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An Empirical Analysis Of Accounting Estimates And Profitability Of Quoted Firms In The Consumer Goods Sector In Nigeria

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ABSTRACT

The study empirically investigated the effect of accounting estimates on the profitability of quoted firms in the consumer goods sector in Nigeria. To evaluate the effect of accounting estimates on profitability, the study employed estimates for depreciation, estimates for current tax, estimates for deferred tax and estimates for pension liabilities as dimensions of accounting estimates whereas operating profit margin (OPM) was used as a measure of profitability. The study is hinged on the agency theory while the ex-post research design was adopted for the study. All firms listed and categorized under the consumer goods sector formed the population of the study. The convenience sampling method was used to determine the sample size based on data availability. Secondary data covering the period 2013 to 2019 were obtained published financial statements and used for the study. The results of the analyses indicate that a strong, negative and significant relationship exists between estimates for depreciation provisions, estimates for current tax provisions, estimates for deferred tax provisions and estimates for pension liabilities and operating profit margin and that the measures of the independent variables accounted for 97.7% of changes in operating profit margin and hence the profitability of firms quoted in the in the consumer goods sector in Nigeria. Furthermore, all dimensions of accounting estimation uncertainties except estimates for depreciation and estimates for bad and doubtful debts significantly influenced ROA. The study concluded that accounting estimates have an inversely significant effect on the profitability of quoted firms operating in the consumer goods sector in Nigeria. The implication is that a unit rise in the measures of accounting estimates will result in a proportionate decrease in profitability and vice versa. The study recommends that managers should determine the values of financial statement items that lack precise measurement in line with the provisions of IFRSs and such estimates should be subject to robust external audit scrutiny to ascertain their appropriateness for inclusion in annual financial statement.

Keywords: Accounting Estimate, Profitability, Operating Profit Margin, Depreciation, Pension, Current tax and Deferred tax

1.1 INTRODUCTION

Financial statements provide the basis for the diagnosis of the financial condition and general state of affairs of an entity. The management of entities have the responsibility of preparing and fairly presenting financial statements reporting the economic events and transactions that had occurred during the reporting period. Managers of companies communicate the financial performance, financial position, cash flows and changes in financial position through financial statements to users to enable them take economic decisions

Financial statements are reports showing the financial status and operational results of business entities. In their arguments, Akenbor and Kiabel (2014) stated that information contained in financial statements have effects on the economic decisions made by those connected with the business. The primary purpose of financial reporting is to provide financial information that is useful and relevant to economic decision making (IFRS Foundation 2015).

For financial statements to fulfil the objectives of relevance, reliability and faithful representation, all input variables and accounting figures should reflect, in a truthful and objective manner, the economic events and transactions, being free from stakeholders' biases and material misstatement. The challenge before preparers of financial reports is to ensure that all financial figures in the financial statements meet recognition and measurement criteria as prescribed by the IFRSs and disclosure requirements by other national regulatory authorities.

However, there are items of financial statements that lack objective and precise recognition and measurement. Infant, majority of input values in financial statement are estimates (Beechy, 2005). Items of financial statements that lack precise value measurement include but not limited to assets' depreciation, measurement of impairment losses, making of warranty provisions, estimation of the closing inventories, estimation of assets' economic lives, reserves recognition, determination of bad and doubtful debt provisions, estimation of employees' retirement benefit obligation, valuation of intangible non-current assets, recognition of trade receivables and payables (Nangih, Onuora, and Okafor, 2021).

Reporting standards permit managers to rely on their discretion, judgments, approximations and estimations based on available information and experience to determine the values and accounting amounts of these items. The leverage given to management to determine the financial values of items of uncertain and imprecise amounts could lead to arbitrariness, biases and wilful manipulations by managers to achieve a pre-determined reporting goals and hence expose financial statements to material misstatements (Raubenheimer, 2012).

In his submission, Chukwu (2006) the use of financial statements in financial statements makes it difficult to ascertain with certainty the financial effects of estimated items since majority of the amounts recognized and reported in the financial statements now are estimated in one form or the other. Furthermore, the financial estimates are products of management judgment and most management discretions and do not accurately represent the financial reality of the entity (IFRS Foundation; 2015).

Accounting estimates can and do affect the reported results of companies. Due to their subjective and relative nature, accounting estimates can become and do serve as veritable tool for manipulative accounting, performance results distortions and concealment of the financial realities and true state of affairs of a reporting entity. Unethical management teams could rely on accounting estimates to pursue the realization of benefit based performance target, communicate false results to shareholders, avoid or reduce tax liabilities, hide red financial signals in the company and effectively undermine the interest of stakeholders in the entity.

Nigeria and other economies had experience the failure high profile companies with its attendant adverse economic and social consequences. At the root of these corporate failures is the abuse and unethical use of accounting estimates. For instance, the Enron and Cadbury Nigeria Plc scandals were largely caused by the criminal misuse of accounting estimates. Accounting estimates are abused if mode of their recognition and measurement do not comply extensively with the criteria set by the IFRSs, requirements of national financial regulators and preservation and promotion of the interests of the equity holders in the organization. Strict adherence to full disclosures as advocated by the IFRSs and other reporting guide documents is essential to preventing the abuse of accounting estimates. This way reported profit or loss of an entity will objectively reflect the reality of the financial events and transactions of the company.

Several studies have been undertaken by seasoned scholars to empirically investigate the various problems associated with the use of accounting estimates in financial statements. For example, Anichebe and Nangih (2021), Nnah (2017), Akenbor and Kiabel (2014) examined the effect of accounting estimates on financial statements and found accounting estimates to have positive and very strong significant effect on the quality and credibility of financial statements. This study focused on the consumer goods sector of the Nigerian economy. To the best of the researchers' knowledge, no known study has investigated the consumer goods sector in Nigeria with regards to the influence of accounting estimates on profitability. To this end, the study seeks to empirically investigate the effect of accounting estimates on the profitability of firms quoted in the consumer goods sector in Nigeria.

1.2 Statement of the Problem

One of the core of objectives of corporate businesses is to maximize shareholders' wealth by undertaking profitable investments. The need for corporate businesses to operate at profit cannot be over-emphasized. Besides, shareholders' value increment, corporate profitability measures an entity's management's efficiency in terms of resources allocation and signals the wellbeing of the organization. Corporate businesses make profit when the revenue and income earned in a reporting period exceeds the costs and expenses incurred to generate the revenue and income when matched together.

Corporate profitability is usually reported through the annual financial statements of the entity. The management of a company has the sole responsibility of preparing and fairly presenting its financial reports. The preparation and presentation of the financial statements of a company is statutory requirement every corporate business is expected to fulfil. The minimum requirements for the preparation of the annual reports of companies in Nigeria are clearly defined by the International Financial Reporting Standards (IFRSs) and rules of national financial regulatory bodies and the Nigerian Stock Exchange.

Managers are agents and stewards of shareholders. Financial statements prepared by them are accountability and stewardship reports should be relevant, reliable and truthfully communicate financial information about the entity to support economic decisions by shareholders and others users. Relevant and reliable financial statements are prepared in strict compliance with applicable IFRSs. The financial amounts in financial reports should be objectively determined, free from management biases and truthfully represent the economic events and transactions they purport to represent.

However, it is improbable to objectively determine the financial amounts of all financial statement items. The financial values of certain items of financial statements cannot be measured with precision. Financial statement items such as depreciation provisions, current tax provisions, deferred tax precisions, provisions for bad and doubtful debts, contingent gains and losses, warranty estimates and several others lack objective, accurate and precise measurement criteria. Consequently, reporting standards permit management to determine the financial amounts of these items that are associated with estimation uncertainties based on available information and experience. Thus, management relies on its judgments, assumptions and estimates to determine the financial values of these financial statement items.

The values ascribed to financial statement items that cannot be measured with precision are otherwise described as accounting estimates. Since these amounts are products of management's judgments, they are usually fraught with arbitrariness, biases and abuses. These financial figures cannot be said to have been objectively determined or truthfully representing the economic events or transactions they purport to represent. In the final analysis, accounting estimates if abused, affects a firm's reported performance results as measured by the firm's profitability figures and may conceal the true state of affairs in the firm.

Reports of financial scandals and corporate failures both within and outside Nigeria had been on the rise. Although several economic, political, environmental, technological and governance factors contribute to corporate crises in Nigeria, the study set out to investigate factors responsible for business collapses in Nigeria from "accounting and financial reporting perspective**."** The researcher was concerned that although businesses post high performance results in terms of profitability, the performance outcomes do not reflect in returns to shareholders, increase in the equity values of the firms and strong cash flows and liquidity position of the entities.

Whereas corporate entities operating in the consumer goods sectors of the Nigerian economy report healthy performance status as shown in their profitability, there has been incidences of increase in business collapses. The collapse of Enron, Worldcom, Caldbury Nigeria and others are reference cases. Holding other factors constant, the study intended to empirically investigate the extent to which accountants' and preparers of financial statements unethical abuse of accounting estimates and management judgments influence reported results of firms, conceal their unhealthy financial state and possibly lead to their failures.

Specifically, the researcher was motivated by the need to empirically investigate and unravel the paradox of high profitability and high corporate failures, the irony of high profitability and declining returns to shareholders, the puzzle of high profitability and weak liquidity and cash flow profile with focus on the contributions of preparers of financial statements via the use of management's judgments, assumptions and estimates also known as accounting estimates.

1.2 Aim and Objectives of the Study

The aim of this study is to empirically investigate the effect of accounting estimates and profitability of quoted consumer goods firms in Nigeria. The broad and specific objectives of the study are to:

1. evaluate the effect of estimates for depreciation and operating profit margin of quoted firms in the consumer goods sector in Nigeria.
2. examine the effect of estimates for current tax and operating profit margin of quoted firms in the consumer goods sector in Nigeria
3. investigate the effect of estimates for deferred tax and operating profit margin of quoted firms in the consumer goods sector in Nigeria
4. assess the effect of estimates for pension liabilities and operating profit margin of quoted firms in the consumer goods sector in Nigeria

1.3 Research Hypotheses

Based on the objectives of the study, the following hypothetical propositions were formulated:

$H0_1$: Estimates for depreciation do not significantly affect operating profit margin of quoted firms in the consumer goods sector in Nigeria

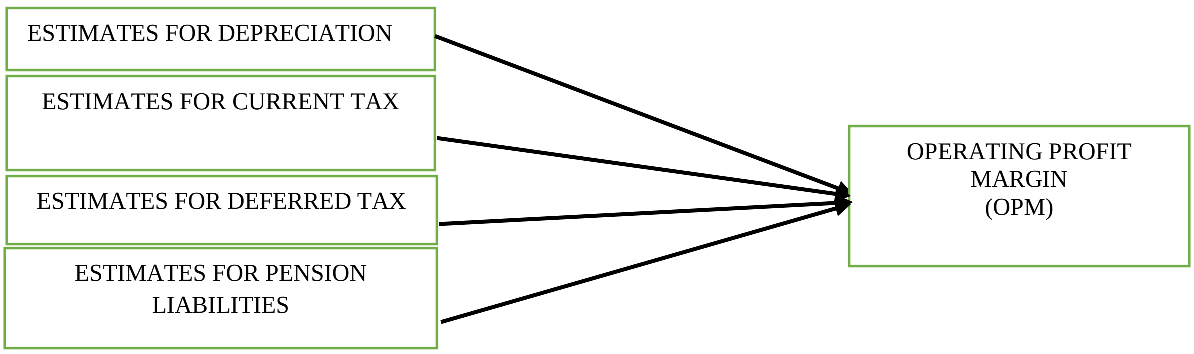
$H0_2$: Estimates for current tax have no significant effect on operating profit margin of quoted firms in the consumer goods sector in Nigeria

$H0_3$: Estimates for deferred tax do not significantly influence operating profit margin of quoted firms in the consumer goods sector in Nigeria

$H0_4$: Estimates for pension liabilities have no significant effect on operating profit margin of quoted firms in the consumer goods sector in Nigeria

1.4 Conceptual Framework

Conceptual Framework of Accounting for Estimation Uncertainties and Financial Performance of Quoted Consumer Goods firms in Nigeria.



2.0 REVIEW OF RELATED LITERATURE

2.1 Theoretical Review

The agency theory is based in the relationship between principals and agents. According to this theory the principal delegates decision making powers to the agent under a contract. Jensen et.al (1979) defined the principal-agent relationship as a contract under which one or more persons (principals) engages another person (the agent) to perform some services on their behalf, which involves giving some decision making authority to the agent. In the principal agent relationship, the agent is expected to work for the interest of his principal and should not allow his personal interest to conflict with the interest of the principal. However, recent findings reveal that the avoidance conflict of interest between the agent and his principal is becoming a challenge. Sometimes, information asymmetry and greed lure management into pursuing personal pecuniary goals contrary to the objective of the principal that appointed him. According to Clarke (2004) conflict of interest or lack of goal congruence between management and the shareholders is an agency problem.

Agency relationship between shareholders and agents arises when shareholders delegate the administration of an entity to management, thus making management the agent of the shareholders. Generally, management is expected to work for and pursue the maximization of the wealth of the shareholder (Clarke, 2004).

Agency relationship has its fair share of challenges. Problems of shareholder – management relationship come in different forms. For instance, in pursuit of benefit based targets, management may adopt and abuse the use of accounting estimates to either inflate or reduce actual performance results depending on which direction of the swing satisfies their private pecuniary interest. The manipulation of actual results to gain benefits that are tied to target realization hurts the interest of the shareholders and could lead to value decline and possible loss of investment.

In carrying out its agency roles, management should ensure that all actions and decisions taken are in the best interest of shareholders and that such decisions result in wealth maximization for the owners of the business. Management should avoid the abuse of accounting estimate in order to prevent the concealment of the true state of affairs in the company or the attraction of tax related punitive measures from the government due unethical business practices

2.2 Conceptual Review

Financial statement inputs that cannot be measured with precision are described as accounting estimates. Since exact and accurate amounts cannot be attributed to such financial statement items, their values can only be estimated by management based on available and relevant information. The subjective nature and reliability of information upon which management relies to make estimates for uncertain financial statement input items varies significant among reporting entities, and hence affects the extent of estimation uncertainty inherent in accounting estimates. The amount of estimation uncertainty affects, in turn, the risks of material misstatement of accounting estimates, as well as their vulnerability to unintentional or intentional management bias. Consequently, financial statements may conceal the actual state of affairs of an entity, thereby falling short of its true and fair view disclosure requirements.

According to Anichebe and Nangih (2021), opined that virtually all amounts reported in the statement of financial position are estimated. Accounting estimates are products of management guesses, judgments, assumptions and approximation of values of economic events and transactions that lack precise measurement. Management and professional judgments some of the times is driven by interests different from the strategic objective of the entity. As a result, management can deploy accounting estimates tools to manipulate financial statements to achieve their bias and pecuniary end.

,Anichebe and Nangih (2021), in their study established that financial statements can be manipulated through the use of accounting estimates. Executives by virtue of the positions they occupy can and do have the opportunity to manipulate numbers in financial statement and thus mislead equity holders about the underlying economic performance and positions of the firm. The manipulation of accounting numbers in the financial statement from what they actually are to what management wants them to be by taking advantage of certain IFRS provisions is also known as creative accounting. Accounting estimates therefore provide a platform for management to manipulate the bottom-line and hence present a false performance report.

2.3 Empirical Review

Nangih and Anichebe (2021) examined the effect of accounting estimates on information misstatements in financial reports of Small and Medium Enterprises in Nigeria. The results of the study indicated that wrong estimates may lead to, but are not the sole cause of misstatements in financial reports.

Ayunku and Eweke (2017) assessed the relationship between accounting estimates and financial reporting quality of banks in Nigeria, The study found that the harmonization of accounting policies and methods on the determination of accounting estimates will significantly improve the quality of financial reports.

Olaoye and Alade (2019) studied the effect of corporate taxation on the profitability of selected firms in Nigeria from 2007 to 2016. The study found that corporate tax rate and education tax positively and significantly affects profit after tax. The study recommended that strategies for tax administration in Nigeria be improved upon to reduce incidence of non-compliance.

Ganyam and Ivungu (2019) studied the effect of accounting information system on financial performance of firms. Results of the study found that accounting information affects financial performance.

Bawa, Asamoah and Kissi (2018) investigated the effect of inventory management on firm performance of quoted manufacturing companies in Ghana using a cross sectional secondary data, the sample was 140 firm-year observations drawn from 14 listed manufacturing firms listed on the Ghana Stock Exchange (GSE) for a 10-year period, 2007-2016. The found the performance of firms is not significantly affected by inventory management.

Indrayani (2018) studied the impact of fixed assets depreciation method on the profits of companies in Idonesia. The findings of the study revealed the existence of a significant relationship between fixed assets depreciation methods and policy and profit of companies.

Akwu, Ofoegbu and Okafor (2017) studied the effect of fair value measurement and depreciation on performance of quoted manufacturing companies in Nigeria. The outcome of their investigation indicated that a positive but insignificant relationship existed between the independent and dependent variables.

Chukwu and Egbuhuzor (2017) investigated the effect of non-current assets (property plant and equipment) on the corporate performance of manufacturing firms in Nigeria. The study found that non-current assets significantly affects return on asset which measured performance. Conversely, the study found that plant and machinery maintained an inverse but significant relationship with return on asset. The study concluded the existence of significant relationship between investment in NCA and profitability of firms.

Okwo, Ugwunta and Nweze (2012) assessed the impact of a company's investment in non-current assets on its operating profit margin. The findings of the study revealed a significant relationship between both variables. The study concluded that the operating profit margin of brewery companies is significantly influenced by investment in non-current assets

Belsoi, Gathii and Phillip (2017) studied the effect of estimates on firms' performance of Microfinance firms in Kenya. Accounting estimates were found to have a positively significant effect on the financial performance of microfinance institutions. The study further found that estimates for useful life of NCA inversely but significantly affected financial performance.

In their study on the effect of accounting for deferred on financial performance listed agricultural firms in Nigeria, Nwaorgu, Abiahu, Arzizeh and Ioambagah (2019) found that deferred tax accounting had positive and significant influence on profitability of listed agricultural firms. The study recommended standard setters should come up with identical rule the recognition and measurement of deferred tax that will reduce the complexities associated with accounting for deferred tax

3.0 RESEARCH METHODOLOGY

In order to empirically examine the effect of accounting estimates on the profitability of firms quoted on the consumer goods sector of the Nigerian economy, the study employed the *ex-post facto* research design. All quoted companies in the consumer goods sector of the Nigerian Stock Exchange made up the population of the study. The study sample was determined through the convenience sampling method based on availability of data. The study used secondary data obtained from the internet, published annual financial reports of sampled firms and the Nigerian Stock Exchange bulleteins over the period of 2013 to 2019. The study period covered the post IFRS adoption period Nigeria, therefore allowing for objective comparison of accounting figures in financial statements of sampled entities. The data already existed and no attempt was made to manipulate their nature or value.

3.1 Specification of Empirical Model for Analysis

The model for the study was adopted from the study of Nangih and Anichebe (2021) and modified thus.

ROA= f (DPR, CRTAX, DFTAX, PENS,) ……….…1

This can be econometrically expressed as

$ROA = \beta_0 + \beta_1 DPR_{it} + \beta_2 CRTAX_{it} + \beta_3 DFTAX_{it} + \beta_4 PENS_{it} + \mu$ …….... …….2

Equation is the linear regression model used in testing the null hypotheses.

Where:
ROA = Return on assets;
DPR = Estimates for Depreciation
CRTAX = Estimates for Current Tax
DFTAX = Estimates for Deferred Tax
PENS = Estimates for Pension Liabilities
. μ = Error term;
β_0 = Constant; $\beta_1 \ldots \beta_4$ = are the coefficient of the regression equation
i = is the cross section of firms used;

4.1 PRESENTATION AND ANALYSES OF DATA

4.1.1 Descriptive Statistics

Table 4.1: Descriptive Statistics of dimensions of accounting estimates and profitability

	N	Minimum	Maximum	Mean	Std. Deviation
DPR	231	16.30	27890.32	7922.9894	8959.96310
CRTAX	231	22.07	2349.87	519.5884	599.99518
DFTAX	231	262.77	37015.48	7827.2142	8176.31559
PENS	231	6.22	20.77	12.5252	5.60994
OPM	231	271.91	71783.83	19004.3842	19708.05709
Valid N (listwise)	231				

The outcomes of the descriptive statistics of the mean and the standard deviation for each variable of accounting estimates and profitability of firms quoted on consumer goods sector of the Nigeria are provided on Table 4.1. The table discloses that depreciation estimates (DPR) has a mean and standard deviation of 7922.9894 and 8959.96310 respectively with figures ranging between a maximum of 27890.32 and a minimum of 16.30. Current tax estimates (CRTAX) has a mean of 519.5884 and a standard deviation of 599.99518 with figures ranging from a maximum of 2349.87 to a minimum of 22.07. Deferred tax estimates (DFTAX) has a mean and standard deviation of 7827.2142 and 8176.31559 respectively. It has figures ranging from a maximum of 37015.48 to 262.77. Pension liabilities estimates (PENS) has a mean of 12.5252 and a standard deviation of 5.60994 with figures ranging from a maximum of 20.77 to a minimum of 6.22. Operating profit margin (OPM) has a mean and standard deviation of 19004.3842 and 19708.05709 respectively. Operating profit margin (OPM) figures range from a maximum of 71783.83 to a minimum of 271.91 for the various categories of respondents.

4.1.2 Correlation Analysis

Table 4.2: Correlations between depreciation estimates and operating profit margin

		DPR	OPM
DPR	Pearson Correlation	1	-.933**
	Sig. (2-tailed)		.000
	N	231	231
OPM	Pearson Correlation	-.933**	1
	Sig. (2-tailed)	.000	
	N	231	231

**. Correlation is significant at the 0.01 level (2-tailed).

The results of Pearson product moment correlation as shown on table 4.2 above indicates that the coefficient of determination is -0.933** at a significant or probability value of less than 0.05 (pv = 0.000 < 0.05). This indicates a inversely significant relationship between the depreciation estimates and operating profit margin of firms operating in the consumer goods sector of the Nigerian economy. The significant relationship implies that a unit increase in estimates for depreciation provisions will produce a proportionate decline in operating profit of firms quoted in the consumer goods sector the Nigerian economy and vice versa.

Table 4.3: Correlations between current tax estimates and operating profit margin

		CRTAX	OPM
CRTAX	Pearson Correlation	1	-.731**
	Sig. (2-tailed)		.000
	N	231	231
OPM	Pearson Correlation	-.731**	1
	Sig. (2-tailed)	.000	
	N	231	231

**. Correlation is significant at the 0.01 level (2-tailed).

Table 4.3 above indicates that correlation coefficient as shown on the table above is -0.731** at a significant value of less than 0.05 i.e pv=0.000<0.05, indicating a negative and very strong significant relationship between estimates for current tax and operating profit margin of firms in the consumer goods sector. The significance of the relationship indicate that most of the variables used in the model are supported. The inverse relationship implies that a unit increase in estimates for current tax provision will result in a proportionate decrease in the profit margin of quoted firms in the consumer goods sector and vice versa.

Table 4.4: Correlations between deferred tax estimates and operating profit margin

		DETAX	OPM
DETAX	Pearson Correlation	1	-.965**
	Sig. (2-tailed)		.000
	N	231	231
OPM	Pearson Correlation	-.965**	1
	Sig. (2-tailed)	.000	
	N	231	231

**. Correlation is significant at the 0.01 level (2-tailed).

Table 4.4 shows the relationship between estimates for deferred tax and operating profit margin of firms in the consumer goods sector. The table shows a correlation coefficient of -0.965** and an alpha or p-value of less than 0.05 (p=0.000) indicating a negatively significant relationship between the dependent and independent variables. The implication is that accounting estimates for deferred tax provisions and operating profit margin move in opposite directions. This means that a unit increase in estimates for deferred tax provisions will result in a proportionate decrease in operating profit margin. Conversely, a unit decrease in estimates for deferred tax will cause a proportionate increase in operating profit margin of quoted firms in the consumer goods sector of the economy.

Table 4.5 Correlations between pension liabilities estimates and operating profitmargins

		PENS	OPM
PENS	Pearson Correlation	1	-.835**
	Sig. (2-tailed)		.000
	N	231	231
OPM	Pearson Correlation	-.835**	1
	Sig. (2-tailed)	.000	
	N	231	231

**. Correlation is significant at the 0.01 level (2-tailed).

The results of Pearson product moment correlation as shown on table 4.5 above indicates that the coefficient of determination is 0.835** at a significant or probability value of less than 0.05 (pv = 0.000 < 0.05). This indicates a inversely significant relationship between accounting estimates for pension liabilities and operating profit margin of quoted firms in the consumer goods sector in Nigeria. The significant relationship implies that a unit increase in the amount of accounting estimates for pension liabilities will result in a proportionate a proportionate decrease in operating profit of quoted firms in the consumer goods sector of the Nigerian economy and vice versa.

4.1.3 Regression Analysis

Table 4.2: Model Summary of dimensions of accounting estimates and profitability

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.988[a]	.977	.973	3231.26233

a. Predictors: (Constant), PENS, DFTAX, CRTAX, DPR

The regression outcome on the table shows the degree of influence of the independent variables; estimates for depreciation provisions, estimates for current tax provisions, estimates for deferred tax provisions and estimates for pension liabilities and dependent variable, operating profit margin. The coefficient of determination R^2 indicates that 97.7% of changes or variations in operating profit margin (the dependent variable) are explained by variations in estimates for depreciation provisions, estimates for current tax provisions, estimates for deferred tax provisions and estimates for pension liabilities; the dimensions of the independent variable. The remaining 2.3% is explained by variables that were not included in the study model. The adjusted R^2 value of 97.3% is a little lower than the R^2 of 97.7%.

Table 4.3: ANOVA[a] of dimensions of accounting estimates and profitability

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	11380757967.888	4	2845189491.972	272.500	.000[b]
	Residual	271467462.735	26	10441056.259		
	Total	11652225430.624	30			

a. Dependent Variable: OPM

b. Predictors: (Constant), PENS, DFTAX, CRTAX, DPR

The table above shows that the F-value is 272.500 and a p-value (sig) of less than 0.05 (p=0.000) which indicates that the independent variables (estimates for depreciation provisions, estimates for current tax provisions, estimates for deferred tax provisions and estimates for pension liabilities) have a significant relationship with operating profit margin and that they can be suitably relied upon to predict the performance of the profitability of quoted firms in the consumer goods sector of the economy as measured by operating profit margin.

Table 4.4: Coefficients[a] of dimensions of accounting estimates and profitability

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-6167.683	1876.465		-3.287	.000
	DPR	-.188	.196	-.086	-56.960	.000
	CRTAX	-2.003	-1.739	-.061	-23.152	.000
	DETAX	-1.678	.164	-.696	-70.228	.000
	PENS	-59.124	-29.397	-.216	-43.625	.001

a. Dependent Variable: OPM

Table 4.4 above shows that the t-values of estimates for depreciation provisions, estimates for current tax provisions, estimates for deferred tax provisions and estimates for pension liabilities are -56.960, -23.152, -70.228 and -43.655 respectively at a significant value of less than 0.05 (pv=0.000<0.05). The coefficients of determination for estimates for depreciation provisions, estimates for current tax provisions, estimates for deferred tax provisions and estimates for pension liabilities indicate an inverse and significant relationship with operating profit margin, the dependent variable. The significant relationship indicates that the variables used in the study model are statistically significant and do not support the four null hypotheses. The null hypotheses are therefore rejected and the alternate accepted indicating that the operating profit margin of quoted firms Nigeria's consumer goods sector as a measure of profitability is significantly affected by all four dimensions of the predictor variable.

DISCUSSION OF FINDINGS

This study sets out to investigate the relationship between accounting estimates and profitability of quoted firms in the consumer goods sector of the Nigerian economy and to bring to the fore the implications of the relationship. Accounting estimates, the independent variable is measured by estimates for depreciation provisions, estimates for current tax provisions, estimates for deferred tax provisions and estimates for pension liabilities whereas operating profit margin was used as proxy of profitability of quoted firms in Nigeria's consumer goods sector. The results of the analyses indicate that a strong, negative and significant relationship exists between estimates for depreciation provisions, estimates for current tax provisions, estimates for deferred tax provisions and estimates for pension liabilities and operating profit margin. The implication of the significant relationship is that a rise in estimates for depreciation provisions, estimates for current tax provisions, estimates for deferred tax provisions and estimates for pension liabilities will cause a proportionate decrease operating profit margin and hence the profitability of firms quoted in the consumer sector in Nigeria. In the same vein, a decrease in estimates for depreciation provisions, estimates for current tax provisions, estimates for deferred tax provisions and estimates for pension liabilities will result in an increase in the operating profit margin of quoted firms in the consumer goods sector in Nigeria. The findings of this study agree with the findings of Nangih (2021) to the effect that a significantly inverse relationship exists between accounting estimates and profitability of quoted firms in the consumer goods sector of the Nigerian economy.

CONCLUSION

Accounting estimates are important components of financial statements. The quality of an entity's financial reports as well as realities regarding its true financial state is significantly affected management's attitude towards the use or abuse of accounting estimate. Accounting estimates have been found to tools in the hands of management to manipulate performance results, report false profits, conceal financial un-healthiness and the pursuit of benefits based targets. Furthermore, the abuse of accounting estimates results in profitability falsification that could cost government tax revenues, job losses by employees and eventual corporate failures that adversely hurt the interest of all stakeholders. Non-compliance with relevant IFRSs in the determination of the values of financial statement items that lack precise measurement, disclosures failures and out right abuse of management judgments in value determination lie at the root of most corporate failures in Nigeria. It is therefore, important to emphasize that boards and management of corporate entities establish and enforce policies on estimating the values of financial statement items of uncertain valuation, strictly in line with IFRS requirements and sanction personnel that abuse accounting estimates in pursuit of pecuniary interest.

RECOMMENDATIONS

1. Management should ensure that adequate and sufficient disclosures of recognition and measurement criteria of accounting estimates, management judgment and approximations in line with the provisions of the applicable IFRSs in order to gain investors' confidence and secure potential investment opportunities that will further increase performance.
2. Consumer goods firms should ensure that depreciation estimates determined e in line with the provisions of IAS 16 on Property plant and equipment.
3. Deferred tax estimates should be done in line with the provisions of IAS 12 on Income taxes by properly and objectively matching the tax effects of transactions with their accounting impacts in order to produce less distorted performance results.
4. Similarly, consumer goods and industrial goods firms should make provisions for current taxes in line with the prescriptions of IAS 12 and relevant national tax laws. Management should provide for current taxes in strict compliance with the recognition and measurement criteria as required by IAS 12. This will not only improve performance positively, it will

enhance the quality of the entity's financial reports, boost investors' confidence in entity and hence attract potential investments which in turn will result in greater performance.

5. The requirements of IAS 19 on employee benefits and IAS 20 on retirement benefit plans provide the needed guidance in accounting for and reporting pension liabilities estimates. Firms should estimate and make adequate provisions for pension liabilities on yearly basis in accordance with the provisions of the applicable standards
6. Since the abuse of accounting estimates undermines the interest of stakeholders in an entity and results in corporate failures with its attendant economic losses, government should come up with laws that criminalizes abuse of accountings with very stringent punitive measures. This will discourage unethical behaviour among managers with regards to misuse of accounting estimates.

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