The Financial Performance of Standard Costing Techniques on Manufacturing Companies in Nigeria

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Abstract: This paper examines the impact of standard costing to the earnings per share (EPS) in the manufacturing industry in Nigeria, by focusing on inventory, labour, and sales associated costs. Its research design corresponds with ex-post facto, where secondary data consist of the annual financial statements of twenty manufacturing enterprises over the eleven years (2013 to 2023). The data is analyzed using panel-data regression, unit-root testing, descriptive statistics and hypothesis testing. These findings show that the expenditures of labour and sales are respectively EPS-positive, but inventory expenditures are EPS-negative. Therefore standard-costing techniques are revealed to enhance the financial performance by streamlining the resources use and directing the companies to the dynamic pricing relationships that are based on the company specific activities.

Keywords: Standard Costing; Stock Market; Financial Performance; Labour; Earning per Share

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1. Introduction

The manufacturing industry in Nigeria has been facing stringent economic policies, lack of infrastructures and rising competition of foreign goods. These are the problems which have compelled firms to seek low cost solutions in order to stay afloat and make profit. Standard costing is one of the most common methods of managerial accounting that offers a systematic system of planning, cost management, and performance measurement (Adeyemi and Adeniji, 2018).

Standard costing in food and beverage manufacturing has a positive relationship with labor cost efficiency but a negative relationship with the cost of raw materials. The standard costing principles can also bring about huge time and cost savings when successfully applied (Oluwayemisi, Ayodeji, Olufemi, Oluweseun, and Kehinde, 2022).

Standard costing has been adopted as a viable instrument of monitoring the utilization of resources, assessing efficiency, and contributing to managerial decisions in different parts of the world. In the volatile economic scene that Nigeria is in, however, it has not been entirely proven (Obara and Nwosu, 2018). This brings about a critical question, Does standard costing enhance the financial performance of Nigerian manufacturing companies especially in relation to Earnings Per Share (EPS), or does standard costing prevent companies to adapt to the realities of the economy?

The percentage of manufacturing companies in Nigeria still relying on standard costing is about 85 due to the fact that it has proved to be quite useful in the management of raw materials and overheads, which is why it is considered a helpful tool to minimize costs, as well as ensuring financial stability (Ologbenla, 2021) and (Ajayi, Kolawole, Falaye, Adesunloro, Oladipo, & Ajagbe, 2025)

Although it has been argued that standard costing is no longer relevant, it is still used by various manufacturing companies in Nigeria. It has been evidenced that sales standard costing positively influences the performance and direct material

and overhead costing can influence performance negatively (Ogungbade, Adebiyi, and Odumodu, 2020).

In the past, ineffective cost management is among the causes of its downfall in the manufacturing industry of Nigeria, which witnessed mass plant shutdowns and loss of jobs in the 1990s (Eze & Ogiji, 2019). According to scholars, dependency on old accounting systems constrained the responsiveness of firms towards cost changes, market forces, and competition in the global market (Drury, 2018). Contrarily, the evidence of the United Kingdom, Turkey, and New Zealand reveals that standard costing is helpful in financial planning, inventory valuation, and pricing strategies (Bassey and Solomon, 2019).

Practically, the standard costing allows the managers to compare the actual costs with the established standards and examine variances. This is a strong resource allocation and pricing tool where deviations are allowed to be corrected, thus (Horngren, Sundem, and Stratton, 2018). In addition, under the influence of the development of computerized accounting mechanisms and automated reporting, the function of standard costing is no longer a strict system of control but a flexible instrument of financial planning and performance monitoring (Ajayi & Oyedele, 2022) and (Ajayi, Kolawole, Babalola, Adenike, & Ajagbe, 2025).

It has been demonstrated that standard costing influences the profitability differently in costs: manufacturing overheads influence the profits positively and raw materials and labour costs usually have a negative influence on the profits. This implies that companies have to strike a delicate balance between the cost factors in the scope of the standard costing to make more profit (Oyedele, Mustapha, and Agbi, 2023). Previous research also affirms that standard costing is important in controlling cost, efficiency, and growth of the organization in the Nigerian firms (Thomas, 2012).

Since Nigeria has an unstable economy and competition in its industries, it is important to know the financial implications of standard costing. This research is primarily aimed at investigating the impact of standard costing on the financial performance of the manufacturing firms in Nigeria. In particular, the research aims at evaluating how inventory cost, labor cost, and cost of sales influence the earnings per share of these firms. On this basis, the research hypotheses hold that i) inventory, ii) labor, and iii) sales costs do not influence the earnings per share of manufacturing companies in Nigeria significantly. The study will add to the discussion on the relevance of standard costing as a profit maximizing strategy in the Nigerian manufacturing industry by relying on the data of listed companies in 2013 to 2023.

2. Literature Review

2.1 Efficiency Structure Theory

The Efficiency Structure Theory (EST) is premised upon the concept that the profitability and the competitive advantage of a firm occurs mainly because of its ability to be efficient in its environment. It combines two large views - Redundancy Theory and the Efficiency Structure Hypothesis (ESH) to describe the interaction of internal resource management and market conditions to determine organizational success.

Redundancy Theory stresses that companies must keep some amount of superfluous resources, time, labour or capital, so as to provide flexibility, adaptability, and resilience. This redundancy enables organizations to efficiently respond to unforeseen market changes, technological changes or supply chain disruptions. Nonetheless, redundancy also comes with the risk of inefficiency in case the resources are overused.

Conversely, the Efficiency Structure Hypothesis (ESH) assumes that the performance of firms depends on the efficiency in their operations. According to Lichtman (2008:24), intensity of competition in its environment affects the efficiency structure of any competitor. Efficiency further breaks down into two dimensions as the ESH illustrates:

X-Efficiency - Firms that produce minimum waste and make the most out of the inputs they use (e.g. labor, materials, capital) are more likely to lead to greater productivity and increase in profits. Through proper management of cost and utilization of resources, these companies can achieve their market share and competitive power (Fu, Wang, and Zhao, 2020).

Scale Efficiency - A bigger company can have economies of scale which allow it to reduce average costs, better operations, and increase profitability (Nguyen & Stewart, 2021). When the Redundancy Theory is combined with the ESH, the resulting Efficiency Structure Theory implies that there is the dynamic balance of efficiencies and flexibility. In the world of fierce competition, companies need to be productive to have a chance to survive, to minimize expenses and to achieve maximum production. However, some level of redundancy enables them to be innovative, risk-managing and responsive to quick responses in case of a change in market conditions.

In the case of manufacturing companies in Nigeria, this integration implies that the efficiency could be encouraged through the application of standard systems of costing since resource mobilization can be conducted according to the set performance standards. By being efficient (cost control) and redundant (strategic resource reserves) at the same time, firms are capable of making their profitability, resilience, and long-term competitiveness in the unstable markets stronger. The Efficiency Structure Theory is the one which combines the postulate of redundancy and efficiency stating that companies are at their best because they strike the balance between the lean processes and the strategic flexibility, i.e. maintaining the competitive efficiency and the adaptive capacity.

2.2 Kaizen Pricing and Kaizen Costing Theory.

Based on the Japanese philosophy of continuously improving, the Kaizen philosophy emphasizes on making cost-saving without affecting the quality of the product. The Kaizen Costing philosophy is used in the manufacturing process, where it focuses on the possibility of improving the costs of production at the manufacturing process and not only at the design process (Bhuiyan & Baghel, 2020).

Basically, Kaizen Costing enhances an active and continuous cost management. It urges employees and managers at every level to constantly pursue minute and consistent improvement that would eventually result in a tremendous saving of costs. This is done so that the organizations remain competitive by minimizing costs without reducing the functionality of their product or reducing customer satisfaction (Tseng, Kim, and Lee, 2019). Kaizen concept is very much in line with the standard costing techniques as they both emphasize on continuous monitoring, variance analysis and proper control of costs. Kaizen combined with standard costing can be successfully used in a region like the Nigerian manufacturing industry where firms would want to maintain profitability and excellence in their operations, which is very cost-sensitive.

2.3 Contingency Theory

The Contingency Theory offers a persuasive system of comprehending the execution and efficacy of handling tools like conventional costing. It assumes that success of any management tool is determined by its conformity to the internal structure and external environment of a firm [(Donaldson, 2019; Otley, 2018)]. According to this theory, standard costing benefits are not universal. An example would be the large manufacturing companies whose supply chains are stable and whose costs are more predictable than smaller companies. On the same note, external conditions like customer expectations, industry competition and market volatility would affect the efficacy with which standard costing can enhance financial performance. In the manufacturing environment of Nigeria, the effect of standard costing is influenced by the size of the firm, market conditions and flexibility of the managers.

Companies that adjust their cost systems to such contingencies can be better placed to attain a superior level of cost management as well as profitability.

2.4 Empirical Review

Some studies have also been conducted to show the relationship between standard costing practices and financial performance both in the Nigerian and the international environment.

In a study of manufacturing companies in Nigeria, Adeyemi and Adeniji (2018) established that the use of standard costing was positively related to enhanced financial performance. Their results suggested that the companies that had applied standard costing had more opportunities to control their costs and achieve increased profitability. In the same manner, Obara and Nwosu (2018) documented that standard costing positively influenced the profit level and share earnings per share (EPS) and thus is also applicable in the decision-making process of finances.

Eze and Ogiji (2019) went further with this examination by showing how the use of standard costing by Nigerian firms not only increased the level of profitability but also enhanced their profit margins stability. The attributed stability was due to the systematic method of cost monitoring and highlighting variances. On the global front, Bassey and Solomon (2019) noted that standard costing is one of the important financial management tools in developed economies, including the United Kingdom, New Zealand, and Turkey. Their analysis showed that it assists in pricing policies, inventory valuation policies and resource allocation policies.

Conversely, Ajayi and Oyedele (2022) asserted that, though the manufacturing sector is the most important in the economy, Nigeria is not able to develop the industry due to poor practice of cost management. As listed by Chukwu and Ezeagwu (2020), inefficiencies in controlling costs and inconsistent pricing policies were found as the main reasons behind the decrease in performance. The results are consistent with the criticism of the conventional cost accounting systems suggested by Drury (2018) that can create inaccurate judgments in a rapidly evolving business environment.

Another study by Alade and Aluko (2019) also helped to substantiate the idea that standard costing can contribute to the productivity of the organization and identify any inefficiencies allowing to take corrective measures. They established that the standard costing used by firms led to greater operational efficiency and profitability as opposed to firms that used the outdated methods.

Empirical evidence from the Nigerian manufacturing industry indicates that Kaizen Costing, when implemented alongside standard costing, contributes to greater cost efficiency and improved financial performance. Studies show that firms applying Kaizen principles tend to reduce non-value-adding activities, which in turn increases operational efficiency and profitability. Similarly, empirical research grounded in Contingency Theory confirms that the effectiveness of standard costing varies among organizations depending on their environmental conditions and structural characteristics. Larger firms with stable operations benefit more from traditional cost control systems, while smaller, more flexible firms often adapt these systems to cope with uncertainty in input costs and market fluctuations.

Comprehensively, the literature review on the empirical data confirms the role of standard costing in enhancing profitability, earnings stabilization and effectiveness of costs in Nigerian manufacturing companies. Nonetheless, the results also indicate that its performance is tied to the organizational flexibility, the situation in the industry, and management prowess.

3. Data and Methods

The study will use ex-post facto research design because it is considered appropriate since it utilizes past data that cannot be altered or

manipulated by the researcher. The design is used to investigate the effect of cost factors that is, inventory costs, labor costs, and sales costs on the financial performance of manufacturing companies in Nigeria between the years 2013 and 2023. The regression analysis is used to determine the influence or impact of these cost variables on Earnings Per Share (EPS) which is the widely used profitability measure.

3.1 Regression Analysis

In an attempt to assess how the independent variables (Cost of Inventory, Cost of Labor and Cost of Sales) relate with the dependent variable (EPS), multiple regression analysis will be used. The model will determine how much each of the cost factors has an independent effect on the EPS adjusting the factors that might have confounding effects. The regression equation may be written as:

$EPS = f(COI, COL, COS)$ i

$EPS = a_0 + a_1COI + a_2COL + a_3COS + e_1$ ii

WHERE EPS= EARNINGS PER SHARE
COI= COST OF INVENTORY
COL= COST OF LABOR
COS= COST OF SALES
a_0= CONSTANT
a_1, a_2, a_3 =EQUATION COEFFICIENT
e_1= ERROR TERM.

3.2 Diagnostic Tests

Besides the regression analysis, a number of diagnostic tests will be done in order to ascertain the reliability and strength of the results. These include:

Stationarity Tests: Stationarity of the time-series data will be tested with the help of the Augmented Dickey-Fuller (ADF) test. This is essential since non-stationary data may result in spurious results of regression. The null hypothesis of this test is that the data has a unit root (i.e. it is non-stationary).

Multicollinearity Test: The variability inflated factor (VIF) will be utilized to test the occurrence of multicollinearity among the independent variables. The value of VIF (generally greater than 10) is used to show that there is high multicollinearity that can be used to bias the regression estimates.

Heteroscedasticity Test: Breusch-Pagan test will be applied to test the heteroscedasticity of the regression model residuals. Heteroscedasticity arises when not all the errors are equal in their effect on the observations and consequently we have inefficient estimates.

Autocorrelation Test: The Durbin-Watson (DW) test will be done to test the autocorrelation of the residues. In time-series data, autocorrelation may arise when the residuals in one period are associated with the residuals in another period, which is an assumption that the regression analysis analysis should not be applied.

Test of Normality: Jarque Ber test will be used to test the normality of the residues. The estimates of the model can be biased and inconsistent in case the residuals are not normally distributed.

3.3 Data Collection

The secondary data that will be used in this research will be obtained using annual financial statements of manufacturing firms listed in the Nigerian Exchange Group (NGX). Out of the number of 28 companies that were listed between the period of study (2013-2023), 20 companies were identified in the research by the completeness and continuity of financial statements. Any companies that are either missing or inconsistent with the data will be left out to ensure the analysis is not compromised. Such a filtering process will allow including only companies that have similar and reliable financial information.

3.4 Variables

Earnings Per Share (EPS) is the dependent variable to be considered in this study because it is considered as one of the most efficient indicators of profitability and financial performance.

The independent variables include:

Cost of Inventory (COI): It is the overall expenditure used in obtaining raw materials, work-in-progress goods and finished products. This will be purchase cost, transportation and handling costs.

Cost of Labor (COL): This is the total cost that relates to the payment of the employees which can be in terms of wages, salaries, benefits, and overheads relating to labor.

Cost of Sales (COS): It is the direct cost that is incurred in selling good i.e. distribution costs and marketing costs directly related to selling.

It is projected that the cost of inventory will have a beneficial impact on financial performance (y1 >0) and that the cost of labour will have a favourable impact on financial performance (y2 >0). Additionally, a favourable correlation between the cost of sales and financial success is projected (y3>0).

4. Result and Discussion

Table 4.1: Descriptive Statistics

	EPS	COI	COL	COS
Mean	199.9904	11356128	5570215	90161991
Maximum	3241.000	88340532	41131412	1560000000
Minimum	0.210000	459526.0	257750.0	1491193.
Std. Dev.	446.3884	15799398	8490603.	192000000
Skewness	4.527332	2.758170	2.008804	4.824908
Kurtosis	2.656309	12.15636	6.639435	33.72181
Jarque – Bera	2893.977	518.9718	133.4644	4709.474
Probability	.000000	.000000	.000000	.000000

Source: Author's Compilation.

The mean amount of EPS of the sample under consideration is 199.9904 that can be characterized as the aggregate earnings per share. The high standard deviation of 446.3884 implies the high degree of diversification on the economic performance of the manufacturing industry, there are companies with higher earnings than others. Positive skew (4.527332) also depicts the asymmetry of the EPS level because most of the companies have high levels of revenue.

The mean of 11,356,128 and a large standard deviation of (15,799,398) suggests that the amount of dispersion in the inventory cost of the companies in the sample under consideration is rather high. The negative skewness (i.e., 2.758170) indicates the characteristics of COI, consequently, it is skewed to the right thus depicting the fact that a small percentage of firms face outrageously high costs on inventories.

COI (Cost of Inventory): This average explicates itself to be 5,570,215. The standard deviation (8,490,603) value shows that the amount of labor cost paid by such companies is quite different. The fact that the skewness is positive (2.008804) indicates that the costs of labor are extremely skewed on the right implying that most companies are very high paying.

COS (Cost of Sales): COS average stands at 90, 161,991. The standard deviation (192,000,000) is very large indicating that the size of such firms is diverse. The skewness of the size of the firms (4.824908) is expressed positively, which means that the distribution of the size of the firms is skewed towards the right, i.e., there are large firms in the sample and their contribution to the costs in sales is high.

The kurtosis value of most of the variables derived in table 4.1 exceeded the value of 3.0 which implies that the dataset distributions had outliers across the years. According to the probability values of the jarque-bera value, the distribution values of the jarque-bera are statistically significant. That is, it is known that normal distributions occur in some of the datasets.

COS and COL: 0.150 this is a positive association that means that the higher the labor cost, the higher the sales cost will be, albeit slightly.

4.2 Regression Analysis

Table 4.2: Multiple Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob*
C	220.4094	54.22016	4.065082	0.0001
COI	-0.000000517	0.00000508	-0.891290	0.0037
COL	0.000010606	0.0000103	1.026107	0.0030
COS	-0.000000229	0.00000000247	-0.925519	0.0356
R-squared	0.262163		**Mean dependent VAR**	199.9904
Adjusted R-squared	0.226060		**S.D. dependant VAR**	446.3884
S.E of regression	446.7467		**Akaike info criterion**	15.07787
Sum squared resid	20956178		**Schwarz criterion**	15.17663
Log-likelihood	-817.7438		**Hannan-Quinn criter.**	15.11792
F-statistic	0.942277		**Durbin Watson stat**	2.028164
Prob(F-statistic)	0.000042			

Source: Authors compilation.

The likelihood of various standard costing steps to impact the economic well-being of the manufacturing firms in Nigeria is analysed through multiple regression. The model consists of an intercept (C), and three variables, that is, COI (Cost of Inventory), COL (Cost of Labor) and COS (Cost of Sales). Intercept (C) = 220.4094, which shows the financial performance at the base in case all the other factors take the value of zero. This is a statistically significant value (p = 0.0001), which implies that there is a high level of baseline financial performance. The coefficient of COI is -0.00000517 at the t-statistic = -0.891290 with a p-value = 0.0037. This is a negative coefficient, which means that the increase in the cost of inventory has a minimal negative financial performance impact; nevertheless, it is a statistically significant effect.

The coefficient of variation of COL is 0.0000106, with the p-value of 0.0030 and t-statistic of 1.026107. This positive coefficient implies that an increase in labour cost slightly positively impacts financial performance, and this is significant.

The COS factor = -0.000000229, where the p-value = 0.0356 and the test = -0.925519. The statistically significant negative coefficient indicates a small decrease in the financial performance which comes with an increase in sales costs. According to the value of the R-squared of 0.262163, the model explains approximately 26.2 percent of the variation in the economic performance. A probability value of 0.000042 and F-statistic of 0.942277 is the total statistical significance of the regression model. It is possible that there is no significant heterogeneity of the residuals as indicated by Durbin-Watson value of 2.028164.

It is revealed that the normal costing techniques, especially costs involved in labor, supplies and sales have significant influence on the economic performance of the manufacturing firms in Nigeria. The model describes an intermediate level of the change in financial performance and is statistically significant.

Table 4.3 Regression Analysis at fixed effect

Variable	Coefficient	Std. Error	t-Statistic	Prob*
C	215.8881	72.25669	2.987795	0.0003
COI	-0.00000611	0.00000538	-1.135629	0.0025

COL	0.0000144	0.0000159	0.910247	0.0036
COS	0.000000299	0.000000305	-0.979974	0.0032
Analysis of Variance (ANOVA)				
R-squared	0.554262		**Mean dependent VAR**	199.9904
Adjusted R-squared	0.440236		**S.D. dependent VAR**	446.3884
S.E of regression	333.9760		**Akaike info criterion**	14.64503
Sum squared resid	9592438		**Schwarz criterion**	15.21293
Log-likelihood	-775.15443		**Hannan-Quinn criter.**	14.87534
F-statistic	4.860845		**Durbin Watson stat**	2.333766
Prob(F-statistic)	0.000000			

Source: Author's Compilation.

The fixed effects of panel data regression analysis is done to investigate the impact of the traditional costing mechanisms on the profitability of the manufacturing organizations in Nigeria. These variables are an intercept (C) and three variables, which are COI (Cost of Inventory), COL (Cost of Labor) and COS (Cost of Sales).

C = 215.8881, which means that the base level of financial performance under zero values of other variables. This p-value is statistically significant with the 0.0003 value, which demonstrates that the measure of financial success is very high. It means that the influence is statistically relevant. Chapter 1 shows that the model explains approximately 55.4 percent of the difference in financial outcomes based on the R-squared of 0.554262. The F-statistic of 4.860845 and the p-value of 0.000000 indicate the general statistical significance of the given regression model and the significant effect of the independent variables on the financial performance. Having a Durbin-Watson of 2.333766, the rest of the data points do not seem to be largely affected by the autocorrelation. The model is statistically relevant and it explains a medium percentage of the variation in the financial performance where all predictors have a significant influence.

4.4 At Random Effect

Table 4.4. Regression Analysis for Random Effect

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob***
C	220.4094	54.80385	4.021787	0.0001
COI	-0.00000517	0.00000586	-0.881798	0.0037
COL	0.0000106	0.0000104	1.015179	0.0031
COS	-0.000000229	0.000000250	-0.915662	0.0361
Effects Specification				
Cross-section random			0.000000	0.0000
Idiosyncratic random			451.5560	1.0000
Weighted Statistics				
R-squared	0.262163		**Mean dependent VAR**	199.9904
Adjusted R-squared	0.226060		**S.D. dependant VAR**	446.3884

S.E of regression	4*****46.7467		**Sum squared resid**	20956178
F-statistic	0.942277		**Durbin Watson stat**	2.028164
Prob(F-statistic)	0.000042			
Unweighted Statistics				
R-squared	0.262163		**Mean dependent VAR**	199.9904
Sum squared resid	20956178		**Durbin Watson stat**	2.028164

Source: Author's Compilation.

The panel data regression model with random effects indicates that the intercept (C) is 220.4094 that depicts that the financial performance is where all other factors are null. The latter is statistically significant at a p-value of 0.0001, which implies the presence of a significant baseline effect. As indicated in the variables, this is found to be statistically significant.

Having R-squared value of 0.262163 with this value, the model can explain approximately 26.2 percent of financial performance variation. The overall model is statistically interesting with a p-value of 0.000042 and a F-statistic of 0.942277, which means that there is a combination of independent variables that influence financial performance. The reliability of the model is exhibited by the value of Durbin-Watson statistics 2.028164 which shows that we are not finding any overlap in the residual. Random effects model statistically significant, meaning that it explains a moderate share of the variance in the financial performance and the predictors exhibited all statistically significant effects.

4.5. Hausman Test

Table 4.5: Hausman Test analysis

Test Summary	**Chi-Sq. Statistic**	**Chi-Sq. d.f.**	**Prob.**	
Cross-section random	4.643731	3	0.0020	
Cross-section random effects test comparison:				
Variable	**Fixed**	**Random**	**Var (Diff.)**	**Prob.**
COI	-0.000007	-0.000005	0.000000	0.0022
COL	0.000012	0.000011	0.000000	0.0054
COS	-0.000000	-0.000000	0.000000	0.0020
Cross-section random effects test equation:				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	243.8286	55.92052	4.360271	0.0000
COI	-0.00000743	0.00000614	-1.209881	0.0222
COL	0.0000121	0.0000107	1.129781	0.0026
COS	-0.000000299	0.000000256	-1.169257	0.0024
Cross-section random effects test equation:				
R-squared	0.699887		**Mean dependent VAR**	199.9904
Adjusted R-squared	0.632869		**S.D. dependent VAR**	446.3884
S.E of regression	451.5560		**Akaike info criterion**	15.18269

Sum squared resid	19370769		**Schwarz criterion**	15.52836
Log-likelihood	-813.4564		**Hannan-Quinn criter.**	15.32287
F-statistic	0.810942		**Durbin Watson stat**	2.057261
Prob(F-statistic)	0.000000			

Source: Author's Compilation.

Using the Hausman assessment, the fixed effects and the random effects models are compared in order to determine which model is more appropriate in the research. To ascertain whether to reject the null assumptions of the test results, these findings of the effect of cost variables (inventory, labour, and sales) on the EPS are compared.

The test summary shows:

Chi-Sq. Statistic: 4.643731

Degrees of Freedom (d.f.): 3

Probability (Prob.): 0.0020

The p-value 0.0020 demonstrates that the random effects model is not appropriate and the fixed effects model is proposed. Findings show that the cost of inventory significantly influences the earning per share of manufacturing enterprise in Nigeria where the p-value is 0.0022. Earnings per share is also greatly affected by the cost of labour, as p-value is at 0.0054. More importantly, sales costs also make a significant contribution to earnings per share. The sales cost, inventory and labour cost are all the elements that have come to become major determinants of the success of manufacturing firms in Nigeria in terms of finances. Extentionally, hypothesis H1 is accepted and hypothesis H0 is rejected because the p-value is 0.0020 and that falls below 0.05 level of significance. This means that profits per share are actually affected by sales expenses. In addition, Hausman test demonstrates that fixed effects model is a better fit of data. Consequently, fixed effects model enables one to find that the hot effect of inventory, labour and sales costs on profits per share of the production firms in Nigeria are present. This will sustain all the three components of the first hypothesis.

4.6 Findings

The present analysis determines the impact of cost variability on the earnings per share (EPS) in Nigeria production industry. The principal empirical finding is that inventory expense effects have significant EPS impacts: those firms, which experience greater inventory expenses are likely to have their earnings history altered due to the encounter. Second, there is also a labour cost, which is likely to leave an imprint on the EPS; a company that can exploit the labourers hired to the maximum or devise a smart remuneration system may thus enhance its profits. Third, the costs in sales are depicted as of ultimate essence and, thus, there should be provision of strict observation in the cost incurred in the production of sales. These results also indicate that standard costing should be applied to the manufacturing sector of Nigeria. The Hypothesis that involves the Efficiency Structure that resource efficiency may contribute to the performance of firms appears to be accepted by the Inventory control and efficient use of sales spending, thus confirming the hypothesis. However, the uncertain results of labor costs imply the significance of Contingency Theory that the effectiveness of cost management instruments depends on situational drivers and they consist of the size of the firm, industry competitiveness, and management strategies.

These results can also be aligned with the evidence presented by Bassey and Solomon (2019) on the international level because their research showed that standard costing contributes to enhancing profitability by means of enhanced cost controls and pricing policy. At the same time, the findings also echo Ajayi and Oyedele (2022), who cautioned that costs

mismanagement could affect performance in unstable economies like Nigeria. All of this shows that the Nigerian production companies must take caution in attending to all three categories of costs, therefore, improving profitability in addition to financial health.

5. Summary and Conclusion

The paper was devoted to the discussion of the role of the traditional costing method in the decision of the financial position of the manufacturing companies in Nigeria using 3 simple cost components cost of sales, inventory cost and labor cost. The results indicated that a major implication on the earnings per share (EPS) is the implication of inventory expenditures as well as expenditures on labor. In turn, the correct management of the labor expenses will not be neglected in terms of the margin enhancement. Furthermore, under sales related expenses, it was reported that it had a very high effect on EPS therefore the need to maintain a tight rein on such expenses to remain profitable. The result of the investigation has confirmed some hypotheses of the resources-management and prices, remembering once again, that reasonable exploitation of the resources and constant improvement of the policy of products-pricing are unavoidable.

The thesis of the paper here is that the manufacturing firms must go an extra mile in intentions in order to maximise the use of the factors and the restraint of waste of labour and sales as a means of increasing profit. This type of a recommendation may be related to such theoretical framework as Efficiency Structure Theory. This is established by the empirical findings that effects of inventory costs, labour costs and sales costs on earnings per share (EPS) are high and therefore the high importance of flexible pricing policies. Among them, it was worth mentioning Kaizen pricing (the scenario in which the companies re-examine and revise the prices as the labour cost and sales cost and market conditions change gradually). The interpretation supports the claims of the Contingency Theory that underlines the different effects of the cost factors in the financial performance (i.e. inventory, labour and sales cost implications of the financial performance of the manufacturing firms are different). Therefore, an organisational plasticity and sensitivity to idiosyncratic contextual conditions, industry forces and idiosyncratic firm benefits need to be injected into the existence of efficient cost management.

The author of this paper will discuss the aims, results and the conclusions of the antecedent research that is carried out in the manufacturing Industry in the Nigerian Exchange Group. By shedding light on these historical endeavors, it is possible to narrow a bit more specifically on the subject of the present research which is just and adequate enough to contribute to the creation of the manufacturing division of the Nigerian Exchange Group. In recent times, they have found out the reality that regarding the manufacturing firms in Nigeria, the standard costing frameworks have severe implications on the financial performance (Adeyemi and Adeniji, 2018; Obara and Nwosu, 2018; Bassey and Solomon, 2019; Alade and Aluko, 2019). In particular, the articles confirm that inventory costs, labor costs and sales costs are the three critical cost drivers that influence the earnings per share (EPS). This implies that the inherents of standard costing are pivotal since this will help the manufacturing companies in Nigeria to sustain a stable financial position since they will be in a position to have a healthy control of such elements of cost aspects. It can be increased, therefore, both the fiscal well-being, as well as the long-term growth of the companies producing products in Nigeria, and, to be more specific, four steps, namely (1) the augmented productivity of the workers; (2) the optimization and automatization of the operations; (3) the more significant coordination of the supply chain; (4) the more extensive exporting potential. The global market success of the Nigerian firms in the manufacturing sector is predetermined by holistic approach that embraces multilateral

concerns. This plan can be explained to have four major components namely (1) effective training programs, (2) performance incentive plan, (3) reliance on enabling technologies and (4) strategic sales cost control.

The organizational training ought to be aimed at raising the competencies of the employees like the employees concerned with the production and sale of the employees thus producing efficiencies.

The targeted behaviours would be reinforced by ensuring that the incentive system is put in place so that the targeted behaviours could be rewarded only i.e. quality improvement, shortening of lead times or costs reduction. The new technologies provide the forms of supporting tools in the form of enhanced analytics to the artificial intelligence and help to automatize the tasks of operations as well as to streamline the decision-making process.

The stocks, purchasing procedure, and distribution channels will be given special attention and this will help in minimizing cost of sales. Standard costing is still an unavoidable component in the perception and rectification of problematic allocations of labour, material and overheads on hype of the varying production batches.

Cost-management system should be in a position to adapt to the divergent finance conditions at a timely manner.

It is the normal costing systems that have been acting as a critical machine of aggregate profitability of the manufacturing business over the years and it is what made them popular in the financial comparison of profitability table. However, the empirical test reveals that the methodology is susceptible to some of the weaknesses, such as the imperfection of the establishment of the value of the old inventories, the potential of the detailed reporting to be faced with the delay, and its less popularity in the present set-up of the cost-control systems. In this regard, further studies need to be conducted that will offer explanations to these deficiencies and suggest mitigating measures.

The research studies in future should be conducted to investigate the impact of standard costing practices to the Nigerian manufacturing companies in comparison with companies in developing and developed world in order to determine not just cross cultural differences but cross national best practices. Such research would supplement our understanding of corporate financial health since the other performance measures are being incorporated into the study, that is, the return on equity (ROE), net profit margin, and the return on assets (ROA), which, in the literature, is also posited to be under both an academic and management analysis.

As the study under consideration is based on a limited number of businesses, it therefore fails to capture the bigger picture of the manufacturing industry of Nigeria. In addition to it, there are major economic changes and trends that occur within a very long time horizon that are beyond the time frame of the difference between the year 2013 and 2023.

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