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THE PLIGHT OF ACCOUNTING ESTIMATES AND RETURN ON INVESTMENT

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ABSTRACT

There are growing concern that the level of accounting estimates done by management in return by investment (ROI), could either enhance or impair investors and stakeholder's perspective towards corporate valuation. Hence, this study empirically investigated the relationship between accounting estimates and corporate valuation of quoted foods and beverages manufacturing firms in Nigerian. Panel data were extracted from the published financial statements of foods and beverages manufacturing firms quoted in the Nigerian Exchange Group, spanning 2012-2021. To evaluate the relationship between accounting estimates and corporate valuation, the study employed provision for depreciation, provision for tax, and provision for bad debt as proxies of accounting estimates whereas corporate valuation were used as measures of ROI, while firm size serve as a variable of the relationship between accounting estimates and corporate valuation The convenient sampling technique was used to determine the sample size while ex-post facto research design was adopted for the study. The study was built on agency and stakeholders' theories. Research questions and hypotheses were formulated based on the study objectives; and were tested at 5% level of significance. Four study models were developed and analyzed using descriptive, correlation and panel multiple regression techniques. The results of the analyses showed that all dimensions of accounting estimates and measures of corporate valuation correlated positively and inversely. Specifically, this study concluded that there was a statistically significant relationship between the measures of return on investment with the following accounting estimates variables: provision for depreciation, provision for tax and provision for bad debt. While provision for depreciation exhibited non statistically significant relationship with book value per share and return on investment. Similarly, both provision for tax and provision for bad debt showed non statistically significant relationship with ROI. The results of Hausman test revealed that accounting estimates measures determine 45% of the return on investment and firm size. Similarly, the F-statistic of 3.66, 27.11, 5.41, and 8.81, with p-value of 0.000, is statistically significant at 1%, and indicates that the models have a very high goodness of fit. Furthermore, there was non statistically significant relationship between provision for depreciation and book value per share as well as return on investment. Also, provision for tax and provision for bad debt revealed non statistically significant relationship with price to book value ratio respectively. Moreso, accounting estimates measures except provision for tax and provision for bad debt maintained a strong and significant relationship with ROI. The study concluded that accounting estimates have a strong influence on return on investment of the sampled firms. The study recommends amongst others robust regulatory framework by IASB that will totally eliminate any element of subjectivity in making accounting estimates, as well as ensuring that accountants adhere strictly to the existing provisions of IFRS that bothers on recognition and measurement criteria for making accounting estimates in order to reduce material misstatement and hence help users of accounting information make informed financial decision.

Keywords: Provision for Depreciation, Provision for Tax, Provision for bad Debt, Firm Size, Return on Investment

Introduction

The corporate world within the last decade has been fraught with myriads of accounting scandals and corporate failures, which have raised concerns about the quality of financial reports and equally undermined investors trust regarding accounting output. These issues of corporate failures frequently has its roots traced to problems bothering on financial disclosures, accounting estimates, lack of financial modelling and aggressive earnings management technique embarked on by management to paint an attractive performance outlook to investors (Ayunku & Ekwe,2019).. This extensive failure in financial disclosures has triggered yearnings amongst investors, stakeholders and regulators to enhance the quality of information embedded in financial reports by setting up strong internal control mechanism and governance structures. The need for corporate businesses to operate at profit cannot be over-emphasized. Besides, shareholders' value increment, corporate profitability measures an entity's management's efficiency in terms of resources allocation and signals the wellbeing of the organization (Ovharhe & Akandu, 2024).

Making good decision and making them happen more quickly are the hallmarks of high performing organization (Rogers & Blenko, 2006). Adequate strategic, tactical and operational decision should be based on quality information. Therefore, objective and reliable accounting information is a prerequisite for proper decision-making processes (Synder & Akandu, 2025).

However, the issue of accounting estimates in addressing transactions could be linked to the growing debate on historical and fair value accounting. According to the International Accounting Standard Board (IASB), to a large extent financial reports are based on estimates, judgments and models as opposed to being exact depictions of financial reality (IFRS Foundation, 2015). This statement buttresses the fact that in the preparation of financial reports the accountant's discretion plays a vital role in handling transactions, though not undermining existing standards such as International Financial Reporting Standard and Generally Accepted Accounting Principles. The use of accounting estimates requires a certain level of specialized knowledge, subjectivity and judgment resulting from years of training and experience; because accounting estimates are basically approximation of amounts to be debited or credited for transactions which no clear-cut measurements are available.

Accounting estimates are abused if mode of their recognition and measurement do not comply extensively with the criteria set by the International Financial Reporting Standard, requirements of national financial regulators and preservation and promotion of the interests of the equity holders in the organization. Strict adherence to full disclosures as advocated by the International Financial Reporting Standard and other reporting guide documents is essential to preventing the abuse of accounting estimates.

There are two strands of studies on accounting estimates, some authors looked at accounting estimates and financial reporting while others looked at accounting estimates and financial performance. For instance, Lugovsky and Kuter (2020), Serdarevic (2011), Raubenheimer (2012), Belsoi et al (2017); all examined the subject matter of accounting estimates and how they affect financial statements prepared by firms. In Nigeria, Nnah (2017), Akenbor and Kiabel (2014), Ayunku and Eweke (2019), Ahmed et al (2014) as well as Anichebe and Nangih (2021) all maintained that accounting estimates had significant relationship with financial statements 'credibility or quality. Belsoi, Gathii and Phillip (2017) assessed the impact of estimates on financial performance of Microfinance institutions in Nakuru town, Kenya, Idatoru, Micah and Ibanichuka (2021) empirically investigated the effect of accounting estimates on the profitability of quoted firms in the consumer goods sector in Nigeria while Olaoye and Adeniyi (2020) examined the influence of accounting manipulations on the financial performance of selected listed firms in Nigeria. Studies on accounting estimates and financial corporate valuation are lacking in literature, therefore this study examined the effect of accounting estimates on corporate valuation of quoted food and beverage manufacturing firms in Nigeria

Objectives of the Study

The main objective of the study is to examine the effect of accounting estimates on the valuation of quoted food and beverages firms in Nigeria. The specific objectives are to:

To ascertain the correlates between Provision for Depreciation and Return on Investment

To ascertain the correlates between Provision for Tax and Return on Investment

To ascertain the correlates between Provision for bad Debt and Return on Investment

Conceptual Review

According to the generally Accepted Accounting Principles (GAAP), bad debt can be estimated in three ways. The first method is an Income Statement approach where a bank or company makes an estimate of the percentage of its credit sales, which will ultimately prove uncollectible. In the second and third methods, the statement of financial position approaches is used (International Financial Reporting Standards Foundation [IFRSF], 2015). Unlike the Income Statement approach, which only records an expense without consideration of existing allowance for bad debts, the statement of financial position approach adjusts the amount estimated to be uncollectible based on the amount of bad debt expense. The uncollectible amount can be based on aging of receivables or forecast of the amount of overall accounts receivable, which are expected to be uncollectible. In most cases, there is little or no evidence to determine the details of how each and every individual company arrives at its estimate for bad debts. What is important is that the amount should be based on GAAP and also that the amount will involve estimates and subjective judgment.

The major objective for some accounting estimates is to forecast the outcome of one or more transactions, events or conditions giving rise to the need for the accounting estimate. For other accounting estimates, including many fair value accounting estimates, the measurement objective is different, and is expressed in terms of the value of a current transaction or financial statement item based on conditions prevalent at the measurement date, such as estimated market price for a particular type of asset or liability. For example, the applicable financial reporting framework may require fair value measurement based on an assumed hypothetical current transaction between knowledgeable, willing parties (sometimes referred to as “marketplace participants” or equivalent) in an arm’s length transaction, rather than the settlement of a transaction at some past or future date.

Another reason why estimates are critical in financial reporting is that choices can be made from among different but acceptable accounting principles, methods and basis. This is because entities are (in the various accounting standards) given the choice to select the accounting principles, basis and methodologies they believe will ensure faithfully represent the economic reality of their financial position, financial performance and the changes resulting from their financial position. A difference between the outcome of a financial statement estimate and the amount originally recognized or disclosed in the financial statements does not necessarily represent a misstatement of the financial statements. This is particularly the case for fair value accounting estimates, as any observed outcome is invariably affected by events or conditions subsequent to the date at which the measurement is estimated for purposes of the financial statements.

However, the process of making requires not only data collection but also training and experience. Since it could be subjective in nature, an experienced accountant would know which data to emphasize and when to re-estimate. The process of making an accounting estimates is not arbitrary (Okafor, & Egiyi, 2023), rather it is governed by a set of guidelines and principles known as accounting principles. Estimates to a large extent are based on information that is most reflective of the situation at the time of estimation. The process is somewhat both art and science since it requires both scientific analysis and intuitive judgment.

Some best practice for accounting estimate may include:

i) Making sure that the estimate and also assumption underlying the estimate are reasonable. An estimate that is too optimistic or too pessimistic might need to be reconsidered. It is also best to keep a record of the reasoning behind the assumptions.

ii) Having a proper process or framework to enable regular reviews of estimates so that they are comparable to actual amounts. Large variation, when compared to past estimates, may also be a concern unless there is a known reason for these variation.

iii) In certain cases, involving third party specialist/professional may also be worth considering.

Non-current and intangible assets such as property, plant and equipment, development cost, goodwill and intellectual property, which are capable of providing economic benefit to a firm greater than the current year's financial report are capitalized rather being expensed. However the cost of these assets must be spread over the time-period which this benefit is expected to last for the reporting entity. In determining the amount to initially record these assets at subsequent dates, IFRS allows for the historical cost and revaluation of non-current assets (Ovharhe, 2025).

Whatever method of depreciation is adopted, a rational and systematic approach of the depreciable amount of the asset (cost less residual value) over the asset useful life. However, in the determination of an asset useful life certain factors are expected to be taken into consideration such as; deterioration rate, actual physical use, technological change, etc. According to IAS 16, any depreciation method adopted should reflect the pattern of economic benefit expected to be consumed by the entity (Ayunku, & Ekwe, 2019) . Furthermore, any depreciation method adopted should be checked for appropriateness and reviewed at least annually (Ovharhe, 2024).

The entity's depreciation policy shows the method of depreciation applied by the firm to prepare and present financial statements. By definition, depreciation is the systematic spread of the assets' depreciable amount over its estimated useful life (IASB 2010). It is an estimation of financial requirements since the only way to know how much an asset has depreciated is to value it periodically. Bhattacharyya (2011), maintains that depreciation provision is made to show that the entity recognizes the entire costs associated with a non-current asset over the entire period the firm will use it.

Most small businesses use the straight-line depreciation method, which assumes that an asset will depreciate by the same amount each year over a specific period (Bhattacharyya, 2011). Others use the reducing balance method of depreciation. However, both methods are based on management's judgements and approximations and will produce differing results on the entity's financial reports.

An asset's depreciable amount is systematically distributed over the asset's useful life. Distribution of fixed assets' costs to their useful lives is due to periodicity principle. When determining the asset's book value on time basis, the period during which the asset is practically used by the entity shall be considered and not the asset's physical service life, to determine the useful life of an asset, factors such as technological obsolescence, wear and tear should be considered. The entity's maintenance & repair policies also affect this determination. Same assets can have shorter or longer economic lives in line with the maintenance & repair policies of different owners (Mert & Dil, 2016).

Similarly, same asset can have shorter or longer economic lives according to the intention of use. Residual value or the useful life should be revised at least at the end of each accounting period; in case the prospects differ from the previously made forecasts, changes should be recorded as "changes in accounting forecasts in accordance with IAS 8 Accounting Policies, Changes and Mistakes in Accounting Forecasts Standard. Depreciation shall be reflected on financial statements as long as the asset's residual value does not exceed its book value, even if its real/actual value exceeds the book value. Maintenance and/or repair of an asset do not eliminate the requirement for depreciation (Indrayani, 2018). Depreciable amount of an asset is found by deducting the residual value. In practice, an asset's residual value is generally minor and therefore insignificant for calculation of the depreciable amount. An asset's residual value can be increased to an amount equal to or greater than its book value. In such case, the asset's depreciation expense shall be equal to zero until the residual value decreases to an amount less than its book value.

Provision for Tax

Current tax is the amount of income tax payable based on the taxable profit or loss for a particular accounting period (Nangih, *et.al,* 2021). Alworth and Arachi (2001) defined corporate tax as tax levied on corporations' profits. Corporations are legal entities separate from their owners. They may be taxed as if they were persons. A corporate tax is the equivalent of the income tax for natural persons.

Corporate taxes vary from country to country in the US, they are levied at both the federal and state levels. Proponents of the corporate tax argue that it guards against excessive profits that may result from unethical or illegal corporate practices while opponents say that corporations simply pass on the tax to their customers. Most jurisdictions tax corporations on their income.

Provision for Bad Debt

Proper recognition of revenues and expenses dictates recording bad debts as expenses of the period in which a company earned revenue instead of the period in which the company writes off the amounts or notes. The proper valuation of the receivable balance also requires recognition of uncollectible receivables, and proper recognition and valuation require an adjusting entry. At the end of each period, a company estimates the amount of receivables that will later prove to be uncollectible, companies bases the estimates on various factors: the amount of bad debts it experience in past years, general economic conditions, how long the receivables are past due, and other that indicates the extent of uncollectibility. A company often expresses bad debts as a percentage of the revenue on account for the period or a company may compute bad debts by adjusting the allowance for doubtful accounts to a certain percentage of the trade accounts receivable and trade notes receivable at the end of the period (Kieso, et al, 2012).

Corporate Valuation

Corporate valuation is the process of determining the present or past value of a company, investment or an asset. Succinctly put, it is the process and set procedures used to estimate the economic value of an owner's interest in a business. Business or corporate valuation is used by financial market participants to determine price they are willing to pay or receive to effect the sale of a business or unit of ownership in a business (Aluko, 2004). Corporate valuation of asset and liabilities is difficult for many reasons (Aluko, & Amidu, 2005), since net asset position as shown in the statement of financial position is often based on historical costs, and therefore does not take into account subsequent changes in the value and condition of organizational assets. Resources which once had value, particularly productive assets might now be valueless because it embodied automated technologies. There is also the problem of non-disclosure of certain items such as health care cost, decommissioning cost, contingent liabilities, etc because of lack of precise valuation standard (United Nations, (UN) as cited in Aluko, 2004). Valuation can be used to determine the fair value of a business for variety of reasons, including sales value, establishing partnership, taxation, and even divorce proceedings. In order to understand valuation, two main concepts of value must be understood. First, the commonly accepted theoretical principle to value any financial asset is the discounted cash flow methodology (Reilly & Brown, 2013). An asset is worth the amount of all future cash flows to the owner of this asset discounted at an opportunity rate that reflects the risk of the investment (Pratt, 1998). This fundamental principle does not change and is valid through time and geography. A valuation model that best converts this theoretical principle into practice should be the most useful. Based on the first concept, the second concept states that valuation is inherently forward looking.

Return on Investment

It is a truism that no investor or potential investor invest for fun; hence every rational investor invests to make good return from every viable investment (Ibanichuka, & Oko, 2019). Return on investment is a financial performance and business valuation ratio used to calculate the benefit an investor will receive in relation to their investment. As noted by Idatoru et al., (2021), return on investment is a measure of profitability of an investment that measures the net income produced by total asset during a period by comparing net income to the average total assets. It measures how much profit have been generated in relation to capital employed. The higher the ratio, the greater the benefit earned. It shows investors how efficiently each naira invested is producing a profit. It is one of the most commonly used approaches for evaluating the financial consequences of business investments, decisions, or actions. It gives an idea to how efficient the management uses the assets to generate earnings. The return on investment formula is calculated as:

ROI = Profit after tax/ Total Assets x 100

It is the ratio of annual net income to average total assets of a business during a financial year. It measures efficiency of the business in using its assets to generate net income. It is a profitability ratio. Since company assets' sole purpose is to generate revenues and produce profits, this ratio helps both management and investors see how well the company can convert its investments in assets into profits. It specifically reveals how much the total assets earned in terms of returns during the year. It is a financial measure used to evaluate a company's financial performance and business technique by revealing the returns or what the total assets used in the operations earned during the period under review. ROA is calculated by dividing profit after tax by total assets. Its implication is that the assets employed in the operations of the actually contribute to the profit generated during the period. Hence the ROA shows the rate of returns earned by the total assets under normal circumstances, a company's return on total assets should be relatively stable. It can only change where there is a fundamental change in the revenue or direct costs.

Theoretical Review

Political Economy Theory

The political economy theory can be used to interpret the social and environmental disclosure in the light of social, political and economic context (Belal, 2001). The concept of political economy can be defined as the social, political and economic framework within which human life takes place (Asaya, 2013). In other words, the political, economic and social systems cannot operate in isolation from each other, for example, the economic issues cannot be investigated without considering the political, social and institutional framework in an integrated manner. Thus, by this framework, many societal issues can be considered which may impact on organizational activity, and the kind of information that is chosen to be disclosed (Akanet, 2013).

Accounting estimate in accordance with political economy theory is a proactive process of information provided from management's perspective, designed to set and shape the agenda of debate and to mediate, suppress, mystify and transform social conflict. This theory recognizes the potential for management to tell its own story or refrain from doing so, according to its own self-interest (Barako, 2007). According to Achoki, Kule and Shukla (2016), the political economic theory has been divided into two parts, namely classical, which is associated with Marx Weber, and bourgeois, relating to John Stuart Mill. The classical political economy is based on a set of ideas including structural conflict, inequality, and the main role of the government within society. In contrast, the political economy bourgeois is based on ignoring the previous elements, where the world is seen as essentially pluralistic (Adeneye et al., 2013).

Deegan (2002) defined the theory of political economy as the political, social and economic agenda in which human life takes domicile. This theory clearly identifies the power conflict that is within society and the countless fights that occur and stuck between numerous groups in the society. The standpoint incorporated in political economy theory is that politics, society and economics are joined at the hip and economic disputes cannot informatively be examined in the absence of thoughts about the political, social and institutional agenda in which the economic action takes place. It is said that, by considering the political economy a researcher is well able to think through broader (society) subjects which influence on how an organization functions, and what information it picks to disclose.

Following from the above point, Guthrie and Parker (1989), cited in Deegan (2006) clarified the significance of accounting in a political economic standpoint. They enunciated that the political economy theory's perspective, sees accounting report as social, political and economic papers. Which aid as a tool designed for constructing, sustaining, and legitimizing economic and political activities, institutions and ideological themes which adds to the corporations' reserved interest.

The Political economy theory depend on the idea that society, politics and economics are inseparable and economic actions cannot be deliberate in a comprehensive way deprived of reference to political, social and institutional agenda in which the occurrence occurs. The learning of political economy permits researchers to anticipate wider issues about the 74 information corporations designate to unveil in its yearly accounts Guthrie and Parker (1989) as cited in Piston et al., (2016).

In other words, a certain class cannot impose its control over the rest of the classes within society (Baltagi, 2021). In this regard, in the framework of classical political economy, it can be said that the possible interpretations of the social and environmental disclosure are based on the idea of maintaining the legitimation of the system as a whole, through imposing some restrictions on organizations by the state, where the state is acting as if in the interests of disadvantaged groups, for example, the disabled, minority races, in order to maintain the legitimacy of the capitalist system as a whole. In other words, the social and environmental disclosure can be interpreted according to the political perspective (Aouadi et al., 2018; Etale et al., 2020). The classical political economy provides interpretations regarding the mandatory, social and environmental disclosure, but fails to provide details regarding the explanation of the motives of the voluntary CSED (Shadbegian et al., 2005).

Regarding the bourgeois political economy, it can be used to explain the reasons and motivations behind social and environmental disclosure, where it is concerned with the relationship between groups in an essentially pluralistic world, for instance, the negotiation between a company and an environmental pressure group or between local authority and the state. In contrast, the relationships as mentioned above do not exist in the classical political economy (Daferighe et al., 2019). In other words, based on bourgeois political economy, social and environmental information is disclosed by organizations to respond to the pressures of the social, political and economic systems that surround them (Worae et al., 2018).

The Positive Accounting Theory

Positive Accounting Theory (PAT) which the study is anchored on came into being in the mid-1960s.This theory was popularized by Watts and Zimmerman (1986 & 1990) and it is one of the positive theory of accounting. PAT is concerned with explaining accounting practices. The philosophical objective of the positive accounting theory is to explain and predict current accounting practice. Positive accounting theory seeks to understand why accounting practices are employed by accountants in different circumstances and by different firms. It stemmed from the works of the popular theorist Fama in the 1960s, particularly the work that related to the Efficient Markets Hypothesis (Ugbede, Mohd & Ahmad, 2014). Positive Accounting theory was also popularized with the works of Gordan (1964). He argued that senior management was likely to manipulate the information in the financial statements in its own favour by selecting accounting procedures that maximize their own utility.

Onipe, Musa and Isah (2015) noted that positive agency theory was developed and utilized by Jensen and Meckling (1976) to analyze the relationship between the owners of the organization and the managers within the nexus of contract. Prior to this period, Italian Professor Aldo Amaduzzi in 1949 published a book entitled, Conflitto ed equilibrio di interessi nel bilancio dell'impresa' (translated in English it means, Conflict and Equilibrium of Interests in Corporate Financial Statements), in which he analyzed financial statements (and their content) as the equilibrium outcome of a conflict of interests between different corporate stakeholders (Amaefule, Onyekpere & Kalu, 2018).

Due to language barrier, his work was not considered as mainstream. Positive Accounting theory is concerned with resolving the problems that can occur in agency relationships (Alsaeed, 2016). They define agency relationship as a contract under which the owners of the organization (principal(s)) engage the manager (agent) to perform some service on their behalf. Under this arrangement, the owners delegate some decision making authority to the manager. It is presumed that both parties are utility maximizers, with varying philosophies and this could result in divergent and misaligned interest between them.

Owners' would want to maximize net present value of firm while the managers would want to maximize utility, of which income is part. Most cases, the agent will not always act in the best interests of the principal. The agents could also hide information for selfish purpose by non-disclosure of important facts about the organization (Okolie & Omoregie, 2014). Owners face moral dilemmas because most times they cannot ascertain or evaluate the decision made by their agents. This conflict-of-interest results to agency problem whose resolution incurs agency costs

The relevance of the positivist accounting to this study is that entities should be mindful of stakeholders at all times, while making accounting approximation estimates by avoiding manipulative and unethical accounting practice by selecting accounting estimates and procedures that maximizes its own utility so as not to unnerve investors.

METHODOLOGY

Every research revolves around philosophy. Research philosophy is a basic set of belief that guide the action of a research. It deals with the source nature, and development of knowledge (Bajpai, 2011).

The researcher will adopt a positivist research philosophy in this study. According to Menike (2020), the positivist researcher maintains that it is possible to adopt a distant, detached, neutral and non-interactive position.

Research design is a framework or plan that is used as a guide in collecting and analyzing the data to draw inferences concerning causal relationship among the various variables under investigation and the structuring of investigation aimed at identifying the variables and their relationships to one another (Asava, 2013).

The population consists of all quoted food and beverages manufacturing firms on the Nigeria Exchange Group (NGX) for the period of ten years spanning (2012- 2021). However, the study specifically considered quoted firms in those two sector of the Nigerian economy because of the availability of data covering the period of study.

In this study, there are 21 quoted food and beverages manufacturing firms in the Nigeria Exchange Group. Due to the small nature of the population, the study adopted convenient sampling technique to determine the sample size. Availability of data covering the period was considered in the choice of companies that constitute the sample size. Therefore, the 21 quoted food and beverages firms in Nigeria form the sample size.

The analytical techniques and diagnostic tools are stationarity test: "For the OLS technique to be effective in achieving the research objective, variables in the specified model will be tested for stationarity. Hausman Test was carried out to specify fixed and random effects to examine firm specific effects, coefficient of determination (r^2) test, F-Test, Student T-test, Durbin Watson Statistics, Regression coefficient and Probability Ratio.

Model Specification

The return on investment is the only response and dependent variable. Others are confounding variable.

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

$$PBVR = f(PD, PTX, PBD) \quad (3.1)$$

$$BVPS = f(PD, PTX, PBD) \quad (3.2)$$

$$ROI = f(PD, PTX, PBD) \quad (3.3)$$

$$CV = f(FS) \quad (3.4)$$

$$AE = f(FS) \quad (3.5)$$

Transforming equation 3.1 to 3.3 to econometrics forms:

Pooled Effect Model

$$PBVR = \beta_0 + \beta_1 PD_{it} + \beta_2 PTX_{it} + \beta_3 PBD_{it} + \mu \quad (3.6)$$

$$BVPS = \beta_0 + \beta_1 PD_{it} + \beta_2 PTX_{it} + \beta_3 PBD_{it} + \mu \quad (3.7)$$

$$ROI = \beta_0 + \beta_1 PD + \beta_2 PTX + \beta_3 PBD + \mu \quad (3.8)$$

$$CV = \beta_0 + \beta_1 AE + \beta_2 FS + \beta_3 (AE * FS) + \mu \quad (3.9)$$

DATA PRESENTATION, ANALYSIS RESULTS AND DISCUSSION OF FINDINGS

Data Analysis

The data presented in Appendix 1 were analyzed using both descriptive and inferential statistical tools. These include descriptive and correlation statistics as well as the Random/Fixed Effect Regression Tests.

Fixed/Random Effects Regression Tests

The fixed/random effects regression technique is employed in determining the cause and effect relationships existing between the variables in the model. It is geared towards determining the extent to which an independent variable affects the dependent variable, especially in the case of panel data estimation. The choice of the appropriateness of either model is determined through the employment of a Hausman's Test. The decision rule is to adopt the fixed effect model if the probability value (p-value) of the Chi-square statistic is less than 0.05, otherwise the random effects model is more appropriate.

able 4.7 : Hausman Test (Model 3)

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	7.088431	3	0.0000

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
PBD	0.103990	0.119160	0.000209	0.2940
PD	-0.132017	-0.106270	0.000257	0.1079
PTX	0.000118	-0.000098	0.000000	0.4319

Cross-section random effects test equation:

Dependent Variable: ROI

Method: Panel Least Squares

Date: 01/20/23 Time: 17:56

Sample: 2012 2021

Periods included: 10

Cross-sections included: 21

Total panel (balanced) observations: 210

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.45375	2.959208	3.870544	0.0002
PBD	0.103990	0.120858	0.860434	0.3907
PD	-0.132017	0.117513	-1.123425	0.2627
PTX	0.000118	0.001860	0.063287	0.9496

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.400986	Mean dependent var	10.46910
Adjusted R-squared	0.326914	S.D. dependent var	8.453915
S.E. of regression	6.935746	Akaike info criterion	6.818465
Sum squared resid	8947.450	Schwarz criterion	7.200991
Log likelihood	-691.9388	Hannan-Quinn criter.	6.973106
F-statistic	5.413481	Durbin-Watson stat	1.143113
Prob(F-statistic)	0.000000		

Source: Computed from E-view 9.0, (2023)

In Table 4.7 above, the Chi-Square statistic is given as 7.088431 with a probability value (p-value) of 0.0000. Since the p-value of 0.0000 is less than 0.05, the fixed effects regression model is considered the most suitable. Thus, the fixed effects regression test is employed to test the first model.

Table 4.8 : Fixed Effects Regression Test (Model 3)

Dependent Variable: ROI

Method: Panel Least Squares

Date: 01/20/23 Time: 17:55

Sample: 2012 2021

Periods included: 10

Cross-sections included: 21

Total panel (balanced) observations: 210

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PBD	0.103990	0.120858	0.860434	0.3907
PD	-0.132017	0.117513	-1.123425	0.2627
PTX	0.000118	0.001860	0.063287	0.9496
C	11.45375	2.959208	3.870544	0.0002

	Effects Specification		
Cross-section fixed (dummy variables)			
R-squared	0.400986	Mean dependent var	10.46910
Adjusted R-squared	0.326914	S.D. dependent var	8.453915
S.E. of regression	6.935746	Akaike info criterion	6.818465
Sum squared resid	8947.450	Schwarz criterion	7.200991
Log likelihood	-691.9388	Hannan-Quinn criter.	6.973106
F-statistic	5.413481	Durbin-Watson stat	1.143113
Prob(F-statistic)	0.000000		

Source : Computed from E-view 9.0, (2023) In Table 4.8 above, the result indicates that the independent variables determine 32.69% of the variations in ROI of Quoted food and beverage manufacturing firms. The remaining 67.31% variance in ROI is explained by other factors not captured in this research. Also, the F-statistic of 5.413, which has a p-value of 0.000000, is statistically significant at 1%, and is an indication that the model has a very high goodness of fit. In addition, the t-statistics also revealed that PD has significant effects on ROI while PBD and PTX have insignificant effect on ROI. Lastly, the result of the Durbin Watson statistic, which is 1.143, is closer to 2.0; and suggests the unlikelihood of serial correlation in the model estimate.

From Table 4.9 above, the Chi-Square statistic is given as 50.885494 with a probability value (p-value) of 0.0000. Since the p-value of 0.0000 is less than 0.05, the fixed effects regression model is considered the most suitable. Thus, the fixed effects regression test is employed to test the first model.

CONCLUSION, RECOMMENDATIONS AND CONTRIBUTIONS TO SCHOLARSHIP

Conclusion

Accounting estimates and projections potentially improves the relevance of ROI by providing managers a venue to convey to investors forward-looking inside information. The quality of financial information is however, compromised by the increasing difficulty in making reliable estimates and forecasts and the frequent managerial misuse of estimates. The process of making accounting estimates requires not only data collection but also training in line with the provision of IFRS and experience. Since it can be subjective in nature, an experienced accountant would know which data to emphasize and when to re-estimate. Estimates are based on information that is most reflective of the situation at time of estimation. The process is somewhat both art and science, since it requires both scientific analysis and intuitive judgment. Moreso, accounting estimates provide framework for reporting as well as creating reputation for reducing creative accounting and other misstatements of financial estimates made by firms, which can enhance corporate image, corporate valuation and the way financial performance is measured. However, the extent to which accounting estimates affect the financial performance of Consumer and Industrial goods firms have remained an issue in research and management as various empirical studies have come out with contradicting evidence to that effect.

5.3 Recommendations

The study therefore recommends that;

i. Food and beverage firms should ensure that provision for depreciation are reported and determined in line with the provision of relevant accounting standards (such as IAS 16-Property, plant, and equipment).

ii. Provision for depreciation estimates in accounting should be subjected to robust external audit scrutiny to ascertain their appropriateness for inclusion in annual ROI in order to determine corporate values.

iii. Accounting methods should be adopted for accounting for depreciation. Also, firms should be consistent with the measurement method adopted in determining depreciation charge for the year, as frequent changes would spell disaster in financial reporting quality.

Contributions to Scholarship

This research work made some vital contribution to the body of knowledge. These contributions will provide guidance to policy makers and standard setters in presenting measurement criteria of accounting for estimates in financial statements.

The model employed in this study provided a comprehensive base for evaluating the impact of accounting estimates on corporate valuation of quoted firms in the food and beverage manufacturing firms in Nigerian economy as highlighted by the findings of the study.

This study contributes to financial literature by providing empirical evidence of quoted firms in food and beverage sector, and their relationship between corporate valuation return on investment and the following accounting estimates variables: provision for depreciation, provision for tax and provision for bad debt

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