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CORPORATE RECURRENT EXPENDITURE ON PROFIT FOR THE YEAR OF MANUFACTURING FIRMS IN NIGERIA

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Abstract

Research Purpose: *The study examined the effect of corporate recurrent expenditure on profit for the year of manufacturing firms in Nigeria. The specific objectives of the study were to ascertain the effect of advertising cost, audit fees, and employee cost on profit for the year of manufacturing firms in Nigeria. Advertising cost, audit fees, and employee cost were the corporate expenditure, while profit for the year was the dependent variable.*

Design/Methodology/Approach: *The study adopted an ex-post-facto research design, covering the period between 2010 and 2019. Secondary data were extracted from the annual reports and accounts of sampled manufacturing firms in Nigeria. Multiple regression techniques were used for data analysis. In line with the specific objectives of the study the multiple regression analysis revealed that advertising cost and audit fees have a negative and significant effect on profit for the year of manufacturing firms in Nigeria. However, employee cost has a negative and insignificant effect on profit for the year of manufacturing firms in Nigeria.*

Findings*: The findings implies that as advertising cost and audit fees is increasing, manufacturing firms profit for the year was decreasing significantly and vise versa. On the other hand, an increase in employee cost result to a little or no decrease in manufacturing firms profit for the year. Hence, advertising cost and audit fees can be used to predict the movement of profit for the year of manufacturing firms in Nigeria.*

Originality/Value Added: *The study, therefore, recommends that manufacturing firms in Nigeria should strive to prevent advertising failures. They should ensure that the huge coston advertising yields maximum results. Cost management strategies that focus on reduction of administrative overhead (such as audit fees) should be embarked upon by the manufacturing firms if their profit maximization and wealth creation objectives will be met. These firms should set performance target for its employees and conduct employee performance appraisal regularly so as to ensure that the huge employee cost yields positive results*

INTRODUCTION

The main goal or objective of any business organization according to Lucey (1993) is to make and maximize profit, while other secondary objectives include going-concern, growth, corporate social responsibility benefits to employees and so on. Though other objectives are also considered very important as listed above, profit maximization is usually the ultimate because it maximizes the shareholders' wealth which is the ultimate aim of investing in a business. People will naturally prefer to invest in a highly profitable business (Charles,1998).

Therefore, in the long run, only the profit maximizers survive in the business environment. However, for adequate profit to be recorded from a business there is a need for adequate control of its expenditure. Robert (2007) stated that a company with adequate cost structure possess a higher chance of attaining its profit target

Brag (2020) opine that corporate expenditure is comprised of the costs incurred to run the administrative side of a business. These costs include accounting, human resources, legal, marketing, and sales functions. The researcher further submits that corporate expenditure always increases the breakeven point of a business, so it is good practice to maintain tight control and management over these costs.Zengin and Ada (2010) opine that the most important managerial tools are cost management strategies. Cost management strategies according to Kumar and Shafabi (2011) are considered as critical factors to increase revenue for the success of manufacturing companies. However, the study focuses majorly on ascertaining the effect of corporate recurrent expenditure on profit for the year of manufacturing firms in Nigeria. The problem of making huge corporate recurrent expenses with insignificant profit and huge losses necessitated the the study

Statement of the Problem

Companies all over the world (manufacturing firms inclusive) aspire for profitability and growth. In other to grow, firms need funds to finance their activities and settle their liabilities. They require the fund to pay for rent, pay for adverts, buy property, plant, and equipment, pay for financial services they received (audit and accounting fees), settle their utility bills, pay for labour, and purchase materials.Other overhead costs include indirect labour such as quality assurance personnel, equipment technicians, material handlers, and shipping and receiving personnel.They make these corporate expenses to grow and make a profit.

However, despite the huge amount of corporate recurrent expenditure to finance their activities, some manufacturing firms are making significant loses. The big question is, does these recurrent expenditures of these manufacturing firms enhance their profitability or does it impede it?

Consequently, the study aims to help managers in the manufacturing sector avoid corporate losses through the analysis of corporate recurrent expenditure. Hence, the study examined the effect of selected corporate recurrent expenditure on profit for the year by manufacturing firms in Nigeria.

Objectives of the Study

The primary objective of the study is to ascertain the effect of corporate recurrent expenditure on profit for the year of manufacturing firms in Nigeria. To achieve this primary objective, the study achieved the under-listed specific objectives. They include to:

i. Ascertain the effect of advertising cost on profit for the year of manufacturing firms in Nigeria.
ii. Determine the effect of audit fees on profit for the year of manufacturing firms in Nigeria.

iii. Evaluate the effect of employee cost on profit for the year by manufacturing firms in Nigeria.

Research Questions

The above specific objectives were addressed with the following research questions:

i. To what extent does advertising cost affect the profit for the year of manufacturing firms in Nigeria?

ii. To what extent does audit fee affect the profit for the year of manufacturing firms in Nigeria?

To what extent does employee cost affect the profit for the year by manufacturing firms in Nigeria

Statement of the Hypotheses

The following null hypotheses were formulated to guide the study:

i. Advertising cost does not significantly affect the profit for the year by manufacturing firms in Nigeria.

ii. Audit fee does not significantly affect the profit for the year of manufacturing firms in Nigeria.

iii. Employee cost do not significantly affect the profit for the year by manufacturing firms in Nigeria.

REVIEW OF RELATED LITERATURE

Conceptual Review

Corporate Recurrent Expenditure

Yeboah (2016) opine that corporate expenditure refers to an ongoing expense of operating a business. Oyerogba, Ezekiel and Olaleye (2014) states that corporate expenditure are still vital to business operations as they provide critical support for the business to carry out profit-making activities. For example, overhead costs such as the rent for a factory allows workers to manufacture products which can then be sold for a profit. Such expenses are incurred for output generally and not for a particular work order.

Corporate recurrent expenditure are those expenses on goods and services which does not result in the creation or acquisition of fixed assets (new or second-hand). It consists mainly of expenditure on wages, salaries and supplements, purchases of goods and services and consumption of fixed capital (depreciation)

Advertising Cost

According to Fill (1999), the purpose of advertising is to supply how advertising, public relations and sales promotion are communication tools to be accessed by marketers. Dunn(1978)viewed advertising from its functional perspectives; hence they define it as a paid, non-personal communication through various media by business firms, a non-profit organization, and individuals who are in some way identified in the advertising message and who hope to inform or persuade members of a particular audience. Silver, (2010) defined advertising cost as a category included in financial accounting to represent expenses associated with promoting an industry, entity, brand, product name, or specific products or services to stimulate a desire to buy the entity's products or services. Advertising costs include space in print and online venues, broadcast time, radio time and direct mail advertising.

Audit Fees

Hoitash, Markelevich, and Barragato (2007) opine that audit fees reflect the level of effort, which translates into the quality of service provided.AbbasZadeh (2017) opines that audit fees are indicative of the economic costs of efficient auditors. Abnormal audit fees might indicate an increase in audit quality and not necessarily reflect economic bonding of auditors. Conversely, auditfeesbelowthenormallyacceptedlevelcouldreduce the quality of audit services. Wang and Chui(2014) submit that manufacturing firms are more willing to pay higher audit fees for quality audits in a highly competitive market for the enhancement of profit. Moreover, firms in higher competitive markets focus on the audit practices to improve transparency for the satisfaction of shareholders, and that practice enhances firm profits (Samuel&Schwartz, 2019)

Employee Cost

Osterman (2006) opine that employee cost are the remunerations paid or payable to employeesfor work performed on behalf of an employer or services provided. Normally, an employer is not permitted to withhold the wages or any part thereof, except as permitted or required by law. Employers are required by law to deduct from wages, commonly termed "withhold", income taxes, social contributions and other purposes, which are then paid directly to tax authorities, social security authority,on behalf of the employee. employee cost constitute a huge portion of a company’s corporate expenditure hence, should increase performance.

Profit for the Year

Profit for the Year can be fully retained by a company to be used in the business or distributed as dividends, if declared and to the shareholders. Profit for the year is a measure of how competent a company is with regards to converting its revenue into profits, it is also used in margin analysis to compare companies within the same industry. According to Aldridge (2015), it helps investors determine how much a company actually earns and can also help determine whether a company needs to control its costs. The profit for the year margin is closely watched by investors to see if the income generating ability of a firm is changing over time. If so, this could be considered a valuation indicator that may result in a change in the stock price.

Theoretical Reviews

The study was underpinned by the following theories:Risk Theory of Profit by Fredrick B. Hawley (1893)and The Dynamic Theory of Profit by Prof. J.B. Clark (1900).

Risk Theory of Profit : Hawley’s Risk Theory of Profit was propounded by F.B. Hawley, who believed that those who have the risk-taking ability in the dynamic production have a sound claim on the reward, called profit. Simply, profit is the price that society pays to assume the business risk.According to him, profit is the reward for risk-taking in business. **The Dynamic Theory of Profit :**In the year 1900, Prof. J.B. Clark put forward the dynamic theory of benefit. To him, the difference between the price and the cost of the commodity's output is a benefit. In an organized society, profit is the outcome of progressive reform.The study was anchored onRisk Theory of Profit because corporate recurrent expenditure to an extent is a risk manufacturing firms are taking to makeprofit and grow. They are not guaranteed returns, hence, it is a huge risk

Empirical Reviews

Advertising Cost and Profit for the year

Agbeja, Adelakun, and Akinyemi (2015) assessed the effect of advertising on sales and profitability of a company. The SPSS software package was used to adequately verify the data collected for this study. The regression analysis was used to test the hypothesis of the variables that were involved in this study to analyze the data. The paper concludes that there exists a significant relationship between marketing expenses and profitability of the firm and also there exists a significant relationship between turnover and marketing expenses of the firm.

Amina, Muhammad, and Sohaib (2015) investigate the impact of advertising on the profitability of commercial banks for 2008- 2012, in the presence of control variables: Credit risk, Operating Efficiency, total advances to total deposits, total loans to total assets and Size (total assets) ratio.Bank's profitability is measured in terms of return on equity (ROE). The data has been obtained from the publications ofState Bank of Pakistan (SBP) and commercial banks. The regression results confirm the positive and significant effects of advertising expenditure on ROE for private sector banks than public sector banks.

Abdullahi and Dauda (2015) studied the effect of advertising on the sales revenue and the profitability of selected food and beverages firms in Nigeria. This study was based on secondary data collected in the Nigerian Stock Exchange from 2000 to 2012. Correlational and Ordinary Least Square regression analysis study designs were adopted for the study. This study found out that advertising is one of the most important mediums of communication influencing the companies' performance in more than one way.

Ghorbani, Hajiabadi, and Mansoir (2016) examined the effects of advertising on the profitability of industries in Iran (A case study of Cosmetics and Hygiene Products Stores). The study was carried out using the Autoregressive Distributed Lag model to analyse the effects of advertising intensity on profitability in cosmetics and hygiene products stores. Thedata was based on seasonal figures of 1375- 1386(Hijri) and the results showed a significant positive relationship between the intensity of advertising and profitability of the mentioned businesses. The same relationship was also present between concentration ratio and profitability.

Azizi and Moghadasi (2016) investigated the effect of advertising intensity on performance in the automotive and food industries. Their sample consisted of the annual data of 25 firms (17 food and 8 automotive industries) in the Tehran stock market which were extracted from balance sheets and statements. The combined results of the study confirm that advertising intensity has a meaningful positive effect on the performance and profitability of the firms, with automotive firms enjoying a more positive effect compared to food industries.

2.3.2Audit Fees and Profit for the year

Olowookere and Oladejo (2014) investigated the influence of remuneration and tenure on auditors' independence in Nigeria. The study used primary and secondary data which was collected by administered a good structure questionnaire. The data was analysed using Pearson Product Moment correlation analysis.The findings of the study showed that the provisions in the Company and Allied Matters Act (2004) are not sufficient to ensure auditors' independence in Nigeria and very many situations auditors in Nigeria were allowed to serve their clients for more than one accounting year. The study concluded that auditors' remuneration and tenure should be taken into consideration by the regulatory bodies in ensuring auditors' independence in Nigeria.

Farouk and Hassan (2014) examined the impact of audit quality on the financial performance of quoted firms in Nigeria. The study is descriptive in nature and the correlational and ex-post-facto designs were adopted in carrying out this research. Data were obtained basicallyfrom the published annual reports and accounts, and notes to the financial statements of the four firms that represent the sample of the study. Multiple regression analysis was employed in analyzing the data and testing the stated hypotheses. The results of the findings show that auditor size and auditor independence have significant impacts on the financial performance of quoted cement firms in Nigeria. However, auditor independence has more influence than auditor size on financial performance.

Musa and Shehu (2014) studied the impact of audit quality and financial performance of quoted cement firms in Nigeria. The study is descriptive in nature and the correlational and ex-post-facto designs were adopted in carrying out this research. Data were obtained from the published annual reports and accounts of the four firms that represent the sample of the study. Multiple regression analysis was employed in analyzing the data and testing the stated hypotheses. The results show that auditor size and auditor independence have significant impacts on the financial performance of quoted cement firms in Nigeria.

.Aliyu, Musa and Zacharia (2015) examined the impact of Audit Quality on Earnings Management of Listed Deposit Money Banks in Nigeria. The correlational research design is employed in a sample of ten (10) listed deposit money banks for a period of eight (8) years (2006-2013), using secondary data. The study used the Ordinary Least Squares (OLS) regression technique of data analysis.The study found that audit quality has a significant impact on the earnings management of listed deposit money banks in Nigeria during the period of the study.

Santos, Cerqueira, and Brandão (2015) examined Audit Fees, Non-Audit Fees and Corporate Performance in the United States of America (USA). The study obtains data from Thomson Data Stream which comprise 416 companies and covers the period of 2002 to 2014. Using least square regression, findings show a significant negative relationship between corporate performance variables of Tobin's Q, EP, ROA and ROE and non-audit fees, suggesting that the increase e (decrease) in performance is related to the decrease (increase) in non-audit fees. Sayyar, Basiruddin, Rasid and Elhabib (2015) assessed the impact of audit quality on firm performance using a sample of 542 listed Malaysian companies, the study uses audit fees and audit firm rotation as proxies for audit quality, return on assets (ROA) and Tobin's Q was used as measures of firm performance. Data were analysed using regression analysis. Results show that audit quality (audit fee and audit firm rotation) is significantly and negatively related to ROA (performance). Almomani (2015) investigated the impact of external audit quality features on enhancing the quality of accounting profit of listed manufacturing firms at the Amman stock exchange. Audit size, audit fees, the period of customer retention, type of auditor's opinion, and the specialization in client's industry, were used to measure audit quality, where continuity of profit was used as a proxy variable to express the quality of earnings. Using a sample of 45 firms and data covering the period of 2009-2013, the study adopted a multiple linear regression method from which the results show that auditor's fees have the most significant effect on earning quality and in turn enhances the quality of accounting profits which is a measure of financial performance.

Egbunike and Abiahu (2017) studied audit firm report and financial performance of money deposit banks in Nigeria. The study adopted the ex post facto and correlational research design. The study population comprised all money deposit banks in existence as of 2015 financial year-end. The study finds that audit quality has a significant effect on return on assets of Nigerian banks; Audit fee and audit report lag had no significant effect on return on assets, earnings per share and net profit margin of Nigerian banks.

Olanlokun (2018), examined the impact of external auditors' remuneration on financial development in Nigeria. To achieve the objective of this study, secondary data were sourced from the annual reports and financial statements often deposit money Banks selected out of fifteen Nigerian quoted deposit money banks as of September 2015 covering the period 2011 - 2015 where Ex-Post Facto research design and Social Exchange Theory were adopted. The findings revealed that the financial information certified by the so-called External Auditors increase Customers Deposit. Ogbodo and Akabuogu (2018) studied the effect of audit quality on the corporate performance of selected banks in Nigeria. Specifically, the study examined the effect of audit firm size on return on asset of Nigerian banks. The population of the study consists of sixteen deposit money banks quoted on the Nigerian Stock Exchange. Data for the study were extracted through the financial statement of the banks from 2008 to 2017 and was tested with regression technique. The study found that audit committee independent has a significant effect return on equity. Also, audit committee size has a significantly effects profit margin of quoted Nigerian banks.

Otete (2018) studied the determinants of external auditors' remuneration from the Ugandan insurance sector. A sample of 74 insurance players in Uganda was used for longitudinal study based on selected data extracted from audited financial statements for the years 2014-2017. Correlation analysis was employed. The study revealed that the client's annual income and total assets have a statistically significant influence on the auditor's remuneration. It also revealed that auditor's size had a statistically significant influence on the auditor's remuneration and the client size influenced the choice of the auditor.

Isah and Muhammed (2019), investigated the impact of audit quality on the financial performance of listed Deposit Money Banks (DMBs) in Nigeria. Secondary data extracted from the published financial statements and annual reports of fourteen listed DMBs in Nigeria for 2007 to 2017. Generalized Least Square Regression was employed to estimate the impact of audit quality on Financial Performance of listed DMBs in Nigeria. The results of the study, on one hand, reveal a significant and positive relationship between audit fee and financial performance of listed DMBs in Nigeria, and on the other, a significant and negative relationship between audit report timeliness and financial performance of listed DMBs in Nigeria. Elewa and El-Haddad (2019) examine the effect of audit quality on firm performance of non-financial firms listed as EGX 100. The population studied consists of thirty non-financial firms. The study covers five years 2010-2014. Independent Variables are Auditor Experience (measured by Big-4) and Auditor Independence (measured by auditor Rotation ROT). Dependent Variables are Return on Assets ROA and Return on Equity ROE. Following the Random Effect Model results, BIG 4 and ROT have an insignificant impact on the ROA and ROE of the firm. External and internal financial statement users may benefit from the study only when dealing with high-profit firms.

Abdullahi, Norfadzilah, Umar, and Lateef (2020)examined the impact of audit quality on the financial performance of listed companies in Nigeria. The study employed 84 companies listed on the NSE with 756 samples for the period of nine years which is from 2010 to 2018 based on a panel data approach. The study employed multiple regression techniques to analyse the data. The results reveal that the audit fee shows a positive and insignificant relationship with ROA. Consistent with the agency theory, auditor size displays a significant positive relationship with ROA. Auditor independence is also seen to be positive and statistically significantly related to the ROA. Wijaya (2020) examined the effect of audit quality on firm value in manufacturing companies listed on the Indonesian Stock Exchange from 2013 to 2017. Sampling was carried out using a purposive sampling method. Research data were tested using multiple regression analysis. The results of this study show that audit quality has a positive effect on firm value in manufacturing companies on the Indonesian Stock Exchange.Enekwe, Nwoha, and Udeh (2020)examined the effect of audit quality on the financial performance of listed manufacturing firms in Nigeria from 2006-2016. Ex- post facto research design was adopted for the study. Stratified purposive sampling technique was used to select 24 firms from the 80 listed manufacturing firms in Nigeria. Secondary data were gathered from the published annual financial statements of the companies. Ordinary Least Square method of regression was employed in the analysis of data. The study revealed that auditor's independence has a positive and significant effect on the financial performance of listed manufacturing firms, among others.

Monametsia and Agasha (2020) examined the impact of audit quality on firm performance of listed companies in Botswana, and Uganda.The study sampled domestically listed financial and non-financial companies on the stock exchanges of Botswana and Uganda for the five years 2014-2018.Using auditor size and audit fees as proxies for audit quality and return on assets, and Tobin's Q as measures of firm performance, the relationship between the variables was determined through regression analysis.Results of the study show that audit quality is a negative but non-significant predictor of firm performance for financial performance.

Ugwu, Aikpitanyi and Idemudia (2020), examines the impact of audit quality on the financial performance of Deposit Money Banks in Nigeria. Secondary data were used, which were extracted from the financial statements of the listed DMBs from 2011-2017. The study employed correlation and ex-post facto research designs and multiple regressions were used for data analysis. The study revealed a significant and positive relationship between audit firm size and ROA, negative and significant relationship between joint audit and ROA and negative and insignificant relationship between audit fee and ROA.

Employee costandProfit for the year

The impact of Compensation Management on the performance of staff in the manufacturing sector was examined by Ibojo and Asabi (2014). Primary and secondary sources have been employed. The questionnaire was used to collect the necessary and relevant information from the respondents. Inferential and descriptive statistics were used to interpret the details. Using Analysis of Variance to assess the hypotheses (ANOVA). The findings indicate that there is a significant relationship between effective welfare care and the performance of employees. There is also a significant relationship between the administration of compensation and increased efficiency. Finally, the outcome indicates that a significant relationship occurs between the administration of compensation and the performance of employees.

Ayesha, Amna, Tahlee and Hina (2015) examine the effect of reward and Compensation system on the performance of employees. Their very first variable was compensation. The second was motivation, third wastheincentive. The research shows that the most significant variable in the research is reward and compensation.It shows a great effect on the performance of employees. It boosts the efficiency of employees. On thecontrary, the variables motivation and incentives contribute least to employee performance.

The findings of Sheila and Josephat (2015) reveal the appreciable influence of the Compensation & Reward on employee performance. The adopted pay strategy of basing compensation on knowledge was effective and had ripple effects of motivating employees to further their studies which would in turn enhance employee performance. The county has a professional approach in that it had a guiding policy whose existent was known by all the respondents. The SRC seem to influence C&R practice in the county and particularly in

determine if the employees would get a pay rise or not. Based on the observation it would be noted that having competitive remuneration in isolation would not greatly influence employee's performance.Ololade, Olusegun, Abiodun, and Olalekan (2015) examined human resource development as a correlate of performance of the banking industry in Ogun State. Primary and secondary data were used in the study. Primary data were collected from the sampled commercial banks' staff in Abeokuta metropolis while secondary data were sourced from published 2012 and 2013 Financial Statements of commercial banks. Data were analyzed using Ordinary Least Squares and chi-square analyses. The study revealed a significant positive relationship between expenditure on human development and each of the financial performance indicators.
Mbah, Mgbemena and Ejike (2015) sought to find out the relationship between effective salary management and employee performance in civil service in Nigeria. The study looked at both the financial and non-financial payments. Using Pearson Product Moment correlation analysis, the findings of the study revealed that there is a positive and significant relationship between pay and some nonfinancial form of payments such as employee recognition, conducive working environment, and staff development with employee performance.
Onwuka and Onwuchekwa (2018) aimed at establishing the influence of compensation policy on employee commitment of selected pharmaceutical companies in Anambra state. Primary data was collected using a self-administered questionnaire and the data was analysed by use of Pearson product correlation. The data was presented using simple percentage table. Generally, the study found that pay for performance policy was popular compensation. It was also established that the compensation policy influences employee commitment owing to the level of the relationship established between the variables and this led to enhanced performance, trust in management and strong relationship in the organization.
Abidemi, Ganiyu, and Ilo (2018) examined the determinants of firm profitability for 114 firms listed on the Nigerian Stock Exchange (NSE) from 1998 to 2012, using the system Generalized Method of Moments (GMM). The results show that lagged profitability exerts a significant positive effect on contemporaneous firm profitability. However, short-term leverage, inflation rate, interest rate and financial risk have significant negative effects on firm profitability. Manukaji, Osisioma, and Okoye (2019) examined the effect of human resources development on the performance of quoted companies in Nigeria. The study adopted ex post facto research design. A total of five companies quoted on the Nigerian Stock Exchange were examined using their 2014 to 2018 annual reports and accounts. Data were sourced on employee remuneration, training and development cost, size of the employee, and return on assets a proxy for performance. The data generated were analyzed using descriptive statistics, correlation test and ordinary least square estimation technique. The study found that employee remuneration and training and development cost have a significant effect on the performance of quoted companies in Nigeria. Size of employees was found to have an insignificant effect on the performance of quoted companies in Nigeria.

Khudhair, Rahman, and Adnan(2020) examined the relationship between compensation strategy and employee performance among academic staff in Iraqi universities. The study made use of secondary data from previous studies in this area. Regression techniques were used for data analysis. The result revealed thata strong connection exists between the compensation strategy and the performance of the employee. The result revealed that compensation strategy leads to the increment of employee's performance in Iraqi universities. Hakim (2020) determined the effect of compensation, career development, work environment and job satisfaction on organizational commitment. The study was conducted at PT Jakarta Tourisindo. Study sample 86 people. The sampling technique uses random sampling and data analysis techniques to use path analysis. The results showed that compensation, career development, work environment and job satisfaction had a positive and significant effect on organizational commitment.

METHODOLOGY

The study adopted the *ex-post facto* research design.The study is focused on Nigeria, in the manufacturing sector of the economyA secondary source of data was used for the study. Panel data were extracted from the annual report and accounts of sampled manufacturing firms in Nigeria.The population of study covered all the forty-two (42) quoted manufacturing firms listed on the Nigerian Stock Exchange. The purposive sample size of the study consisted of five (5) selected consumer goods firms. These firms were sampled because all the data on the variables of study for the period were available. The firms included; Guinness Nigeria Plc, Nigeria Breweries Plc, Cadbury Nigeria Plc, Unilever Nigeria Plc and Nestle Nigeria Plc.The study employed descriptive statistics and panel multiple regression techniques for the

Model Specification

The model for the study is specified as follows:

$$PFY = \beta_0 + \beta_1 AC + \beta_2 AF + \beta_3 ECOST + \varepsilon \quad - \quad - \quad - \quad - \qquad \text{(Equation 1)}$$

Where:

PFY	-	Profit for the year
AC	-	Advertising Costs
AF	-	Audit Fees
ECOST	-	Employee Cost
βo	-	Constant Term
β_1	-	Coefficient of advertising cost
β_2	-	Coefficient of audit fees
β_3	-	Coefficient of interest expense
ε	-	Error Term

Description of Model Variables

The research variables are structured into dependent and independent variables for the analysis. The dependent variable of the study is the profit for the year while the independent variables are advertising cost, audit fees and employee cost.

Table 2:Description of Variables

Short Form	Details	Source of Data
PFY	Profit for the year	Annual Report and Accounts
AC	Advertising Cost	Annual Report and Accounts
AF	Audit Fees	Annual Report and Accounts
ECOST	Employee cost	Annual Report and Accounts

Source:Author's Arrangement.

88

DATA PRESENTATION AND ANALYSI

Table 4.2.1: Panel Data Descriptive Statistic for the Variables under Study

	PFY	AC	AF	ECOST
Mean	14300864	8644629.	32935.16	13948793
Median	8749224.	4935437.	30391.50	9527408.
Maximum	45683113	28849136	88127.00	42400343
Minimum	-7419674.	24162.00	15752.00	3403324.
Std. Dev.	14523100	8294167.	12788.38	11079703
Skewness	0.770751	0.947250	1.955762	1.366586
Kurtosis	2.377324	2.564024	8.656790	3.756965
Jarque-Bera	5.758231	7.873348	98.54022	16.42159
Probability	0.056184	0.079513	0.000000	0.000272
Sum	733.2482	753.6434	517.0811	793.2909
Sum Sq. Dev.	89.49806	188.8156	5.750216	24.09805
Observations	50	50	50	50

Source: Author's Computation from Eviews 10.0 Statistical Software

Table 4.2.1 above reveals the variable description of the 50 observations of the panel data for sampled manufacturing firms. From the table, the industry's minimums include Profit for the Year(₦7,419,674m), Advertising Cost ₦24,162m, Audit Fees ₦15,752m, and Employee Cost ₦3,403,324. However, the industry's maximum includes Profit for the Year ₦45,683,113m, Advertising Cost ₦28,849,136m, Audit Fees ₦88,127m, and Employee Cost ₦42,400,343m. The industry means for the variables studied are Profit for the Year ₦14,300,864m, Advertising Cost ₦8,644,629m, Audit Fees ₦32,935m, and Employee Cost ₦13,948,793m.
The normality of the distribution of the data series is shown by the coefficients of Skewness, Kurtosis, and Jarque-Bera Probability. From the Table 4.2.1, the probability of the Jarque-Bera Statistics forProfit for the Year and Advertising Cost have an insignificant p-values as follows Profit for the Year (0.056184)andAdvertising Cost (0.079513).The insignificant p-values depicts that the variables are normally distribution. This was further confirmed by the skewness coefficients which are not greater than one with the following outcomes Profit for

the Year(0.770751)and Advertising Cost (0.947250). The kurtosis coefficient provides a second level of confirmation that Profit for the Year and Advertising Cost are normally distributed with the following less than three coefficients Profit for the Year (2.377324) and Advertising Cost (2.564024). However, Audit Fees and Employee Cost are abnormally distributed judging by the significance of Jarque-Bera Probability, the skewness coefficient that is greater than one, and the kurtosis coefficient that is greater than three.

TABLE 4.2.2:Pooled Data Multiple Regression

Dependent Variable: LOG(PFY)
Method: Panel Least Squares
Date: 02/23/21 Time: 17:13
Sample: 2010 2019
Periods included: 10
Cross-sections included: 5
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(AC)	-0.635626	0.197385	-3.220238	0.0025
LOG(AF)	-208.9972	98.70439	-2.117405	0.0403
LOG(ECOST)	-0.040031	0.195470	-0.204792	0.8387
C	26905544	4040205.	6.659451	0.0000

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.815225	Mean dependent var	13904479
Adjusted R-squared	0.783678	S.D. dependent var	14397739
S.E. of regression	6696454.	Akaike info criterion	34.42034
Sum squared resid	1.848915	Schwarz criterion	34.72921
Log likelihood	-835.2983	Hannan-Quinn criter.	34.53752
F-statistic	25.84160	Durbin-Watson stat	2.870112
Prob(F-statistic)	0.000000		

Source: Author's Computation from Eviews 10.0 Statistical Software

Table 4.2.2 reveals that Advertising Cost have a significant (p-value 0.0025) but negative effect (Coefficient-0.635626) on Profit for the Year. Audit Fee was found to have a significant (p-value 0.3162)butnegative (Coefficient -208.9972) effect on Profit for the Year. On Employee Cost and Profit for the Year, it was revealed that Employee Cost have a negative (Coefficient -0.040031) and insignificant effect (p-value 0.8387) on Profit for the Year. The adjusted R-squared (R^2) indicated that about 78% of the changes in Profit for the Year are accounted for by the explanatory variables (Advertising Cost, Audit Fees, and Employee Cost). The remaining 22% could be explained by other factors capable of influencing Profit for the Yearin the industry and other remote factors captured by the error term. The probability of the F-statistic (0.000000) is significant which shows the statistical fitness of the multiple regression model and the results, by extension. There is an absence of serial autocorrelation in the panel data extracted from annual reports and accounts of the sampled manufacturing firms as suggested by Durbin-Watson stat of 2.870112.

DISCUSSION OF FINDINGS

Hypotheses One: The test of hypothesis one from the result of the panel multiple regression reveal that advertising cost has a negative and significantly effect on profit for the year of manufacturing firms in Nigeria. This implies that as manufacturing firms spend more on adverts and sales promotion, they experience significant decrease in profit for the year. The negative effect of advertising can be as a result of advertising failures caused by factors not limited to improper use of passive media, lack of creativity and persuasiveness in the advertisement, and so on. This is in tandem with the findings of Agbeja, Adelakun and Akinyemi (2015), Abdullahi and Dauda(2014), Akanbi and Adeyeye (2011), and Okwo and Ugwunta, (2012), who found a significant relationship between advertising cost and profitability. 90

Hypotheses two: The test of hypothesis two revealed that audit fee has a significant but negative effect on profit for the year of manufacturing firms in Nigeria. The implication of the finding is that as manufacturing companies' audit fee is increasing, the profit for the year in the industry is reducing significantly. This can be a consequence of poor audit quality. Sun and Sherwood (2017) report that increase in audit fees paid by public companies are not necessarily producing better audit quality. The researchers went further to argue that increase in audit price is a consequence of increase in demand for the audit firm which do not correspond with increase in experienced auditors. Low audit quality according to Whited (2014) can be detrimental to a firm's profitability. This is in tandem with the findings of Musa and Shehu (2014), and Onaolapo, Ladoke and Ajulo (2017). They found a significant relationship between audit fee and profitability.

Hypotheses three: In test of hypothesis three, employee cost has a negative andinsignificant effect on profit for the year of manufacturing firms in Nigeria. This implies that as personnel cost of manufacturing firms is increasing, there is an insignificant decrease in profit for the year. The result can be as a result non-productivity and low performance of employees in this sector, which can be traced down to poor management, substandard supervision, lack of motivation, and so on. The finding is in tandem with the findings Ayesha, Amna, Tahlee and Hina (2015). They found an insignificant relationship between employee cost and performance.

Summary of Findings

The findings are summarised as follows:

1 Advertising cost has a negative and significant effect on profit for the year of manufacturing firms in Nigeria.

1. Audit fee has a negative and significant effect on profit for the year of manufacturing firms in Nigeria.
2. Employee cost has a negative and insignificant effect on profit for the year of manufacturing firms in Nigeria.

Conclusion

The study examined the effect of corporate recurrent expenditure on profit for the year of manufacturing firms in Nigeria. From the data collected and scientifically analyzed, advertising cost and audit fee have a negative and significant effect on profit for the year. However, employee cost has a negative but insignificant effect on profit for the year of manufacturing firms in Nigeria. The adjusted R-squared (R^2) indicated that about 78% of the changes in Profit for the Year are accounted for by the explanatory variables (Advertising Cost, Audit Fees, and Employee Cost). Hence the study conclude that corporate recurrent expenditures have a negative and significant effect on profit for the year.

Recommendations

The following recommendations were made based on the findings and conclusion:

1. Manufacturing firms in Nigeria should strive to avert their advertising failures. They should ensure that the huge cost on advertising yields maximum results.
2. Cost management strategies that focus on reduction of administrative overhead (such as audit fees) should be embarked upon by the manufacturing firms if their profit maximization and wealth creation objectives will be met.
3. Manufacturing firms should set performance target for its employees and conduct employee performance appraisal regularly so as to ensure that the huge employee cost yields positive results.

Contribution to Knowledge

This study is the first in literature that tried to ascertain the effect of corporate recurrent expenditure on profit for the year of manufacturing firms in Nigeria from 2010 to 2019. Hence, its findings increased the reservoir of knowledge.

Suggested Areas for Further Studies

The study focused on the effect of corporate recurrent expenditure on profit for the year of manufacturing firms in Nigeria. It is suggested that other researchers should focus more on other areas of corporate capital expenditure or recurrent expenditure not covered in this study.

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