

FINANCIAL STATEMENT FRAUD AND FINANCIAL PERFORMANCE OF SELECTED FOOD BEVERAGE COMPANIES IN NIGERIA

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ABSTRACT

Financial statement fraud is a matter of concern. This empirical study aims to evaluate the impact of financial statement fraud and financial performance of selected food and beverage companies in Nigeria. The proxies for the independent variable (Financial statement fraud) were improper expense recognition, and incorrect asset valuation. The proxy used for the dependent variable (financial performance) was return on assets (ROA). The specific objectives were to ascertain the effect of improper expense recognition on return on assets (ROA) and also to ascertain the effect of incorrect asset valuation on return on assets (ROA). Descriptive research design was adopted for the study while secondary data were collected from the financial reports of the selected firms and website of security and exchange commission. The analysis of covariance (ANCOVA) was used and STATA II econometric method was used in the analysis of the data. Altman model and operating expenses ratio was adopted in the analysis of the financial reports to create a dummy variable for the selected firms from 2004-2018 and validation of the parameters were ascertained using various statistical techniques such as t-test, co-efficient of determination (R²), F-statistics and Wald Chi-square. The findings revealed that there is a significant relationship between financial statement fraud and financial performance of selected food and beverage companies in Nigeria. The study recommended that pragmatic policy options need to be taken to effectively manage t1Lproper expense recognition and incorrect asset valuation so as to improve the financial performance of food and beverage companies in the country.

Keywords: Improper Expense Recognition; Altman's Model; Return on Asset. Incorrect Asset Valuation.

INTRODUCTION

The financial reporting statement is made up of statement of financial position and statement of comprehensive income, statement of changes in equity (records of how revenue is generated and records of variations in capital structure, information on how revenue is earned especially as pertaining how monies used for business are realized). However, such financial information is difficult to understand as it is usually followed by attached explanations about how decisions are made in the enterprise. (IASB, 2007b).

The understanding of the importance of financial statements is anchored on its ability to give true financial status of the enterprise and how such information can be applied to the day to day running of the establishment by different users of accounting information (Rezaee, 2005). Those who make use of financial statement are, managers of the firm, owners of the enterprise, people working for the enterprise, people who are likely to do business with the enterprise, people in government, journalists and everybody who have something to do with the company.

Khanh (2010), Rezaee (2005) defined financial statement fraud as the deliberate misrepresentation of the financial condition of an enterprise accomplished through the intentional misstatement or omission of amounts or disclosures in the financial statements in order to deceive financial statement users." Management fraud is usually seen as the same as the financial statement fraud due to the fact that the preparation and presentation of financial reporting information is the sole task of the management. Each time that there exit a financial statement fraud, the management is always aware of it, (Everette,1998).

Other scholars and writers like Everette (2012), Kanu and Okorafor (2013), Odunayo (2014) all concurred that the purpose of financial statement fraud more often than not speak about earning supervision, cash flow adjustment and sudden significant sales which stem on fictitious revenue, concealed expenses, third party related transactions and improper valuation of assets. Arakumar (2015) observe that financial reporting fraud appears in various ways, he further maintain that regular attempt in advancing financial statement involves: over reporting income, understanding expenses and liabilities, timing differences, incorrect valuation of assets and third party related transactions.

Everette (2012), Odunayo (2014) gave analytical review of tracing the 'red flag' as the most powerful techniques of tracing any anomalies in the financial statement. Athur (2014) and Arunkumar (2015) explained analytical review method as comparing the current period with the prior period, compare income statement and cash flow. The role of financial statement fraud on the output and growth of manufacturing industry in Nigeria has raised a lot of concerns, despite the fact that most of all these financial statements are audited by registered accountants in Nigeria; managements have always find loopholes in perpetrating financial statement fraud.

In this study, the basic principles or assumptions are; an inverse correlation among financial statement fraud and financial performance; when the rate of companies financial performance is positive, the level of financial statement fraud decreases and vice versa; factors which aggravate financial statement fraud situation are also responsible for low level of companies profitability; financial statement fraud on economic and social infrastructural facilities is implicitly targeted at increasing the level of companies profitability; and companies profitability translates into investment in projects and programmes, which enhances operations of the productive sectors and invariably reduces rate of financial statement fraud. In line with this, the study focuses on investigating the impact of financial reporting fraud on financial performance in the Nigerian food and beverage industry.

Statement of the problems

Bringing to the knowledge of the people about financial statement fraud and diversion of resources of enterprise has taken a centre stage by many researchers in the recent past (Aburime, 2012). Previously, incidence of financial statement frauds have risen greatly, (Rezaee, 2005). In the years past, fraud has gone up systematically both on frequency of occurrence and magnitude of losses. Frauds in financial dealings affect those that own the business, lenders and people that the business owes including the workers of the firm. As a result those who do business with those enterprises expresses loss of confidence in financial information (Khanh, 2010).

Under reporting income, over reporting expenditure is done by firms that try to evade tax. It is clear from available evidence that accounting for (fictitious revenue) income not earned, that is, non-existing income and bringing revenue from a different period to another are common in most financial statement, (Odunayo 2014). As much as financial statement fraud takes place, it becomes difficult to stop it along the line. If revenue is deliberately raised in a particular year, it would make the next year income to be smaller. Chief executives mostly continue this practice year after year, (Everette 2012).

Deception in financial reporting is a major challenge on entire manufacturing industry (Olorunsegun 2010). The shareholders of manufacturing companies and the public expect accountability, fairness, transparency in their day to day operations for effective intermediation. Okoye and Aiao (2008) observe that recent widespread financial statement fraud and resultant failures were primarily due to dishonest management decisions and outright cover up by notable accounting firms. Though there were known cases of fraud in the manufacturing industry, one major question still remain unanswered which is the nature and various methods through which financial reporting fraud can be perpetuated in manufacturing industry (Adeyemo, 2012).

The Association of Certified Fraud Examiners Report (2010) revealed that fraud in monetary reporting constitutes about 5 percent of incidence of fraud reported, though it is adjudged to be

expensive in terms of volume of losses with average of 1.7m dollars in each occupation. The fear of systemic market failure occasioned by inflating profits is achieved through manipulation of revenue, valuation of asset wrongly and improper expense recognition.

Of great concern to the researcher is that none of the earlier literature or studies used existing models in detecting financial statement fraud in manufacturing industry. While Kanu&Okorafor, (2013) studied the environment, scope and influence of scam on income generated by financial institution in Nigeria, Aburime (2009) examined impacts of corruption on financial profitability in the country. None of the research was done in the food and beverage industry.

This research work therefore seeks to fill the research gap by evaluating the impact of financial statement fraud on financial performance of selected food and beverage companies in Nigeria.

Objectives of the study

The general purpose for the study is to investigate empirically the impact of financial statement fraud and financial performance of selected food and beverage companies in Nigeria; the precise objectives are:

1. To examine the effect improper expense recognition on return on assets(ROA)of selected food and beverage companies in Nigeria
2. To determine the effect of incorrect asset valuation on return on assets (ROA) of selected food and beverage companies in Nigeria

Research Questions

Here are the research questions with a view to achieving the objectives of the research.

1. To what extent does improper expense recognition affect return on assets(ROA)of selected food and beverage companies in Nigeria?
2. To what extent does incorrect asset valuation affect return on assets (ROA) of selected food and beverage companies in Nigeria?

Research Hypotheses

HO₁: Improper expense recognition has no significant effect on return on assets (ROA)of selected food and beverage companies in Nigeria

HO₂: incorrect asset valuation has no significant effect on return on assets (ROA)of selected food and beverage companies in Nigeria.

Review of Related Literature

Conceptual Review

Financial Statement Fraud

Financial statement fraud is the deliberate fraud committed by management that injures investor and creditors with materially misleading financial statement (Kerwin 1995) cited in (Khahn 2009). Misstatement or accounting irregularities in financial statement can arise from error or fraud (Kwok 2005). It is therefore important to differentiate between financial statement error and financial statement fraud. Financial statement error refers to unintentional misstatement in financial statement, including the omission of an amount or a disclosure.

The financial report is the basic instrument in assessing the general activity of the firm and usually adopted as a means of getting early warning sign concerning the poor performance of the firm, (Mensah, 1984; Gentry, Newbold and Whitford 1985; Beaver, 1996; Wu and Jung-Zhi 2004). Deception in financial reporting appears in various means which includes improper expense recognition; inappropriate asset valuation; over reporting income by acknowledging unearned revenue: among others. (Arthur 2014). Financial report scam like increase in income that does not go along with cash and sudden consistent growth in sales will automatically indicate a red flag." Everette (2012) defined red flag as a warning sign in the financial statement which should be notice or dealt with. The nature of financial statement fraud in manufacturing industry in Nigeria

has been highlighted as fictitious revenue, incorrect asset valuation and improper expense recognition. (Everette, 2012), (Arunkuma, 2015), (Qdunayo 2014) highlighted five different kinds of monetary report deceit to be fictitious sales, accepting expenditure wrongly, erroneous property estimation, undisclosed debt and inappropriate disclosure. Aburime (2012) listed the first three mentioned above as the most commonly financial statement fraud perpetrated in the manufacturing industry.

Financial performance

Appropriate performance measures are those which enable organizations to direct their actions towards achieving their strategic objectives. Performance is measured by either subjective or objective criteria; arguments for subjective measures include difficulties with collecting qualitative performance data from small firms and with reliability of such data arising from differences in accounting methods used by firms. Kent (1994) found out that, objective performance measures include indicators such as profit growth, revenue growth, return on capital employed.

Financial consultants Stern Stewart & Co. created Market Value Added (MVA), a measure of the excess value a company has provided to its shareholders over the total amount of their investments. This ranking is based on eight more traditional aspects of financial performance including: total return for one and three years, sales growth for one and three years, profit growth for one and three years, net margin, and return on equity.

Hitt, et al., (1996) mention accounting- based performance using three indicators: return on assets (ROA), return on equity (ROE), and return on sales (ROS). Each measure was calculated by dividing net income by total assets, total common equity, and total net sales, respectively.

Basic goal of business entity is profit and failure to neglect this fact will definitely impact the growth and future of the company. Management of an organization, a person owed and owners are keen profit making of the organization. The proprietors required rate of income from their asset or business while creditors too want to get interest repayment on their principal as at when due. This is achievable only when the organization earns profits Tsomoscoss (2003). Survival and growth of companies within a range of time is to earn profits. Even though profit is essential, maximizing profit without minding the social and financial consequences is wrong. Ahmed (2003) affirmed that Net Interest Margin (NIM), ROA and ROE were the three indicators identified to be widely employed in this literature to measure profitability.

There are different views on best indicator to be used for measure of profitability.

Ogunleye (2010) believe that profit level should be measure from investment and assets earnings. Akinola (2008) as cited by (Uguru 2014) in his study believes profit should be measure using profit before tax and profit after tax, earnings records, financial records on capital employed and financial records on assets. Ogunleye, (1995) believes that return on asset (ROA) could constitute a good measure of profitability. javaid et al (2011) used return on assets (ROA) as indicator for profitability to investigate assets, loans, equity and revenue in manufacturing industry. Scot and Arias (2011) developed profits from properties, as appropriate pointer for the assessment of financial performance.

Empirical Review

Oduanyo (2014) conducted a study on fraudulent financial reporting: The Nigerian Experience Investigation possible prevalence of deceptive monetary statement with the registered companies in Nigeria. The study considered 212 registered firms in 2007. The research observed a link between monetary scam communication and weak internal control mechanism. The author recommendation that internal control system should be strengthen.

Ryerson (2009) studied the improper capitalization and the management of earnings. The study focuses on the current monetary violations, as it is possible to ignore several known approaches

used in committing scam within the monetary sector. The outcome of an investigation by security and exchange commission within the period 1997 to 2002 identified manipulations of revenue figures by the authorities as a common scam. Though the report admitted that the greater part of abuse relates to recognizing unearned revenue, there were also issues of recognizing expenditure not done. The study therefore recommended that proper methods of managing earnings should be prioritized to avoid manipulation.

Olaoye and Dada (2014) examined the analysis of the fraud in Banks: Nigeria Experience. It specifically analyze the environment, reasons, consequences, discovery and preclusion measures for financial scam in the economy. The authors concluded that a sound internal management measure is necessary if financial scam must be prevented in addition to appreciating those who displayed high level of integrity; whereas the constant dismissal of financial workers should be minimized. The study recommended that those that are caught in scam practices should always be punished.

In a study carried out by Shehu and Abubakar in the year 2012 on public management, revenue generation and monetary activities in the manufacturing sector. The study revealed that financial experts and fiscal experts had agreed that public management influence monetary performance and the attitude of company administrators. In clear terms, the revealed that the structure of the management negatively affects actual performance of the firm. The study therefore recommended that appreciation of senior workers should be related to their performance and should not be a way of encouraging authorities to falsify financial report or over state its implications.

However, one study is closely near the impact of financial statement fraud and financial performance of food and beverage companies in Nigeria. That study was conducted by Afolabi, (2013) on influence of monetary communication on investors process of taking decision in the country. But the study emphasized on monetary communication on investor's decision process, which never explore the financial statement fraud of fictitious revenue, incorrect asset valuation and improper expense recognition. The research adopted return on asset (RCA) as a for financial performance measure.

Theoretical Framework

The theoretical framework that will guide this study is rooted in the Stakeholder theory.

Stakeholder theory

This is a theory with the view that corporate entities activities impact on a wider spectrum of the society rather than just the shareholders. Deegan (2000) opined that stakeholders should be furnished with information concerning organizations social and environmental impacts (i.e disclosures on the environment, health and safety, employment and community development/ sponsorship). However, Friedman (1984) added that organizations have stakeholders who influence and are affected by its activities. Therefore, the specific information needs of various stakeholders must be disclosed in order to reduce information asymmetry.

METHODOLOGY

Population of Study

The population of the study comprises of the listed foods and beverages firms that are quoted on the Nigeria Stock Exchange.

Sample Size

Firms to be selected for the reason of this research must satisfy the underlisted criteria:

Wider market control, Large scale of operation, Consistency in business overtime, Size of the firm (multinational in nature), Longer years of operation, Products variety.

The firms that satisfy these criteria are:

1. CadburyPlc
2. Nestle Plc
- 3, UAC Plc.

Sources of Data

The study used secondary data. The data primarily consists of financial statement reports which include report of monetary status and report of total revenue. Three firms were selected from foods and beverages sector of manufacturing industry for the periods.

Model Specification

The model for this study is specified in the general form of ANCOVA (analysis of covariance) as shown in equation (i) below and it was properly modified in equation

(1)

$$y = \beta_1 + \beta_2 d_1 + \beta_3 d_2 + \beta_4 d_4 + \xi \dots i$$

Specific modification on the model shown above,

$$ROA = f(FR) \dots \dots \dots 1$$

ROA — Return on asset, **FR** -fictitious Revenue,

This model can now be expressed mathematically as shown below

$$ROA = \alpha_0 + \alpha_1 \dots \dots \dots 2$$

Description of Research Variable

We have basically two variables used in this research, dependent variable and independent variable. The dependent variable is the financial performance. The proxy is return on asset.

Independent Variable is financial statement fraud. The proxies are Improper Expense

Recognition (IER) and Incorrect Asset Valuation (IAVt): Improper Expense Recognition (IERt):

It represents a cluster of improper expense recognition. Operating expense ratio was used to measure the variable.

Incorrect Asset Valuation (IAVt): It represents a cluster of Incorrect Asset Valuation variables. According to Okoye (2016), he asserts in his inaugural lecture that Altman is use as a fraud detecting model and it has 81 percent predictive accuracy for (Unequal population) and 86 percent accuracy for (Equal population). Altman et al (2010) employed practical information and estimation in order to develop an algorithm made up of fraction where prearranged values are adopted. The Z-score is shown thus;

$$Z\text{-Score} = 1.2X_1 + 1.4X_2 + 3.3X_3 + 0.6X_4 + 1.0X_5$$

When calculation is done, the variables are joined to realize the Z-score for the firm. A Zscore >2.99 mistakably fall into correct asset valuation while we have incorrect asset valuation if reverse is the case. (See Appendix A.) We also assigned dummy variable of (1) and (0) for incorrect and correct.

Technique of Data Analysis

Statistics collected was valued by means of econometric estimation using STATA 11 econometric software. A general Pooled regression data model is given as

$$Y_t = Z'a \pm X'itQ \pm uit \quad 3$$

$$= C + X'jtQ + Ult \quad 4$$

The major goal for this investigation will maintain a steady and proficient evaluation of the partial influences.

$$P = dE[yit \ xit] / \hat{\alpha}it \ S$$

Table 1: Pooled Ordinary Least Square Regression

Variables Coef. Std error

FR -.0507784 .015809 0.003

IER .0284455 .1577902 0.858

IAy .2 134987 .0634835 0.002

-cons 4834 .1840582 0.012

Source: Researcher's Computation, $\hat{E}[y_{it} \ x_{it}]_{it}$

variable. The dependent variable is the financial performance. The proxy is return on asset. Independent Variable is financial statement fraud. The proxies are Improper Expense Recognition (IER) and Incorrect Asset Valuation (IAV). Improper Expense Recognition (IERt): It represents a cluster of improper expense recognition. Operating expense ratio was used to measure the variable.

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Technique of Data Analysis

Statistics collected was valued by means of econometric estimation using STATA 11 econometric software. A general Pooled regression data model is given as

$$Y_{it} = Z'_{it}\alpha + X'_{it}\beta + u_{it} \dots\dots\dots 3$$

$$= C_i + X'_{it}\beta + u_{it} \dots\dots\dots 4$$

The major goal for this investigation will maintain a steady and proficient evaluation of the partial influences.

$$\beta = \partial E[y_{it} | x_{it}] / \partial x_{it} \dots\dots\dots 5$$

Table 1: Pooled Ordinary Least Square Regression

Variables	Coef.	Std error	p>/t/
FR	-.0507784	.015809	0.003
IER	.0284455	.1577902	0.858
IAV	.2134987	.0634835	0.002
-cons	4834	.1840582	0.012

Source: Researcher's Computation, 2022

Table 2: Fixed Effect or LSDV (Least Square Dummy Variable) Regression

Variables	Coef	Std error	p>/t/
FR	-.0388832	.0154248	0.016
IER	.1552098	.1538656	0.320
IAV	.1684227	.062765	0.011
-cons	.5702894	.1798974	0.003
Sigma_u	.2329338		
Sigma_e	.43503685		
Rho	.25317223		

Table 3: Random Effect Model: In this model, the firms take a common mean value for the intercept and the items in the group are selected at random, the result is shown below:

Table 3: Random Effect Model

Variables	Coef	Sts error	p>/t/
FR	-.0507784	.015809	0.001
IER	.0284455	.1577903	0.857
IAV	.2134987	.0634835	0.001
-cons	.4834	.1840582	0.009
Sigma_u	0		
Sigma_e	.43503685		

Pooled OLS Regression

The surveillance is collated and the estimation result is produced, regardless of other properties of the data. The issue with this representation lies on its inability to show differences among organizations that were under consideration.

Table 4: Pooled OLS Regression

Regress	ROA friavier				
Source	SS	Df	Ms	Number of obs	= 43
Model	5.11135372	3	1.70378457	F (3, 39)	= 7.73
Residual	8.59113736	39	.220285573	Prob > F	= 0.0004
Total	13.7024911	42	.326249788	R-squared	= 0.3730

Adj R-squared = 0.3248

Root MSE = .46935

ROA	Coef.	Std.Err.	T	P>/t/	[95%Conf	Interval]
FR	-.0507784	.015809	-3.21	0.003	-.0827551	-.0188017
IER	.0284455	.1577902	0.18	0.858	-.2907154	.3476064
IAV	.2134987	.0634835	3.36	0.002	.0850912	.3419063
-cons	.4834	.1840582	2.67	0.012	.1111072	.8556928

The result above will not be considered for now because there are still two models to be estimated to know which model will be adopted for the research work.

Fixed Effect or LSDV Regression

The fixed effect or LSDV (least square dummy variable) representation permits for differences within the organization making possible for each item to possess individual intercept worth.

Table 5: Least Square Dummy Variable (LSDVJ Model)

ROA	Coef.	Std.Err.	T	P>/t/	[95% Conf. Interval]	
Fr	-.0388832	.0154248	-2.52	0.016	-.0701368	-.0076295
ler	.1552098	.1538656	1.01	0.320	-.1565516	.4669712
lav	.1684227	.062765	2.68	0.011	.0412486	.2955967
-cons	.5702894	.1798974	3.17	0.003	.2057827	.9347961
sigma_u	.25329338					
sigma_e	.43503685					

Fixed effects within regression	Number of obs	=	43
Group variable: company	Number of groups	=	3
R-sq: within	Obs per group:	min	= 14
between		avg	= 14.3
overall		max	= 15
	F (3,37)	=	6.53

Corr(u_i, xb)	=0.1665	Prob > F	=	0.0012	Rho
	.25317223	(fraction of variance due tou_i)			

F test that all u_i=0:	F(2,37)=4.20	Prob > F=0.0228
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Source: Researcher's Computation, (2022)

The result above will also not be considered for now because the random effect model also needs to be evaluated because it is also a very important option when it involves using panel data.

Random Effect Model

In this model, the firms take a common mean value for the intercept and the items in the group are selected at random, the result is stated under:

Table 6: Random Effect Model

ROA	Coef.	Std.Err.	Z	P>/z/	[95%Conf. Interval]	
Fr	-.0507784	.015809	-3.21	0.001	-.0817634	-.0197933
ler	.0284455	.1577902	0.18	0.857	-.2808177	.3377087
lav	.2134987	.0634835	3.36	0.001	.0890733	.3379242
-cons	.4834	.1840582	2.63	0.009	.1226526	.8441474
sigma_u	0					
sigma_e	.43503685					
Rho	0	(fraction of variance due tou_i)				
Random effects GLS regression						
Group variable: company		Number of obs	=	43		
		Number of groups	=	3		
R-sq:within = 0.3332		Obs per group: min	=	14		
between = 0.8720		avg	=	14.3		
overall = 0.3730		max	=	15		
Random effects u_i~ Gaussian		Wald chi2(3)	=	23.20		
Corr(u_i,X) = 0 (assumed)		Prob > chi 2	=	0.000		
				0		

Out of the three regression result shown above, only one will be chosen for the purpose of this study, so our aim now is to find out the appropriate model for this research. Hausman test and Bruesch and Pegan LM test to find out the right representation.

Huasma Test

Ho : Fixed effect model is appropriate

H1 : Random effect model is appropriate

Table 7: Fixed effect Within Regression estimates restore random. (results random are active now)

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.hausman fixed.

	(b) ---Coefficients-- (B)	(b-B) sqrt(diag(V_b-V_B))	
	Fixed Random	Difference	S.E.
Fr	-.0388832	-.0507784	.0118952
ler	.1552098	.0284455	.1267643
lav	.1684227	.2134987	-.0450761

b = consistent under Flo and Ha; obtained from xtreg

B =inconsistent under Ha) efficient under Ho; obtained fromxtreg

Test: Ho: difference in coefficients not systematic

$$\text{Chi2}(3) = (b - B)'(V_b - V_B)^{-1}(b - B) = 4.73$$

Prob>chi2

$$= 0.19$$

28 (V_b - V_B is not possible definite)

Source: Researcher's Computation, 2022

Result above showed that Hausman test for model appropriateness between the fixed and random effect model. The chi square value is given as 4.73 with it corresponding probability value of 0.1928, this shows a low level of significant at 99 percent confidence level, One can now conclude that the null hypothesis would be accepted while the alternative hypothesis would then be rejected

which put forward the appropriateness of the fixed effect or LSDV representation, that is the random effect model is most suitable than LSDV model.

We are left with the pooled regression result and the random effect result. A cursory look at the two result revealed that the random effect representation is most suitable than the pooled regression because of this two basic observation;

The significant variables in the random effect model are significant at 99 percent confident level unlike the pooled regression that has one of it significant variable to be at 95 percent confidence level while the F-statistics of the earlier model is far more important than the later model.

2. The R-squared within the variable in the random effect model is about 33.3 percent unlike the pooled regression R-squared coefficient of 32.4 percent.

Succinctly, the random effect model has a lot of important information in its result than the pooled regression with a high level of aggregate. Our focus will now be on the random effect model as its parameters will be discussed below on how it relate to the objectives of the study.

Table 8: Parameters and Findings of the Random Effect Model

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ROA	Coef.	Std.Err.	Z	P> z	[95%Conf. Interval]	
Fr	-.0507784	.015809	-3.21	0.001	-.0817634	-.0197933
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sigma_u	0					
sigma_e	.43503685					

Rho 0 (fraction of variance due to u_i)

Random effects GLS regression	Number of obs	=	43
Group variable: company	Number of groups	=	3
R-sq:within = 0.3332	Obs per group: min	=	14
between = 0.8720	avg	=	14.3
overall = 0.3730	max	=	15

Source: Researcher's Computation, 2019--D- a2-

Based on the result provided in table 9 above, at (0.05) critical value with probability value of 0.001 and t- statistics is 3.36 IAV shown in the result above, shows a direct relationship with profitability of selected organization for the period of the research. It shows that when the assets of firms are incorrectly valued their performance tends to increase by 21 percent. The null hypothesis was therefore not accepted and alternate hypothesis not rejected having a significance correlation among incorrect asset valuation and return on assets. This is in line with the result of the t-test shown above.

H01: improper expense recognition has no significant effect on return on assets (ROA) of selected food and beverage companies in Nigeria. Based on the result provided in table 9 above, for the third hypothesis, where the significance level is 0.05 percent and p-value of 0.857 and t-statistics value of 3.36. Although 0.857 IER showed a direct impact on 0.018 profitability of the selected firm but its coefficient is not statistically significant given the p-value and t-statistics above. The value of the R² stood at about 37 percent; this implies that the explanatory variables explained approximately 37 percent variation in profit performance. Therefore, the null hypothesis was accepted and the alternate hypothesis was not accepted that improper expense recognition affect return on assets. This decision is in line with the result of t-test as previously shown.

H0₂: incorrect asset valuation has no significant effect on return on assets (ROA) of selected food and beverage companies in Nigeria. Based on the result provided in table 9 above, at (0.05) critical value with probability value of 0.001 and t- statistics is 3.36 IAV shown in the result above, shows a direct relationship with profitability of selected organization for the period of the research. It shows that when the assets of firms are incorrectly valued their performance tends to increase by 21 percent. The null hypothesis was therefore not accepted and alternate hypothesis not rejected having a significance correlation among incorrect asset valuation and return on assets. This is in line with the result of the t-test shown above.

DISCUSSION ON FINDINGS

Discussion on Incorrect Asset Valuation and Return on Assets (ROA)

The result from fixed effect model shows incorrect asset valuation of the profitability of the manufacturing industry is positive and does not exacts a negative relationship on financial statement fraud on Financial performance of beverage companies in Nigeria.

The fixed effect regression outcome indicated considerable affirmative correlation with a regression coefficient of .1684227, standard error .062765, t-statistic of 2.68, and Prob.value of 0.0 11. The significance of the result is that the result is positive and does not exact a negative result on the profitability of the manufacturing industries.

The random effect method estimation result revealed a positive significant relationship between return on asset and incorrect asset valuation in the determinant of financial statement fraud financial performance of beverage companies in Nigeria. The result showed a regression estimated coefficient of .2134987, standard error 0634835, t-statistic of 3.36, and P-value of 0.001.

The random effect model result shows that the effect of incorrect asset valuation on the financial performance of beverage companies in Nigeria is positive and does not exacts a negative relationship on financial statement fraud on profits of the country's manufacturing firm.

Incorrect asset valuation revealed a direct correlation with the profits of selected firms for the period of study with a coefficient of 99 percent confidence level from table 5. It showed that when assets of firm are incorrectly valued their performance on return on asset (ROA) tends to increase by 21 percent. The implication of this result is that incorrect asset valuation is one of the major determinants used in carrying out financial statement fraud.

Discussion on Improper expense Recognition and return on assets(ROA)

Analysis of the result on improper expense recognition showed a positive result on the result which stood at .0284455 of the coefficient variable, .1577902 stood for the standard error; t statistics is 0.18 and while the p value stood at 0.858. The implication of the result is that improper expense recognition showed a positive impact in the determination of fraud on the profitability of a manufacturing company in Nigeria. The panel fixed effect regression outcome in this research indicated affirmative considerable link among return on asset and improper expense recognition with an estimation ratio of .1552098, standard error .1538656, t-statistic 1.01 and prob. value of 0.320. This means that the result is positive and does not exact a negative impact on a financial statement fraud on profitability of the Nigerian manufacturing industry.

The analysis of the random effect estimation result, in this study showed the coefficient estimate to be .0284455, standard error .1577903, t-statistic 0.18 and p value of 0.857. The result showed a statistical significant positive relationship between return on asset and improper expense recognition in the determination of financial statement fraud on financial performance of beverage companies in Nigeria. But the significance is minute compare to the previous two.

The improper expense shown in the result has direct impact on profitability of the selected firms but its ratio is not considered based on data giving prob. value of 0.857 and the t-statistical value of 0.18. The point here is that the influence of improper expense recognition on firms return on assets (ROA) is not so consequential compared to the influence of incorrect asset valuation and

fictitious revenue but still significantly affect the principle of ethical disclosure and factual and reasonable analysis of the financial report.

CONCLUSION

The specific objective which the study sought to achieve has indeed yielded the overall result which provides evidence to show the impact of financial statement fraud on Financial performance of beverage companies in Nigeria. The return on asset (ROA) has been linked by findings of this study to be having an impact based on the explanatory variables. Effective and adequate management of the explanatory variables will have a great result on the profitability of firm.

Consequently, if the Nigerian manufacturing industry is to be made more effective and developed, financial statement fraud have to be managed effectively and developed best means of covering all loopholes of it or by complete jettison of the practice.

However, this must be done by professional in the field of accounting so that adequate advice can be given to the top management level for decision making. To this end financial statement fraud need to be focused on and treated as necessary innovation in manufacturing sector in order to encourage fiscal growth.

RECOMMENDATIONS

The study offered the following recommendations based on the research findings. The detection of financial statement fraud should be paramount in the effective running of financial performance of beverage companies in Nigeria, Since effects of the explanatory variables have effective effects in reducing the return on asset either in short run or long run.

Threat or total reduction or breakdown in market sales due to improper organization of financial statement scam including other cases concerning creditors of the firm brings about the firm's failure

2. It should be mandatory for all beverage companies in Nigeria to apply correct financial rules and operations in the preparation of monetary statement.
3. Auditors and forensic experts should be trained on various modalities in detecting and preventing financial statement fraud.
4. Professional Accounting bodies and appropriate regulators should ensure proper financial statement fraud management system within the organization as internal control.

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