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Accounting Conservatism And Financial Performance Of Listed Firms In Nigerian Stock Exchange

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***Abstract:** This study examined the relationship between accounting conservatism and the financial performance of Nigerian firms that manufacture consumer goods. Specific objectives were to determine the relationship between market-to-book ratio and return on assets and to investigate the relationship between asymmetric timeliness of earnings and return on assets of consumer goods firms listed in Nigeria. For this investigation, the ex post facto research design was utilized. Twenty-one (21) listed consumer goods manufacturing firms were included in the study as of the end of 2021. A random sample of 16 (sixteen) companies was selected. For data collection, secondary data from the published annual financial reports of the sampled firms was utilized. The study employed descriptive statistics, fixed-panel pooled regression, and other robust analyzes. The results revealed that the asymmetric timeliness of earnings has a negative and insignificant relationship with the return on assets of consumer goods firms listed on the Nigerian Exchange Group, while the market-to-book ratio has a positive and significant relationship.*

***Keywords:** Accounting conservatism, return on assets.*

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I. INTRODUCTION

BACKGROUND TO THE STUDY

As defined by the Financial Accounting Standards Board (1980) and the International Accounting Standards Committee (1989), "accounting conservatism" refers to the application of prudence by businesses while reporting their financial results. It prevents managers from acting dishonestly, protecting and enhancing shareholder wealth. There has been a recent rise in the number of studies that connect accounting conservatism with investment decisions. Conservative accounting practices, in line with positive accounting theory, serve as a contractual and governance machinery to reduce knowledge asymmetry and mediate agency disputes (Watt, 20014).

The financial reporting process is greatly influenced by the conservative accounting constraint, namely in the selection of accounting practices that are consistent with the conservative approach. Maintaining a focus on increasing financial conservatism has been a central goal of empirical accounting research and practice for some time now. Sana'a (2016) found that accounting conservatism positively affected corporate profits, but Garca Lara et al. (2016) found that it contributed to greater ethical risks, while Ramadan (2015) found that it made it simpler to estimate future cash flows. By improving the quality of investment decisions, these outcomes should increase the value of the company (Lambert, Leuz, &Verrecchia, 2017). According to Watts (2014), more fiscal conservatism in the accounting profession is necessary to improve financial reporting.

The financial statement is the most important tool for gaining a simplified but useful understanding of a company. Users are concerned that accounting practice(s) have not kept up with the rapid economic and technical advances that routinely upset the relevance of information (accounting), despite the widespread use and ongoing improvement of financial statements. The international accounting standard board framework for the preparation and presentation of financial accounts, as noted by Felix and Rebecca (2015), recognizes that information is suitable when it fosters economic conclusions. Consumers need accurate accounting information that may help them adjust their expectations based

on historical data, current conditions, and projections of future outcomes.

Accounting's importance has increased exponentially in recent decades, due to the rise of publicly traded companies that are considered to be extremely large businesses and the subsequent division of company ownership among shareholders other than the company's management. According to Al-Theibeh, Al-hyari, and Hamza (2018), financial information is essential to providing relevance and reliability for the fair presentation of financial statement reports, and has thus become the most important feature of the modern era.

When preparing financial statements, accountants must adhere to their own company's unique set of practices and policies in light of the findings that some of them apply the accounting conservatism policy of discreteness and caution in situations of doubt and uncertainty involving numerous measurement options and methods (Mohamad, 2020). As its application is linked to uncertainties, accounting conservatism has recently been deemed a source of interest for scholars who want to attempt to explore its influence on a wide range of other accounting concepts. According to Sabrina (2019), accounting conservatism has significant effects on a company's financial statements since it pertains to the accountant's personal estimations.

In addition, the conservative accounting approach prioritized recording profits after they had already been earned, rather than waiting until the end of the accounting period. In reality, however, the opposite was true: expenses and losses were recognized more quickly than expected. Consequently, accounting conservatism is characterized by the high level of verification required to recognize the good news in terms of profits and revenues, as opposed to the low level of verification of the bad news, which has a more rapid impact on the good news (Al-Najjar, 2014).The impact of accounting conservatism on the financial performance of service companies listed on the Amman Stock Exchange is analyzed using key indicators such as return on equity and earnings per share. Internal management utilizes the rate of return on equity, whereas external financial analysis relies on earnings per share. The purpose of this research is to fill a gap in the literature on conservatism in accounting. Therefore, this research differed from others by examining contemporary forms of conservatism used by companies.

Financial statements are the primary source of information that is, at least on the outside, reasonable about a company. Financial statements are widely used, and they are constantly being improved, but users are worried that accounting practices have not kept up with the rapid economic and technological changes that routinely distort the relevance of accounting data. According to Felix and Charles (2015), information is suitable when it promotes economic decisions. This is a crucial part of the international accounting standard board's guidelines to present reliable financial reports. In order to make informed decisions regarding past, present, and future events, consumers need access to accurate accounting information.

For a long time, accounting theory and practice have shared a common conservatism on how financial transactions should be recorded. In accounting and financial records (statements), conservatism has been assessed as an unsettled and dominant element, as stated by Chen, Chen, and Su (2011). Given the prevalence of conservatism, managers have a lot of flexibility in assessing the financial performance of their companies while still adhering to generally accepted accounting principles. Conservatism holds that profit should not be anticipated but rather acknowledged (Watts, 2014). So, conservatism may provide insight that has not been included into financial outcomes as yet (Felix & Charles, 2015).

The primary beneficiaries of accounting data are individuals and organisations that like to make investment decisions based on qualitative and quantifiable data. Precise and comparable financial data is essential for making the best investment decisions possible, regardless of the kind of company being considered. As a result, one of the fundamental pillars of enticing investors to participate in economic processes is the preparation of information useful for making decisions on investments. Financial reports are the most essential source of financial information for companies.

As a result, it's crucial to have a firm grasp on the basics of financial statement preparation. Accounting standards, the foundations upon which financial statements are built, should be formally characterized, consistent for financial statements, and, ultimately, allow for financial statements to be compared with one another. Therefore, the goals of accounting theories and practices are to strike a balance between the interests of managers and those of their stakeholders. The issue of how to make financial reports more conservative is a hotly debated one in the field of accounting today. Accounting conservatism, according to the existing literature, helps with the estimation of future cash flows (Ramadan, 2015), improves ethical hazard issues (Sana'a, 2016), and mitigates the effects of information asymmetry (Garca-Lara, 2019). It is expected that these effects would increase the firm's worth by leading to better investment decisions (Lambert, 2017). According to Watts (2014), the accounting conservatism concept is still essential for developing reliable financial statements.

In the past 15 years, studies on accounting conservatism—which plays a crucial role in generating a realistic picture of financial statements (Artiach& Clarkson, 2012; Guay&Verrecchia, 2017)—have proliferated. To infer the connection between conservatism and the firm's goals, this technique relies extensively on the existing research on conservatism proxies. The degree to which conservatism can be measured remains unsettling, even if many conservatism proxies are constantly found in the existing literature. This is because there are always varying viewpoints about their capacity to assess the degree of conservatism in a corporation. According to Artiach (2012), there is also a discrepancy in terms of both concepts and methodology across these several accounting conservatism metrics.

According to Huijgen and Lubberink (2016), conservatism may be seen across the accounting profession. The conservative principle refers to the need for varying levels of proof for recognizing gains and losses (Basu, 2017). The divergent timelines of results refer to the asymmetry in the timing of the inclusion of positive and negative news in financial reports. According to research (Basu, 2017), negative events are reflected in financial results considerably more quickly than positive ones. The old saying "anticipate no

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profit, but anticipate all losses" (Watts, 2014) is an extreme example of the disparity between the timing of profits and losses. Different levels of accounting conservatism have been shown to exist at different times (Basu, 2017; Givoly&Hayn, 2010), across countries (Ball, 2010; Giner & Rees, 2011), and for various types of businesses (Huijgen & Lubberink, 2016). In spite of criticism, empirical evidence demonstrates that conservatism in accounting has persisted for centuries and increased over the past three decades (Watts, 2014).

Financial and non-financial measurements and indexes are used to evaluate performance. As its conventional quantitative methodologies relate to financial information, financial performance is commonly employed in accounting (Neely, 2012). Profit and return on investment are two metrics of financial performance that may attest to whether or not an organisation has been successful. There are several techniques for measuring non-financial performance in the meanwhile. In the framework of conservative accounting, Chen, Dou, and Xin (2016) used debt covenants as a proxy for performance, measuring the effectiveness with which corporations appropriated wealth. Additionally, Garcia-Lara, Garcia-Osma, and Penalva (2016) used quality methods of corporate governance to evaluate performance with investment efficiency. In order to accomplish the objectives of the investigation, financial performance is being measured instead of non-financial metrics.

A firms' financial performance may be assessed with the use of financial ratios. Return on assets (ROA) is employed here to examine financial performance. An earlier research by Nguyen (2011) concluded that ROA is the optimum assessment for company efficiency in assets since it is unrelated to the choice of financing sources. A company's profitability is a good indicator of its yearly performance. Therefore, managers are more inclined to relay good news than bad, and some may even do so for their own advantage (Bribesh, 2016). Hossain (2018) found that in the case of Indian banking firms, the more the level of transparency, the higher the profitability. Previous research on Malaysian SCC includes that of Alkdai and Hanefah (2012). Their research subject matter, earnings management, was shown to be insignificant when measured against profitability as a financial performance metric. Since ROA has been extensively and lately utilised in other research to show a company's performance (Affes&Sardouk, 2016; Aminu& Hassan, 2017; Pandey, 2019; Masulis, 2016), it is employed in this study.

Any company's success or failure depends greatly on its performance. It's the main reason every business exists to make profit. To accomplish its objectives, a high-performing organisation must remain consistent with its standards and make the most of the resources at its disposal. Managers are hired by corporations and tasked with attaining the organization's mission as well as the aims and objectives of its stakeholders and shareholders. These goals might be anything from streamlined administration to a more lucrative future. Margin of sales, margin of profit, and return on assets are only a few examples of performance indicators. As it more accurately reflects the efficiency of all the assets employed in production, the return on assets issued is the dependent variable in this investigation.

STATEMENT OF THE PROBLEM

As a less developed countries, like Nigeria where economical activities faces a lot of impediments. Business empires are experiencing aggressiveness and dynamism in identifying business strategies that will situate profitable occurrences (Peter, 2015) since the environment business has become increasingly competitively engrossed. Companies have a fiduciary duty to their shareholders to maximize profits, and in doing so they must adhere to the conservative concept of accounting. Considering the current trends and happenings in the consumer goods sector, we have to say that one of the major problems affecting the industry is high cost of capital and unfriendly access to the capital. This study examines the impact accounting conservatism on firm's performance. It plays an important role in determining the sources of financing (internally and externally) and examines its effect on the firm's performance. The theory of contingency posits that various institutional settings provide varying degrees of correlation between accounting conservatism and company performance. Sandeep (2012), Warner (2015), and Tsai and Chen (2015), among others, sought to evaluate the performance of consumer-goods companies by focusing on their solvency. Other studies such as Dantata, (2018) and Isa, Jimoh and Achuenu; (2013) concentrated on conservatism and financial performance in the construction industry. Thus, there is paucity of studies on accounting conservatism and firm performance with a focus on the consumer goods sector in Nigeria making the research accessible to empirical investigation as no emphasis has been made by researchers in this regard. These problems indicate the existence of research gap that this study intends to bridge at the end.

OBJECTIVES OF THE STUDY

The major objective of this research is to analyze the connection between accounting conservatism and firm performance, with a focus on listed firms in the consumer goods sector in Nigeria. The specific objectives of the study are:

- ✓ Ascertain the relationship between Market-to-book ratio and the return on assets of consumer goods manufacturing firms in Nigeria.
- ✓ Examine the relationship between the asymmetric timeliness of earnings and the return on assets of consumer goods manufacturing firms in Nigeria.

RESEARCH QUESTIONS

In order to accomplish these objectives, the following research questions were raised:

- ✓ What is the relationship between the market-to-book ratio and the return on assets of consumer goods manufacturing firms in Nigeria?
- ✓ What is the relationship between the asymmetric timeliness of earnings and the return on assets of consumer goods manufacturing firms in Nigeria?

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RESEARCH HYPOTHESES

$H0_i$: Market-to-book ratio has no significant relationship with the return on assets of consumer goods manufacturing firms in Nigeria.

$H0_{ii}$: Asymmetric timeliness of earnings has no significant relationship with the return on assets of consumer goods manufacturing firms in Nigeria.

SIGNIFICANCE OF THE STUDY

The positive findings of this study will equip managers at consumer goods firms with knowledge useful for making good financial decisions. The findings of this study will also be useful to academics and other researchers for their ongoing and future investigations. The research project would also enrich the current literature.

This study adds to the existing body of knowledge by establishing the impacts of accounting conservatism on the performance of non-financial Nigerian companies. Each nation is well-known for some unique aspect of its environment, economy, legislation, or government. Researchers, investors, regulators, and company directors may all learn a great deal from the study's findings. Financial statements used by decision-makers within and outside of corporations rely on the accuracy, impartiality, and credibility that are guaranteed by conservative accounting practices.

SCOPE OF THE STUDY

The main aim of this study is to examine how capital structures, cost of capital, accounting conservatism, and firm performance interact in Nigeria's consumer goods sector. The research, however, has a trifold scope.

- ✓ Content: The conceptual framework revolves around accounting conservatism and its impact on firm performance in Nigeria. The Theoretical Framework and Empirical review form part of the scope. Then, the proxies of accounting conservatism are Market-to-book ratio and Asymmetric Timeliness of Earnings as independent variables while return on Assets as the only dependent variable.
- ✓ Geographical: The Study covers the consumer goods manufacturing firms listed in Nigerian Stock Exchange.
- ✓ Unit of Analysis: Covers the published annual reports of the listed consumer goods manufacturing firms on the Nigerian Stock Exchange.
- ✓ Time Scope; The study covers the period of 2009 to 2021 precisely.

II. LITERATURE REVIEW

ACCOUNTING CONSERVATISM

In accounting, conservatism refers to the prudent recognition of expenses and liabilities despite the uncertainty of their outcomes, whereas income and assets are only recognized when the amount received is certain. Specifically, it is "the differential verifiability required for the recognition of economic gains versus losses," as defined by Watts (2014). According to the idea, while keeping financial records, doubt about sustaining a loss must be accounted for, but ambiguity about realizing a gain need not be. So, "anticipate no profit, but anticipate all losses" (Vishnani & Misra, 2016) is a common translation of the old adage. Examples of conservatism in accounting include writing off intangible assets like goodwill and patents and valuing closing inventories at the lower of cost and net realisable value.

Scholars in the discipline of accounting have disagreed on what exactly "accounting conservatism" entails. A broad definition of "conservatism" in accounting is provided by the International Accounting Standards Board (1989), which states that it means "a degree of caution in the exercise of the judgements needed in making the estimates required under conditions of uncertainty, such that assets or incomes are not overstated and liabilities or expenses are not understated." However, the concept of conservatism lacks a well-articulated and yet universally agreed upon meaning in comparison to many other constructions or topic areas of accounting. One of the most significant accounting limitations that significantly affects the process of generating financial reports is conservatism. To deal with the uncertain situation, which necessitates some conservatism while preparing the financial reports so as not to enhance revenue or lower costs and obligations, the accountant employs accounting conservatism. There has been a lot of discussion in the accounting literature on the trend of growing conservativeness in financial reporting, which is seen as one of the most contentious problems in modern accounting theory. Therefore, despite receiving heavy criticism for going against certain qualitative characteristics of accounting information (such as neutrality, representation, faithfulness, and relevance), conservatism aids in protecting the organization's shareholders, creditors, and stakeholders. A fact noticed about conservatism in the use of any given metric is not relevant in and of itself. To be meaningful, this data must align closely with the underlying theoretical framework. Big bath accounting is an effort to deceive readers of financial statements when there is really no uncertainty, while conservatism is a true, reasonable reaction to uncertainty. It was made abundantly obvious by Paton that "sheer understatement where it is possible to ascertain the actual facts is not conservatism but concealment" (Paton & Stevenson, 2016).

Basu (2017) argues that while assessing financial performance, conservative accounting methods prioritize positive information over adverse outcomes. In times of market volatility and economic uncertainty, conservative accounting is crucial for accurate financial reporting. According to Givoly and Hayn (2010), conservative accounting techniques reduce cumulative reported profits by delaying revenue recognition and speeding up cost recognition. Watts (2014) characterized it as an imbalance between the amount of verification necessary for profits and losses, with the former requiring more scrutiny in order to curb managers' propensity for exploitative activity. According to Hendriksen (2012), the financial reporting process is more pessimistic than optimistic, especially when it comes to conservative factors. The capacity of the managers to make conservative accounting decisions is ex ante essential to

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unconditional conservatism. Expenditures for R&D, delays in revenue recognition, accelerated asset depreciation and amortisation, and the prompt capitalization of intangible asset expenses are all examples of questionable accounting practises (Beaver & Ryan, 2015; Ahmed &Duellman, 2017; Garca-Lara, 2019).

The subsequent kind, conditional conservatism, evaluates information after the fact and bases its judgements on what is predicted to happen. Debt contracts and corporate governance standards may be made more effective with the help of conditional conservatism (Beaver & Ryan, 2015; Watts, 2014). According to the literature, litigation promotes conservative accounting since disputes emerge when profits and net assets are exaggerated but not when they are underestimated. Furthermore, when there are substantial litigation risks, corporations choose conservative accounting to reduce profits due to the high expenses of litigation (Watts, 2014). Conservative accounting is said to be compatible with political costs. According to the political cost hypothesis (Watts & Zimmerman, 2018), businesses are more inclined to implement accounting methods that cut reported earnings if doing so would help them avoid public attention. The influence of taxation on managers' accounting decisions has been taken into consideration in the discussion.

CORPORATE TAXES RELY ON REPORTED

Corporations are taxed based on their stated profits and the manner in which their losses and gains are recorded in their financial records. Companies that are already profitable might use conservative accounting to postpone or avoid paying taxes by lowering their profits. Conditional conservatism may be encouraged by taxes, regulation, and political costs, as Garca-Lara (2019) discovered. Holthausen and Watts (2011) state that the standards and disclosure requirements of the securities committees enhance the level of conservative accounting. The economic requirements of conservatism are still up for dispute, despite the fact that numerous empirical studies have looked into the topic. Conservative reporting has been shown to have positive effects in the literature (Ahmed & Duellman, 2017; Affes & Sardouk, 2016), including the reduction of agency difficulties, the improvement of contractual agreements, the decrease of litigation costs, the promotion of effective decision making, and the elimination of information asymmetry. So, in times of economic uncertainty and stress, conservative accounting practices are essential for accurate financial reporting.

A systematic underestimate of net assets and a delay in the recognition of accounting profits and losses are two hallmarks of conservative accounting reporting (Givoly&Hayn 2010, Natarajan 2017, Roychowdhury& Watts 2014). These two characteristics arise because of the greater emphasis placed in accounting practise on the verification and certainty with which assets are established than liabilities (Watts, 2014).One of the most distinguishing features of financial accounting is its conservatism, which has impacted accounting methods for centuries and is linked to accounting's constraining function (Watts, 2014). Because of the informational imbalance that may lead to moral hazard, this strategy is seen as effective for addressing the issue.

The need for caution in financial reporting is created by the knowledge gap between private and public equity investors, according to LaFond and Watts (2018). Our central premise is based on the idea that shareholders in companies with worse corporate governance tend to choose more conservative policies. Several aggregate conservatism metrics have been presented (Ryan 2016), but the most well-known is the asymmetric timeliness measure proposed by Basu (2017).

Economic income (as measured by market returns) is inversely related to accounting profits, which is the primary emphasis of the Basu model. By analyzing the impact of earnings on stock returns, he finds that companies struck by "bad news" (negative returns) have a higher coefficient of stock returns than those affected by "good news" (positive returns). According to Basu, the prevalence of lawsuits has an impact on conservative ideology. Earnings conservation has been studied throughout history by researchers such as Givoly and Hayn (2010) and Holthausen and Watts (2011). Accounting literature during the last several decades has created a number of important financial metrics, including the book-to-market ratio, valuation models, and earnings-stock return linkages (using a reverse regression approach).

Profits and the asymmetric recognition of losses and gains that are the consequence of conservative financial statements. Using conservative accounting, companies that already generate profits can defer or reduce their tax liability (Watts, 2013). Conditional conservatism may be fostered through taxes, regulation, and political cost concerns, as argued by Garca-Lara (2019). According to Holthausen and Watts (2011), securities committee restrictions and disclosure requirements encourage conservative accounting. The economic requirements of conservatism are still up for discussion, despite the fact that numerous empirical research have explored conservative accounting. Conservative reporting reduces information asymmetry, agency problems, litigation costs, encourages sound decision making, and improves contractual agreements, according to the literature (Ahmed &Duellman, 2017; Affes&Sardouk, 2016). Therefore, in times of economic uncertainty and challenges, accounting conservatism is necessary for the financial reporting process.

Conservative accounting is characterized by an understatement of net assets and an asymmetry in the recognition of accounting profits and losses (Givoly&Hayn, 2010; Natarajan, 2017; Roychand& Watts, 2014). Since assets often need more verification and assurance than liabilities, they also tend to exhibit these two traits (Watts, 2014). Financial accounting's main attribute of conservatism is its association with the contractual function of accounting, a relationship that dates back centuries (Watts, 2014). As a consequence of the knowledge gap between the two sides, this approach is seen as a viable solution to the moral hazard problem.

According to LaFond and Watts (2018), the desire for conservatism in financial statements is driven by the knowledge asymmetry between internal and external equity investors. We base our hypothesis on the idea that shareholders in businesses with weaker corporate governance tend to favor more moderate policies. The asymmetric timeliness measure presented by Basu (2017) is now the most

popular (Ryan, 2016) among the several proposed metrics of collective conservatism.

The Basu model analyzes the asymmetry between economic income (as measured by market returns) and accounting income. Using a regression analysis of earnings on stock returns, he finds support of his prediction that businesses experiencing "bad news" (negative returns) have a higher coefficient of stock returns than those experiencing "good news" (positive returns). Furthermore, Basu deduces that the litigation environment affects the degree of conservatism. Earnings conservation has been studied in depth by researchers such as Givoly and Hayn (2010) and Holthausen and Watts (2011). The book-to-market ratio, valuation models, and earnings-stock return connections (the reverse regression approach) have all been established in recent works of accounting literature.

MEASURING CONSERVATISM

According to Felix and Umanhonien (2015), the effect of asymmetric recognition of revenues and expenditures on reported accounting figures including net assets, earnings, and accruals is the basis for all conservative metrics. Net asset measurements, earnings and accrual measures, and earnings-stock return relation measures are examples of frequently argued conservative metrics. The following elaborates on each of these points:

✓ *MARKET-TO-BOOK RATIO*

To evaluate a typical conservative downward bias in the earnings-to-price ratio, the "market-to-book ratio" can be used. This ratio measures the discount between the market price and book value of a company's stock. The degree to which market value deviates from book value of equity is one measure of reporting conservatism (Givoly & Hayn, 2010; Watts, 2013; Roychowdhury, & Watts, 2014; Garcia-Lara, & Mora, 2014). Givoly and Hayn (2010) note that a higher market-to-book ratio and higher earnings multiples are often associated with more conservative accounting measures. This is due to the fact that the present value of future cash flows is a necessary component of the stock valuation used by investors. Market value (Pi,t-1 times total shares outstanding) is divided by book value (shareholders' equity) to arrive at the market-to-book ratio.

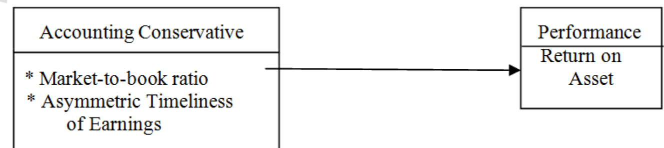
✓ *ASYMMETRIC TIMELINESS OF EARNINGS*

In the opinion of Basu (2017), accountants who practice conservatism are more reluctant to acknowledge positive changes in financial results than they are to acknowledge negative ones. Since annual unexpected returns include news arrivals throughout the year, this idea has relevance for the earnings return. According to a regression of annual earnings on returns conducted by Basu (2017), the latter have a stronger impact on profits in the event of bad news compared to the former event. This divergence in response is what he calls the "asymmetric timeliness of earnings," and he uses it as he uses it as a conservative indicator

The 'asymmetric timing of earnings with reference to poor and good news' is a proxy for the differential reaction to bad and good news. When it comes to good and bad news, conservatives tend to report their profits at different times (Basu 2017, Givoly & Hayn 2010). Earnings are reported sooner and are more responsive to publicly accessible negative news than positive news due to accountants' conservative nature (Basu 2017). Givoly and Hayn (2010) argue that financial reporting is conservative because it focuses more on spotting negative news than positive. Net assets are now valued at an amount that is excessive, even by conservative estimates.

According to the Companies Act, management is in charge of preparing and presenting financial statements and has the power to decide what data is made public. They may choose to conceal or otherwise alter facts that would cause the financial statement to be misleading about the true status of the organisation. The term "information asymmetry" describes the situation in which certain individuals or groups have access to valuable knowledge about a company's worth while others do not (Yassin, 2015). In the financial market, those in the know often use their superior knowledge to their advantage. It was claimed by Jensen and Meckling (2016) that such actions raise agency costs. The agency cost arises when there is a gulf of interest between shareholders and the company's management. Managers are expected to make decisions that enhance shareholders' values. On the other hand, managers may prioritize 'empire building' and salary increases even if doing so will reduce the value of the company's shares.

Operational Conceptual Framework



Source: Researcher 2022

Operational Conceptual Framework for the study relationship between Conservatism and Firm Performance

THEORETICAL FRAMEWORK

Several theories were used as basis for this study: The Pecking Order Theory, the Modigliani-Miller Theory, the Signaling Theory, the Pecking Order Theory, and the Free Cash Flow Theory. The Pecking order and signaling effect theories provide the theoretical underpinnings for this study.

AGENCY COST THEORY

According to the agency cost theory proposed by Jensen and Meckling (2016), an agency relationship is formed when a principal hires an agent to act on his behalf and delegates certain responsibilities and authority to the agent within the scope of those responsibilities. Inadequate labour effort by the manager (agent) in selecting inputs and outputs according to one's preferences exists despite the fact that professional management of ownership separation might lead to agency conflict. This might lead to the company's assets and utilities

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being underutilized. According to the theory, this is the optimal solution.

The idea was initially put out by Berle and Means (2012), who posited that a continual decline in the equity ownership of major companies would result in a wider gap between equity and control, enabling management to put their own interests ahead of those of shareholders. According to Wang (2014), the goal of debt financing is to curb the professional manager's inherent propensity towards self-serving opportunism. The ideal debt level in the capital structure would entail financing to lower free cash flows inside the company at a given interest rate, with the goal of minimizing agency costs resulting from the competing interests of managers, shareholders, and debt holders. The managers' (agents') decisions have an effect on the capital structure and the performance of the organization, hence agency theory is crucial to establishing the connection between the two variables in this research.

PECKING ORDER THEORY

The Pecking Order Theory, often known as the Pecking Order Model, is an approach to capital structure. The idea, developed by Stewart Myers and NocolasMajluf in 1984, recommends a certain sequence in which managers should evaluate alternative financing sources.According to the pecking order concept, when considering how to finance an investment opportunity, managers will first go to the company's retained profits, then to debt, and only then to equity.

Asymmetric information gives birth to the pecking order idea. There is an information failure, or asymmetry of information, when one person has access to more or better information than the other.

Creditors (debt holders) and investors (shareholders) are external users who may have less access to information than corporate management on a company's performance, prospects, risks, and future outlook. Therefore, because external customers are taking on greater risk, they want a higher rate of return. Due to information symmetry, external sources of capital often demand a higher rate of return in exchange for taking on more risk.

According to the pecking order concept, information asymmetry may be kept to a minimum with the support of retained profits financing (internal funding), which comes directly from the firm. When compared to external financing options like debt or equity financing, which require the company to pay fees in order to get the capital, internal financing is the most efficient and economical decision.

Creditors and investors expect a bigger return when a corporation uses external financing (debt or equity) to fund an investment opportunity than management do since they have less knowledge about the company. Managers choose debt financing over equity financing when raising capital from outside sources because debt financing has a lower cost structure.

When a company issues debt, it's usually because the stock is inexpensive and the board of directors is certain the money will be well spent. However, it sends a bad signal that management believes the stock price is too high and is attempting to dilute shareholder value in order to raise capital.

The idea of a pecking order might be useful when considering the seniority of claims. Debt holders are more flexible than shareholders when it comes to return expectations since they have a higher claim on assets (in the case of bankruptcy). Therefore, retained earnings are the most economical source of funding, followed by debt and then equity.

According to the Pecking Order theory, which was popularized by Myers and Majluf, investors are less likely to put their funds into a company whose equity is being issued because they believe the company is overvalued, on the assumption that the managers (who are assumed to know more about the true condition of the firm than investors). According to this theory, businesses rarely use the optimal capital mix, and instead make incremental financial choices based on a pecking order in which internally generated funds come first, then debt issues, and only when the company has reached its "debt financing" limits will it turn to new equity financing. The equity cost includes the price of issuing shares and the price of distributing retained earnings to investors. According to the Pecking Order theory, a company's main goal should be to increase its share price as much as possible. Here is a pecking order for making financial decisions (Smart, Megginson, & Gitman, 2017). Every company will choose to raise funding from within, rather than from outside investors. Asymmetric information between managers and investors is seen as the key obstacle in deciding the capital structure of a corporation under this theory (Amidu, 2017). It posits that unequal knowledge leads to higher borrowing costs. Internal funds (retained profits), debt, and new inventory are the three types of financing available. Internal funding comes first, followed by debt, and ultimately equity financing is considered if all else fails. Therefore, stock is provided only after all other forms of financing—including debt and internal financing—have been exhausted. In accordance with this tenet, firms would choose debt over equity if they needed to raise capital from outside sources (raising capital via the issuance of shares would introduce external ownership into the system). A company's requirement for external financing might be signaled by the kind of debt it chooses to take on.

The perking order theory places emphasis on the hierarchy of capital structure components in choosing the capital mix. This hierarchy is influenced partly by the attendant cost of each capital source. Firms will therefore prefer the cheapest source of capital. The implication is that the source of capital can affect profitability and, by extension, firm performance.

SIGNALING EFFECT THEORY

Based on the issues of information asymmetry between managers and investors, the capital structure signaling theory was established by Ross (1977) and others towards the end of the 1970s. These models assume that the company's top executives, who have access to confidential information, would share it with outside investors in order to boost the stock price. Managers, however, cannot simply inform investors of the good news lest they view them with distrust.

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One way to address this issue (on behalf of the undervalued businesses) is to implement a financial strategy that sends a signal to investors. For a less valuable company, this method is too expensive and hence off limits. The cost of the signal is what gives it credibility to people outside of the network. In 2014, Bhattacharya and Dittmar argued whether or not signals should cost something. Managers would not share positive company news since any company might make such a claim and have it be true. The management, however, has instead increased the company's leverage. A company with bleak prospects would not risk committing to such a financing structure. Companies that are optimistic about their futures often raise their leverage to show investors. While the undervalued businesses are prepared to take on the risk of lending, the overvalued ones are not. It is also important that the signal be as precise as possible (Veronesi, 2010).

Capital structure changes are one method through which managers disseminate knowledge about the company's profitability and risk to stakeholders. The premise of signaling theory is that insiders have more information than outsiders. In addition, the market value of the firm is frequently included in managers' compensation and benefits. As a result of this, the company will have more incentive to educate investors about how much they are undervaluing them. There is a higher chance of insolvency due to the increasing leverage. A loan application is a sign of development since it indicates that management expects to be repaid in due time (Warner, 2015).

Only if the company is forced to tell the truth due to the huge cost of a false disclosure will the information be trusted. The increased use of leverage serves as a strong warning. Loan agreements mandate consistent cash flow for the business during the term of the loan, and According to Veronesi (2010), the absence of this factor might lead to disastrous results, including insolvency for the company. In contrast, there is significant flexibility with stocks and shares. Investors anticipate cash payouts, but the management has the discretion to cut or eliminate them during economic downturns. A new loan is a reliable indication of future cash flows sufficient to meet its obligations.

Akalof was the first economist to address asymmetric information in the context of a market for care, with his formulation of the Lemons Problem. In a paper published in 2013, Michael Spence develops the concept of signaling theory as it applies to the employment market, carrying on the work of George Akerlof. For their work on asymmetrical information in the 1970s, Akerlof, Spence, and Stiglitz were considered for the Nobel Prize in 2001. This demonstrates the significance of financial inequity.

Several theories, like Ross's (1977) and Leland and Pyle's (2017), agree that a company's capital structure decision sends a message to outside stakeholders. Noe (2008) claims that the quality of companies that issue loans is higher than that of companies that issue stocks. Therefore, according to Noe's model, the stock price will drop when the news of the stock's issuance is made public. According to Ross, the market's capital structure acts as a kind of signalling mechanism. Taking on debt is a well-known indicator. This step raises the odds and expenses that the company may experience financial difficulties. Investors are aware of this, and see debt growth at a company as an indication that its management is counting on future cash flows to keep the company from entering a recession.

Other financial signals are:
- ✓ Dividends
- ✓ Leverage
- ✓ Stock repurchase
- ✓ Announcement of a merger or acquisition
- ✓ Announcement of a tender offer
- ✓ Announcement of a spin off
- ✓ Announcement of poison pill

Changes to the capital structure may affect how investors see the value of a company. The aforementioned authors all make the case that stock splits and new issues decrease share prices. To sum up, we can observe that Myers and Majluf (1984) claim that taking on a risk-free loan will not affect the stock price, whereas Ross (1977), Noe (2018), and Narayanan (2018) all anticipate a positive response of the stock price to the debt rise. Stock prices drop immediately after the announcement of an equity rise, according to research by Lucas and McDonald (2014), but then recover quickly. Krasker (2016) suggests that there is a negative relationship between the issue size and the stock price.

Michael Spence suggested a solution to the issue of asymmetric information between two parties in his seminar paper by having one side transmit a signal to the other party that would provide some piece of pertinent information. This concept stems from the idea that managers and shareholders do not have equivalent informational access to a company. The shareholders are kept in the dark about some matters that are known to the insiders (the management). This creates a situation where managers and stockholders have unequal access to information. Therefore, when a company's capital structure changes (by issuing additional debt and/or repurchasing existing stocks), it might signal something to investors that affects the value of the company. That is to say, communication has taken place (Kanini, 2014).

Ross in 1977 and other authors developed signaling theory based on the issues of asymmetrical information between shareholders and management, according to Markopoulou and Papadopoulos (2019). Ross maintains that when a corporation issues additional debt, it shows confidence in the company's future by signaling a boost in investor interest. Since expanding debt consumption includes increasing cash flow limits and financial distress expenditures, managers will only issue further debt if they are certain the firm will perform well enough to meet the payments.

Purchasing back existing shares would have a favorable effect on the stock price, whereas issuing new shares would have the opposite effect. The reason for this is because existing shareholders and prospective investors regard the issue of additional common stocks as a mechanism for the management to reduce their "bad fortune" in the company. Many shareholders see the repurchase of common stock as a method for the company's management to reap a larger reward from the company's performance. This theory is related to the principle of accounting conservatism, where managers select the type of information, they let out in order to retain or enhance firm value.

EMPIRICAL REVIEW

Fuad, Abdulwahhab, Ziyad, and Hasan (2022) investigated the impact of accounting conservatism on financial performance in companies listed on the Amman Stock Exchange. Accounting conservatism was measured using the Gvoly and Hyans (2010) model, which was slanted toward accruals, while financial performance was measured using return on equity (ROE) and earnings per share (EPS). A descriptive and analytic approach was used. From 2015 to 2019, a cohort of 23 listed service corporations on the Amman Stock Exchange was utilized. The research employed a statistical analysis program (SPSS) and a simple regression equation. The study found no statistically significant relationship between accounting conservatism and the financial performance of Amman Stock Exchange-listed service companies. The study recommended that the management of the researched and listed service companies on the Amman Stock Exchange (variables exhibiting low accounting conservatism) be urged to apply the values and standards of accounting conservatism due to the significance of these measures on the quality of financial reports and, consequently, profits.

Han (2020) investigated previous business strategy classifications and accounting conservatism philosophies. It also investigated the interaction between business strategy and accounting conservatism on the financial performance of the company. Accounting conservatism as a prudent accounting reporting standard was found to play a crucial role in corporate governance. A conservative viewpoint can mitigate the negative impact of an aggressive business strategy. The consequence of a conservative business approach and conservative accounting practices is positively associated with financial performance. The product is robustness, whereas the various metrics of financial performance and conservatism are muddled. When an organization has poor internal control, the joint conclusion on financial performance is also meaningful.

Hanaa (2019) found that conservative accounting practices affect key performance measures for Egyptian companies. This task examined the impact of conservatism in accounting on Egyptian corporate performance indicators. The study employed balanced data from the 40 most active companies over a period of 2009–2014 for hypothesis testing. The study used reform assets, return on equity, and Tobin's Q as measures of corporate performance indicators while accounting for conservatism with control variables of size, lean, and capital adequacy. The study used discipline statistics, Pearson correlation, and collinearity statistics for stationarity. The result of the task indicated a significant positive link between accounting conservatism and corporate indicators. The study concluded that it is necessary to attract new investors, improve the company's ability to retain stakeholders, and increase their faith in the company's financial position. The study then recommended that the company's performance be enhanced.

David and Boniface (2019) investigated the evidence pertaining to the existence and magnitude of the presumed negative relationship between accounting conservatism and firm performance in Nigeria. Utilized information from the annual financial reports of Consumer Goods sector-classified companies. The techniques of panel least squares and fixed effects were employed. In contrast to the anticipated negative correlation, the investigation suggests that accounting conservatism has a positive but insignificant effect on firm performance. This indicates that firms in the Nigerian consumer goods sector never employ accounting conservatism and, as a result, produce poor financial reporting. It was determined that accrual quality is attained when the reported information is trustworthy, error-free, and unbiased. The study suggests that Nigerian companies be punished when their reported information is deemed to be insufficient, impervious, and tainted by error and bias.

Gisu and Nasiru (2015) analyzed the factors affecting the level of accounting conservatism in the financial statements of Tehran Stock Exchange-listed companies. The focus of the study was on the factors that influenced the degree of conservatism in accounting in these companies, including company size, required disclosure, average (financial), discretion, and any accruals. It utilizes the systematic elimination of 121 firms 2002 to 2013.\ The research methods used a panel regression to analyze the sourced data based on the hypothesis formulated. The research indicated that the level of accounting conservatism is not related to the size of the company, but is significantly related to leverage, and has no correlation to the discretionary accrual. The research found that the degree of accounting conservatism was unaffected by the size of the company's assets. Therefore, the research suggested that investors consider the connections between the elements of accounting conservatism throughout the decision making process.

Accounting conservatism was shown to positively impact return on assets (ROA) but had no impact on return on equity (ROE) or intellectual capital (IC) according to research by Al-Zahra (2017). The purpose of this research was to shed light on "the collision of accounting conservatism on the financial performance of services companies listed," with specific attention paid to the Amman Stock Exchange. In addition to these methodological distinctions, the present research stands out from its before since it is applicable to service businesses traded on the Amman Stock Exchange, while its predecessor focused on insurance, industry, and banking.

III. METHODOLOGY

RESEARCH DESIGN

This investigation made use of an ex post facto research approach. This approach was used since the research relied on data collected from the firms' previous operations. Due to the fact that the data pertains to past events, it is exceedingly difficult for researchers to manipulate the data. This study aimed to investigate the relationship between capital structure, cost of capital, and the performance of publicly traded companies in the Nigerian consumer goods industry.

POPULATION OF THE STUDY

The population of the study is made up of the twenty-one (21) consumer goods manufacturing companies listed on the

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Nigerian Exchange Group, out of which four (4) have been delisted as per the NGX (2021) listing.

SAMPLE SIZE AND SAMPLING TECHNIQUE

The simple random sampling technique was used in selecting 16 consumer goods manufacturing firms based on the availability of data. Sampling is the process of selecting a representative sample from the overall population. A sample is a selection of data from an overall population that is assumed to be representative of the whole. This is due to the fact that studying the whole population is quite demanding.

Sampled companies were selected using the simple random sampling technique based on the availability of data as 4 companies have been delisted and having no data on the adopted variables for the twelve years' period (2009 – 2021) covered by the study. The sampled sixteen (16) companies included in the study were Champion Breweries, Flour Mills of Nigeria, Guinness Nigeria, Honeywell Flour Mill, Nestle Nigeria, Cadbury Plc., Nasco Allied Industries, Nigeria Breweries, Nigeria Enamelware, Northern Nigeria Flour Mills, Presco Nigeria, Dangote Sugar, International Breweries, Mc. Nichols Nigeria Plc., Unilever Nigeria, and Vita foam Nigeria.

METHODS OF DATA COLLECTION

The study's secondary data was obtained from content analysis of the annual financial statements of sixteen (16) consumer goods firms listed on the Nigerian Exchange Group from 2009–2021.

MEASUREMENT OF VARIABLES OF THE STUDY

In this investigation, the performance metric and the dependent variable were both defined as the return on assets (ROA). Market-to-book ratio (MBR) and asymmetric earnings timeliness (ATE) are indicators of accounting conservatism (independent variables).

MODEL SPECIFICATION

This research used a variant of a regression model used by several previous studies, including that of Etale (2019). The model is broken down into the following parts:

$ROA = f(MTR, ATE,)$

Following is an equational representation of the aforementioned model.

$ROA = \beta 0 + \beta 1 MBR + \beta 2 ATE + \mu$ ----------EQN

Equation

Where:

ROA=Return on assets used as a measure of financial performance

MBR =Market – to – book ratio

ATE =Asymmetric timeliness of earnings

$\beta 0$=Constant or intercept term

$\beta 1, \beta 2$,= parameters or coefficients of the independent variables that was estimated using the regression. The expectation is that none of them equal zero.

μ=the error term of the regression equation

DATA ANALYSIS TECHNIQUES

Data was analyzed using E-view 9.0 software for multiple regression analysis and descriptive statistics. Descriptive statistics were used, and the multiple regression method was chosen because it provides the most accurate linear unbiased estimate while also being the most time and labour-efficient option. Pooled Panel Regression, and Fixed effect, regression methods were used to examine the data in this research.

IV. DATA PRESENTATION, ANALYSIS AND DISCUSSION

DESCRIPTIVE STATISTICS

Table 4.1 displays the descriptive / summary statistics for the data utilized in this investigation, including the mean, maximum values, minimum values, standard deviation, skewness, etc.

	ROA	C	ATE	MTB
Mean	1.177149	1.000000	1.281030	1.398387
Median	1.041400	1.000000	1.145200	1.087400
Maximum	6.560800	1.000000	9.789300	5.579700
Minimum	0.006600	1.000000	0.012500	-1.966000
Std. Dev.	0.951559	0.000000	1.219037	1.234074
Skewness	2.149248	NA	2.882992	1.304062
Kurtosis	11.20920	NA	16.21662	4.715722
Jarque-Bera	744.1892	NA	1802.021	84.46547
Probability	0.000000	NA	0.000000	0.000000
Sum	244.8471	208.0000	266.4543	290.8644
Sum Sq. Dev.	187.4310	0.000000	307.6128	315.2485
Observations	208	208	208	208

Source: E-views 9.0 output

Table 4.1: Descriptive statistics

Table 4.1 shows the descriptive / summary statistics analysis of the variables used in the study. The data for the 16 companies for 13 years were pooled and the descriptive statistics shows that return on assets (ROA) has a mean of 1.1771, with maximum and minimum values of 6.5608 (Vitafoam – 2014) and 0.0066 (Presco – 2013), respectively. Asymmetric Timeliness Earnings (ATE) shows a mean value of 1.2810, with maximum and minimum values of 9.7893(Guinness – 2017) and 0.0125 (International Breweries – 2017), respectively. Market-to-book (MTB) has a mean value of 1.3984, with maximum and minimum values of 5.5797 (Flour Mills – 2010) and -1.9660 (Cadbury – 2017), respectively. The Jacque-Bera statistic shows that none of the variables is normally distributed, with each of their individual probabilities values less than 0.05 significant level.

The level series pooled regression result on table 4.2 shows that asymmetric timeliness of earnings (ATE) has a negative relationship with the dependent variable, return on assets, with a coefficient of -0.115, which means that a unit decrease in asymmetric timeliness of earnings corresponds to

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a -0.115decrease in return on assets, and vice versa. Market-to-book (MTB) has a positive relationship with the dependent variable, return on assets, with a coefficient of 0.081, which means that a unit increase in Market-to-book (MTB) corresponds to a 0.081 increase in return on assets, and vice versa.

Panel regression analysis

Dependent Variable: ROA
Method: Pooled Least Squares
Date: 01/01/04 Time: 00:12
Sample: 1 208
Included observations: 208
Cross-sections included: 4
Total pool (balanced) observations: 832

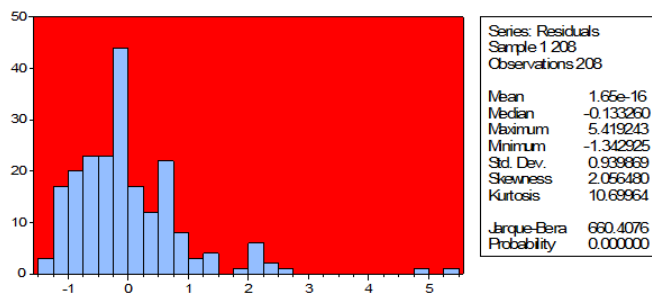
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.211509	0.055395	21.87040	0.0000
ATE	-0.115066	0.027799	-4.139180	0.0000
MTB	0.080839	0.027461	2.943817	0.0033

R-squared	0.024419	Mean dependent var	1.177149
Adjusted R-squared	0.022065	S.D. dependent var	0.949839
S.E. of regression	0.939302	Akaike info criterion	2.716239
Sum squared resid	731.4163	Schwarz criterion	2.733272
Log likelihood	-1126.955	Hannan-Quinn criter.	2.722770
F-statistic	10.37503	Durbin-Watson stat	1.377187
Prob(F-statistic)	0.000035		

Source; E-view 9.0

Table 4.2: Level Series Pooled regression

R-squared shows 0.0244, while the adjusted r-squared is 0.0220. This indicates that only 2 percent of changes in the dependent variable (return on assets) is accounted for by changes in both asymmetric timeliness of earnings and Market-to-book; while 98 percent of changes in return on assets are accounted for by other variables (factors) outside the study. However, F-statistic shows 10.375with a probability value of 0.00, which is adequately significant. This suggests that the indicators of accounting conservatism of asymmetric timeliness of earnings and market-to-book, jointly, do significantly influence firm performance proxy of return on assets.



Source; E-view 9.0

Graph 4.1: Normality Test

From Graph 4.1 Normality test, it is observed that the residuals are normally distributed. The p-value of the Normality statistics for the null hypothesis of residual in the Table is less than 0.05, affirming that the null hypothesis that residual are not normally distributed cannot be accepted.

Table 4.3 presence of Autocorrelation as Durbin Watson statistic is 2.013372 > 0 and approaches 4 depicting that the increase observed in a set of the series analysed leads to a proportionate increase in the other set of series. Thus the null hypotheses that there is no presence of Autocorrelation cannot be accepted.

Test Equation:
Dependent Variable: ROA
Method: Least Squares
Date: 01/01/04 Time: 00:58
Sample: 1 208
Included observations: 208
Presample missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.007580	0.105796	-0.071650	0.9430
ATE	0.014361	0.053131	0.270298	0.7872
MTB	-0.006380	0.052458	-0.121631	0.9033
RESID(-1)	0.280505	0.069978	4.008453	0.0001

R-squared	0.108339	Mean dependent var	1.65E-16
Adjusted R-squared	0.090769	S.D. dependent var	0.939869
S.E. of regression	0.896199	Akaike info criterion	2.642435
Sum squared resid	163.0439	Schwarz criterion	2.722665
Log likelihood	-269.8133	Hannan-Quinn criter.	2.674876
F-statistic	6.166240	Durbin-Watson stat	2.013372
Prob(F-statistic)	0.000106		

Source;E-view9.0

Table 4.3: Autocorrelation Test Result

From the table figure 4.4 on the pool unit root test with the probability value (Levin, Lin &Chut) of 0.000

shows that the null hypotheses of the both independent variables (asymmetric and market-to-book) on return on assets are rejected and the alternative hypotheses are accepted. Then with Augmented Dickey-Fuller value which test for the presence of unit root in a time series panel data to ensure whether the coefficient of the level of lag in the time series panel data is equal to that in the regression equation. The ADF statistics value -17.8072 shows a serious level of rejection on the study hypotheses, because the higher negative statistics value indicates stronger rejection that there is a unit root at some point of confidence.

Pool unit root test: Summary
Series: ROA, &CONST, ATE, MTB
Date: 01/01/04 Time: 00:45
Sample: 1 208
Exogenous variables: Individual effects
Automatic selection of maximum lags
Automatic lag length selection based on SIC: 0
Newey-West automatic bandwidth selection and Bartlett kernel
Balanced observations for each test

Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-17.8072	0.0000	3	621
Null: Unit root (assumes individual unit root process)				
Im, Pesaran and Shin W-stat	-15.4729	0.0000	3	621
ADF - Fisher Chi-square	188.334	0.0000	3	621
PP - Fisher Chi-square	197.134	0.0000	3	621

** Probabilities for Fisher tests are computed using an asymptotic Chi -square distribution. All other tests assume asymptotic normality.

Source: E-view9.0

Table 4.4: Pool Unit Root Test

Dependent Variable: ROA
Method: Least Squares
Date: 01/01/04 Time: 01:19
Sample: 1 208
Included observations: 208

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.211509	0.111396	10.87568	0.0000
ATE	-0.115066	0.055903	-2.058325	0.0408
MTB	0.080839	0.055222	1.463897	0.1448

R-squared	0.024419	Mean dependent var	1.177149
Adjusted R-squared	0.014901	S.D. dependent var	0.951559
S.E. of regression	0.944442	Akaike info criterion	2.737874
Sum squared resid	182.8541	Schwarz criterion	2.786011
Log likelihood	-281.7389	Hannan-Quinn criter.	2.757338
F-statistic	2.565598	Durbin-Watson stat	1.372221
Prob(F-statistic)	0.079340		

Source;E-view9.0

Table 4.5: Fixed Effects Panel Regression

On table 4.5 – fixed effects model results, market-to-book ratio has a positive

On table 4.5 – fixed effects model results, market-to-book ratio has a positive relationship with the dependent variable, return on assets, with a coefficient of 0.08, which means that a unit increase in market-to-book ratio corresponds to a 0.08 increase in return on assets, and vice versa. However, asymmetric timeliness of earnings employed (ATE), is negatively related to return on assets, with coefficients of -0.115.

HYPOTHESES TESTING

HYPOTHESIS 1

$H0_i$: There is no significant relationship between the market-to-book ratio and the return on assets of consumer goods manufacturing firms in Nigeria.

Table 4.2 findings demonstrate that MTB is significantly correlated with book value, with a coefficient and t-statistic of -0.1151 and -4.1391, respectively (p-value = 0.000). This implies that there is a negative, statistically significant correlation between market-to-book and return-on-asset. As a result, we reject the null hypothesis and accept the alternate that consumer goods manufacturing companies in Nigeria have a positive correlation between market-to-book ratio and return on assets.

HYPOTHESIS 2

$H0_{ii}$: There is no significant relationship between the asymmetric timeliness of earnings and the return on assets of consumer goods manufacturing firms in Nigeria.

On table 4.2, the t-statistic value for Asymmetric Timeliness of Earnings (ATE) shows -0.0808 and 2.9438 coefficient and t-statistics values, respectively, with a probability value of 0.000, which is far less than the 0.05 level of significance. This implies that the relationship between asymmetric timeliness of earnings and return on assets is positive and significant. On this ground, the null hypothesis is thus rejected, and the alternate hypothesis that "there is a significant relationship between asymmetric timeliness of earnings and return on assets of consumer goods manufacturing firms in Nigeria" is accepted.

DISCUSSION OF FINDINGS

The purpose of this research is to examine the link between accounting conservatism practices and the performance of companies in Nigeria's consumer goods sector. Proxy measures of accounting conservatism include the market-to-book ratio and asymmetric timeliness of earnings. Return on assets was used as a proxy for the dependent variable, which was the firm's performance.The results of the analysis show that the market-to-book ratio has a negative but significant relationship with return on assets.

The results of the study support empirical evidence from prior studies such as Gisu and Nasiru (2015) and Hanaa (2019). These empirical studies found a negative but significantly related to market-to-book ratio and firm performance, negative and significant relationship between market-to-book ratio employed and firm performance.

Fuad, Abdulwahhab, Ziyad and Hasan (2022), Han (2020), and Basu (2017) revealed an inverse association between accounting conservatism and firm performance. Asymmetric timeliness to earnings had a positive and significant relationship with return on assets.

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V. SUMMARY, CONCLUSION AND RECOMMENDATIONS

SUMMARY OF FINDINGS

The findings of this study are summarized as follows:

- ✓ That the relationship between market-to-book and return on asset is negative, but significant.
- ✓ that the relationship between Asymmetric Timeliness of Earnings and Return on Assets is positive and absolutely significant.

CONCLUSION

The study investigates the relationship between accounting conservatism and firm performance in consumer goods manufacturing firms in Nigeria. The study used the market-to-book ratio and asymmetric timeliness of earnings as proxies for accounting conservatism. The dependent variable, firm performance, was the proxied return on assets.

The findings of the study reveal that the three components of accounting conservatism used in the study show mixed results; though, the overall result shows a very significant relationship with return on assets (firm performance). The both proxies for accounting conservatism, namely, market-to-book ratio and Asymmetric Timeliness of Earnings showed significant relationships with return on assets; but with negative and positive signs, respectively. The study concludes that the concept accounting conservatism in relation to firm performance (return on assets), has a significant relationship with return on assets.

RECOMMENDATIONS

From the findings, the study makes the following recommendations:

- ✓ Firms should not employ market-to-book ratio in their accounting conservatism in order to take advantage of other methods earnings management, in order to improve their profitability, and hence, performance.
- ✓ That, companies should continue to adequately utilize asymmetric timeliness of earnings to retain earnings to fund to finance future production activities.

CONTRIBUTION TO KNOWLEDGE

First and foremost, this study has added new empirical findings to the body of existing literature in accounting field, especially on the subject matters of accounting conservatism and firm performance. Having taken on the issue, the study has broken new grounds in accounting research.

Managers at consumer-goods companies will find the information presented here helpful in making financial decisions, particularly those involving the conservative use of accounting.

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