	-	-	-	-	**52**
Direct taxes increases organisation burden of collecting it from its	7	**13**	40	**77**	5	**10**	-	-	-	-	**52**

sales											

Source; *Primary Data*

From table 4.3 it was revealed that 38% of the respondents strongly agreed, 29% of the respondents agreed, 19% of the respondents were not sure, 9% of the respondents disagreed, and 4% of the respondents strongly disagreed. This implied that direct tax is levied on profits of an organisation, this is because tax authorities levy taxes on profits basing on the profits realised in the financial year.

From table 4.3 it was revealed that 9% of the respondents strongly agreed, 77% of the respondents agreed, 4% of the respondents were not sure, 9% of the respondents disagreed. This implied that direct taxes greatly affect organisational financial performance negatively, this is because direct taxes increase prices of goods and reduces profits that is realised.

From table 4.3 it was revealed that 19% of the respondents strongly agreed, 9% of the respondent s agreed, 19% of the respondents were not sure, 28% of the respondents disagreed, and 23% of the respondents strongly disagreed. This therefore implied that direct taxes lead to closure of organisations due to lack of liquidity to continue operation.

From table 4.3 it was revealed that 77% of the respondents strongly agreed, 10% of the respondents agreed, 13% of the respondents were not sure. This implied that direct taxes greatly affect the financial performance of organisations since it reduces profits of the organisation.

From table 4.3 it was revealed that 13% of the respondents strongly agreed, 77% of the respondents agreed, 10% of the respondents were not sure. This implied that Direct taxes increases organisation burden of collecting it from its sales since it is charged on the price of goods which sometimes reduces the customers of the product and hence low sales realization.

4.4. FACTORS AFFECTING FINANCIAL PERFORMANCE OF ORGANISATION

Table 4.4 showing the responses Factors Affecting Financial Performance of Organisation

Items	**SA**		**A**		**NS**		**D**		**SD**		**Total**
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	
Liquidity is an important factor for the company in capability of meeting the debt obligation	15	29	25	48	10	19	-	-	2	4	**52**
Asset utilisation is an organisation factor that determine the financial performance of company	23	44	27	52	7	13	5	10	-	-	**52**
Leverage is an important ratio measured by total liabilities to total assets	38	73	14	27	-	-	-	-	-	-	**52**
The increase in firm production helps to increase in the income/revenue of the organisation	50	96	2	4	-	-	-	-	-	-	**52**

Source: Primary Data

From table 4.4 it was revealed that 29% of the total respondents strongly agreed, 48% of the respondents agreed, 19% of the respondents were not sure, 4% of the respondents strongly disagreed. This implied that Liquidity is an important factor for the company in capability of meeting the debt obligation.

From table 4.4 it was revealed that 44% of the respondents strongly agreed, 52% of the respondents agreed, 13% of the respondents were not sure, 10% of the respondents disagreed and this implied that asset utilisation is an organisation factor that determine the financial performance of company since the extent of usage of assets determines the level of sales.

From table 4.4 it was revealed that 73% of the respondents strongly agreed that leverage is an important ratio measured by total liabilities to total assets, 27% of the respondents agreed. This implied that Leverage is an important ratio measured by total liabilities to total assets and therefore determines the level of financial performance

From table 4.4 it was revealed that 96% of the respondents strongly agreed that the increase in firm production helps to increase in the income/revenue of the organisation, 4% of the respondents agreed and this implied that the increase in firm production helps to increase in the income/revenue of the organisation, this is due to fact that in sales hence increasing revenue to the company.

4.5. INFLUENCE OF INDIRECT TAX ON FINANCIAL PERFORMANCE OF ORGANISATIONS

Table 4.5 Showing the responses Influence of indirect tax on financial performance of organisations

Items	**SA**		**A**		**NS**		**D**		**SD**		**Total**
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	
Indirect taxes is imposed on goods consumed or raw material used by different organisations	10	**19**	40	**77**	2	**4**	-	-	-	-	**52**
Indirect taxes is reflected by the rise in the prices of goods hence making them expensive	2	**4**	50	**96**	-	-	-	-	-	-	**52**
Indirect taxes tend increase the price of raw materials as well as labour force which lowers organization's financial performance	40	**77**	5	**9.5**	5	**9.5**	2	**4**	-	-	**52**
Application of indirect tax has grown from historical average	30	**58**	10	**19**	10	**19**	-	-	2	**4**	**52**
Indirect taxes affect the organization's financial performance since they reduce on the company's equity	15	**29**	20	**38.5**	10	**19**	5	**9.5**	2	**4**	**52**

Source: Primary Data

From table 4.5 findings indicates that 19% of the total respondents strongly agreed, 77% of the respondents agreed, 4% of the respondents were not sure. This implied that Indirect taxes is imposed on goods consumed or raw material used by different organisations which turn leads to high costs of production of a commodity hence increasing prices of a product and reducing sales as well as revenue.

From table 4.5 it was found that 4% of the respondents strongly agreed and 96% of the respondents agreed. This therefore implied that Indirect taxes is reflected by the rise in the prices of goods hence making them expensive, this is from the fact that it is deducted on the raw materials and other production equipments that make a good.

From table 4.5 it was found that 77% of the respondents strongly agreed, 9.5% of the respondents agreed, 9.5% of the respondents were not sure, 4% of the respondents disagreed. This implied that Indirect taxes tend increase the price of raw materials as well as labour force which lowers organization's financial performance.

From table 4.5 it was found that 58% of the respondents strongly agreed, 19% of the respondents agreed, 19% of the respondents were not sure, 4% of the respondents strongly disagreed, and this therefore implied that Application of indirect tax has grown from historical average.

From table 4.5 it was found that 29% of the respondents strongly agreed, 38.5% of the respondents agreed, 19% of the respondents were not sure, 9.5% of the respondents disagreed, 4% of the respondents strongly disagreed. This implies that indirect taxes affect the organisation's financial performance since they reduce on the company's equity.

CHAPTER FIVE

5. 0 SUMMARY, CONCLUSION AND RECOMMENDATION OF FINDINGS

5. 1 Introduction

This chapter provided a summary of the research findings, conclusion and recommendations from the study.

5. 2 Summary of Research Findings

5.2.1 Taxation management

Findings showed that Taxation are mostly based on accounting concepts, Loopholes in tax laws are due to unclear intentions of the legislators as stated by Hoffman (1961), Successful tax schemes work with the legal concepts and taxation is a mean by which government gains revenue to finance its budget (Glickman 2000)

5.2.2 Financial performance

Financial performance of a business allows decision makers to judge the results of business strategies and activities as recommended by (Adam Colgate 2010), a company's financial performance is shown by a financial statement, and Managers use financial performance and non-financial performance to assess their ability and the whole organisation (Anshoria 2007)

Firm's performance is attained at hump shaped level between the ownership structure concentrations of organisation and there is positive relationship/linkage between organisational ownership structure and firm performance (Lee 2008).

5.2.3 Effects of direct taxes on financial performance

Direct tax can be levied on profits of an organisation and Direct taxes greatly affect organisational financial performance negatively as stated by (Manasseh 2000), Direct taxes greatly affect the financial performance of organisations since it reduces profits of the organisation and Direct taxes increases organisation burden of collecting it from its sales (Djankor 2003)

5.2. 4 Factors affecting financial performance of organisation

Liquidity is an important factor for the company in capability of meeting the debt obligation as recommended by (Skandalis 2008) and Asset utilisation is an organisation factor that determines the financial performance of company (Belanova 2016). Leverage is an important ratio measured by total liabilities to total assets and the increase in firm production helps to increase in the income/revenue of the organisation (Pervan 2012)

5.2.3 Influence of indirect taxes on financial performance

Indirect taxes is imposed on goods consumed or raw material used by different organisations, indirect taxes is reflected by the rise in the prices of goods hence making them expensive (William 2001), Indirect taxes tend increase the price of raw materials as well as labour force which lowers organization's financial performance, Application of indirect tax has grown from historical average as stated by federal income tax (1862), and Indirect taxes affect the organization's financial performance since they reduce on the company's equity

5.3 Conclusion

The study also revealed that there is a strong positive relationship between Taxation management and the financial performance of organizations. This implies that better Taxation management techniques are accompanied with higher financial performance levels likewise; poor Taxation management techniques are reflected by poor financial performance levels.

The findings revealed that the company's financial performance level is still low and also the company has not been able to balance between its profits and losses which greatly affects the financial performance of the company. This calls for the attention of the company in order to enhance higher financial performance levels. Taxation management at Bidco (U) Limited has not been properly practiced according to the findings. Bidco (U) Limited does not employ the best techniques in managing Taxation system and this has hindered the company from meeting the customers' demands in time.

5.3 Recommendations

The company should maintain better Taxation management techniques like filing tax returns on time to avoid tax penalties.

The company should maintain proper taxation management levels to increase on the company's working capital.

The company should also train its employees or staff members on taxation management techniques in order to avoid poor taxation management

The company should be in position to balance between its profits and losses and should also have plans for the losses it makes.

The company should increase on its distribution channels so that customers can access products anywhere because this will increase the sales of BIDCO (U) Limited and hence making more profits.

The company should plan for its profits effectively and reinvest the accumulated profits in the company.

The company should put in place procedures that will help the company in linking Taxation management and financial performance levels

Areas for further Research

- Taxation management and financial performance of organizations in government parastatals
- Employee motivation and financial performance
- National identification and Taxation management.

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QUESTIONNAIRE

Dear Sir/Madam

I am a student of Muteesa 1 Royal University carrying out a research study on Taxation management and financial performance of organizations. I humbly request you to fill in this questionnaire, it’s entirely for academic purposes and the information therein will be treated with utmost confidentiality.

PART A: DEMOGRAPHIC CHARACTERISTICS

1. Gender

(a) Male ☐ (b) Female ☐

2. Age

(a) Up to 25 years ☐ (b) 26-30 years ☐ (c) 31-40 years ☐

(d) 41years and above ☐

3. Education background

(a) Degree ☐ (b) Masters ☐ (c) Diploma ☐ (d) Others ☐

PART I: TAXATION MANAGEMENT

Please Tick the appropriate alternative

Key; where 1-strongly agree, 2- agree, 3-not sure, 4-strongly disagree 5-disagree

Items	**1**	**2**	**3**	**4**	**5**
Taxation are mostly based on accounting concepts					
Loopholes in tax laws are due to unclear intentions of the legislators					
Successful tax schemes work with the legal concepts					

Taxation is a mean by which government gains revenue to finance its budget					

PART II: FINANCIAL PERFORMANCE OF ORGANISATION

Please Tick the appropriate alternative

Key; where 1-strongly agree, 2- agree, 3-not sure, 4-strongly disagree 5-disagree

Items	**1**	**2**	**3**	**4**	**5**
Financial performance of a business allows decision makers to judge the results of business strategies and activities					
A company's financial performance is shown by a financial statement					
Managers use financial performance and non-financial performance to assess their ability and the whole organisation					
Firm's performance is attained at hump shaped level between the ownership structure concentration of organisation					
There is positive relationship/linkage between organisational ownership structure and firm performance					

PART III: EFFECTS OF DIRECT TAX ON FINANCIAL PERFORMANCE

Please Tick the appropriate alternative

Key; where 1-strongly agree, 2- agree, 3-not sure, 4-strongly disagree 5-disagree

Items	**1**	**2**	**3**	**4**	**5**
Direct tax can be levied on profits of an organisation					
Direct taxes greatly affect organisational financial performance negatively					
Direct taxes lead to closure of organisations due to lack of liquidity to continue operation					
Direct taxes greatly affects the financial performance of					

organisations since it reduces profits of the organisation					
Increase in the tax rates increases leverage of an organisation					
Direct taxes increases organisation burden of collecting it from its sales					

PART IV: FACTORS INFLUENCING FINANCIAL PERFORMANCE OF ORGANISATIONS

Please Tick the appropriate alternative

Key; where 1-strongly agree, 2- agree, 3-not sure, 4-strongly disagree 5-disagree

ITEMS	**1**	**2**	**3**	**4**	**5**
Liquidity is an important factor for the company in capability of meeting the debt obligation					
Asset utilisation is an organisation factor that determine the financial performance of company					
Leverage is an important ratio measured by total liabilities to total assets					
The increase in firm's production helps to increase in the income/revenue of the organisation					

PART V: Influence of indirect tax on financial performance of organisations

Please Tick the appropriate alternative

Key; where 1-strongly agree, 2- agree, 3-not sure, 4-strongly disagree 5-disagree

ITEMS	**1**	**2**	**3**	**4**	**5**
Indirect taxes is imposed on goods consumed or raw material used by different organisations					

Indirect taxes is reflected by the rise in the prices of goods hence making them expensive					
Indirect taxes tend increase the price of raw materials as well as labour force which lowers organization's financial performance					
Application of indirect tax has grown from historical average					
Indirect taxes affect the organization's financial performance since they reduce on the company's equity					