



RESEARCH ARTICLE

The Effect of Accounting Ratios on the Effective Management of Foreign Companies in NigeriaUgwuene, Rosemary Nwanyinma^{1*} and Prof. I. M. Okwo and Prof. M. C. Ubesie¹²³Department of Accountancy, Enugu State University of Science and Technology***Corresponding Author****ABSTRACT**

This paper examined the effect of accounting ratios on the effective management of foreign companies in Nigeria. The data were gathered from the annual report and accounts of sampled foreign companies operating in Nigeria from 2011 -2020. The research work made use of multiple regression method. Debt Equity Ratio (DER), Time Interest Earned Ratio (TIER), Long Term Debt Ratio (LTDR) and Liquidity ratio (LQR) are used as proxy for accounting ratio, while Earning Per Share (EPS) was used as a measure of performance of foreign companies in Nigeria using multiple regression technique, E-view 9.0 software package. Debt to equity ratio and liquidity ratio has significant effect on the earnings per share of foreign companies in Nigeria. While time interest ratio and long-term ratio has insignificant effect on the earnings per share of foreign companies in Nigeria. The result shows positive influence of Debt Equity Ratio and liquidity ratio while Time Interest Ratio and Long-term Ratio has a negative influence on earnings per share of foreign companies in Nigeria. Based on the findings of this study, the researcher recommended that; the management of foreign companies should optimize the use of debt equity ratio in order to increase its profitability and boost their earnings. They must caution against the use of time interest ratio and long-term debt ratio, since failing to meet its obligations can force a company into bankruptcy. And they should involve the use of liquidity ratio as it helps to checkmate and determine its structure and debt capacity. Since it is significant, it means that the company can pay off all its current liabilities.

Keywords: Accounting Ratios; Foreign Companies in Nigeria; Effective Management

Introduction

Accounting ratio is the most important factor used by management, creditors, investors and other users of financial statement in carrying out most business decisions. It uses an application in making most business decision remain inevitable (Mohammad, Najib & Mosab, 2019).

Accounting ratios an important sub set of financial ratios are a group of metrics used to measure the efficiency and profitability of a company based on its financial reports. They provide a way of expressing the relationship between one accounting data points to another and are the basis for ratio analysis. An accounting ratio compares two-line items in a company's financial statement, namely: income statement and cash flow statement. These ratios can be used to evaluate a company's fundamentals and provide information about the performance of the company over the last quarter or fiscal year (Halimahton & Rozita, 2013).

Analyzing accounting ratios is an important step in determining the financial health of a company. It can often point out areas that are bringing the profitability of a company down and therefore need improvement. Adegoyega (2013) opined that, ratios are simply, mathematical expressions of relationship of one figure to another, which may come from the same statement or from different statement.

According to Atman (1968), Accounting ratios by their very nature serve as indicator of the performance of a company both past and present. Foreign company means any company or body corporate incorporate outside of its own

country or locality. It is a company operating in a country other than its home country. Such companies are required to follow the rules and regulation of the given local area of operation and the home country where it was originally

Citation: Ugwuene, R. N., Okwo, I. M. & Ubesie, M. C. (2023). The Effect of Accounting Ratios on the Effective Management of Foreign Companies in Nigeria. *European Review in Accounting and Finance*, 7(3), 1-14. DOI: <https://doi.org/10.5281/zenodo.7793866>

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incorporated. In Nigeria, foreign companies or foreign enterprises means companies or enterprises in which the controlling shares are owned by persons other than the government, its agencies or citizens of Nigeria.

Statement of the Problem

Currently many users of financial statements are not yet equipped analytically to make good business decision and management strategies, notwithstanding companies and workshops on the benefit of accounting ratios. Efforts have been made to enlighten and educate financial statement users that their future business predictions are based on accounting ratios which use historical data.

However, these efforts have not made any meaningful changes, because the number of wrong decision makers is on the increase. Sometimes, this is attributed to total disregard of ratio analysis by financial statement users. Perhaps, ratio analysis itself confuses them the more and increase their tendency of becoming victims of inadequate business decisions and efficient management.

Again, there are many write-ups on accounting ratios but much has not been said about this ratio and earnings per share. For this reason, the situation become a puzzling one and have constituted a research problem.

Objective of the Study

The main objective of this study is to identify the effect of accounting ratios on the effective management of foreign companies on Nigeria. The specific objectives are as follow:

- i. To evaluate the effect of debt equity ratio on earning per share of foreign companies in Nigeria.
- ii. To ascertain the effect of time interest ratio on earning per share of foreign companies in Nigeria.
- iii. To determine the effect of long term debt ratio on earning per share of foreign companies in Nigeria
- iv. To ascertain the effect of liquidity ratio on earning per share of foreign companies in Nigeria.

Research Questions

The following research questions are raised to guide this study

- i. To what extent does debt equity ratio affect earnings per share of foreign companies in Nigeria?
- ii. What is the effect of time interest ratio on earning per share of foreign companies in Nigeria?
- iii. To what extent does long term debt ratio effect earning per share of foreign companies in Nigeria?
- iv. How does liquidity ratio effect earning per share of foreign companies in Nigeria?

Statement of Hypotheses

- i. Debt equity ratio does not have effect on earnings per share of foreign companies in Nigeria.
- ii. Time interest ratio does not have any significant effect on earnings per share of foreign companies in Nigeria
- iii. Long term debt ratio does not have any significant effect on earnings per share of foreign companies in Nigeria.
- iv. Liquidity ratio does not have any effect on earnings per share of foreign companies in Nigeria.

Significance of the Study

This research work is expected to be beneficial to the following:

Auditors: this study will be of immense importance to auditors, who are charged with the examining and detection of fraud in various organizations. This will help them to appreciate the need for accounting ratios for effective management.

Scholars: this study will benefit the scholars in the area of research work, as it will be a reference point to this area of studies.

Foreign companies: companies operating in Nigeria will equally benefit from this study as this examined the effect of ratios for effective management. It will also serve as an eye opener to them on the relevance of accounting ratios in the investment decision making.

Investors: this study will help companies to make improvement or monitor progress as this will be used by investors to determine the best investment options to take.

Management: findings and recommendations from this study will be an added advantage to the board of directors in their struggle to boost their organization.

Scope of the Study

The study was limited to all the selected foreign companies operating here in Nigeria, within a period of ten (10) years, from 2011 to 2022, focusing on debt equity ratio, time interest ratio, long term ratio and liquidity ratio.

Review of Related Literature

Conceptual Framework

Accounting Ratio

Accounting ratios, an important sub-set of financial ratios, are a group of metrics used to measure the efficiency and profitability of a company based on its financial reports. They provide a way of expressing the relationship between one accounting data point to another and are the basis of ratio analysis. An accounting ratio compares two-line items in a company's financial statements, namely made up of its income statement, balance sheet, and cash flow statement. These ratios can be used to evaluate a company's fundamentals and provide information about the performance of the company over the last quarter of a fiscal year. Common accounting ratios include the debt-to-equity ratio, the quick ratio, the dividend payout ratio, gross margin, and operating margin. Accounting ratios are used by both the company itself to make improvements or monitor progress as well as by investors to determine the best investment option (Kiabel, 2011).

Adegoyega (2013) is of the view that an accounting ratio compares two-line items in a company's financial statements, namely made up of its income statement, balance sheet, and cash flow statement. These ratios can be used to evaluate a company's fundamentals and provide information about the performance of the company over the last quarter or fiscal year.

Bewaji, (2012) opined that analyzing accounting ratios is an important step in determining the financial health of a company. It can often point out areas that are bringing the profitability of a company down and therefore need improvement. The efficacy of new management plans, new products, and changes in operational procedures, can all be determined by analyzing accounting ratios.

Adegoyega (2013) said that accounting ratios also work as an important tool in company comparison within an industry, for both the company itself and investors. A company can see how it stacks up against its peers and investors can use accounting ratios to determine which company

is the better option. A thorough accounting analysis can be a complex task, but calculating accounting ratios is a simple process of dividing two-line items found on a financial statement, that provide a quick form of clear analysis to a business owner or investor. There are so many types of accounting ratios which includes; debt equity ratio, time interest ratio, long term debt ratio and liquidity ratio.

Debt Equity Ratio

According to Akhor & Jafaru (2015) debt - equity ratio is a debt ratio used to measure a company's financial leverage, it is calculated by dividing a company's total liabilities by its shareholders equity, the debt-equity ratio indicates how much debt a company is using to finance its assets relative to the amount of value represented in shareholders' equity. The formula for calculating D/equity ratio can be expressed as:

$$\text{Debt - Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Shareholders Equity}}$$

According to Adegoyega (2013), the D/equity ratio can be applied to personal financial statements as well as corporate ones; in which case it is also known as the personal Debt/Equity Ratio, here "equity" refers not to the value of stakeholders' shares but rather to the difference between the total value of a corporation or individual's

assets and that corporation or individual's liabilities, investopedia further stated that the formula for this form of debt/equity ratio, can be represented as: $\text{Debt/Equity} = \frac{\text{Total Liabilities}}{\text{Total Assets} - \text{Total Liabilities}}$

Asrizal, Linzzy, & Shinta (2018) explains the breakdown of debt/equity ratio as follows: given that the debt/equity ratio measures a company's debt relative to the total value of its stock, it is most often used to gauge the extent to which a company is taking on debts as a means of leveraging (attempting to increase its value by using borrowed money to fund various projects), a high debt/equity ratio generally means that a company has been aggressive in financing its growth with debt. Aggressive leveraging practices are often associated with high levels of risk and this may result in volatile earnings as a result of the additional interest expenses. Investopedia illustrated this as follows, "suppose debts (like loans and debt securities) as a liability portion of the formula, while omitting other kinds of liabilities (unearned revenues etc.), in other cases, may calculate debt/equity in an even more specific way, including short term debts and other liabilities. It is noted that "long term debt" here is not necessarily a term with a consistent meaning. Consequently, it may include all long-term debts but may also exclude long debt nearing maturity, which are then categorized as "short term" debts, because of all these differentiations, when considering a company's Debt/Equity ratio, it is advised that one should try to determine how the ratio was calculated and should be sure to consider other ratio and performance metric as well.

Time Interest Earned Ratio

Time Interest Earned (TIE) is a metric used to measure a company's ability to meet its debt obligation. The formula is calculated by taking in company's earnings before interest and taxes (EBIT) and dividing it by the total interest payable on bonds and other contractual debt. TIE indicates how many times a company can cover its interest charges on a pretax earnings basis. (Investestopedia, 2017) Failing to meet the obligation can force a company into bankruptcy, a company's capitalization refers to the amount of money it has raised by using stock or debts and choices about capitalization.

Long Term Debt Ratio

Long Term Debt Ratio is the ratio that represents the financial position of the company and the company's ability to meet all its financial requirements. It shows the percentage of a company's assets that are financed with loans and other financial obligations that last over a year. As this ratio is calculated yearly, decrease in the ratio would denote that the company is fairing well, and is less dependent on debts for their business needs.

The higher the level of long term debt, the more important it is for a company to have positive revenue and steady cash flow. It is very helpful for management to check its debt structure and determine its debt capacity. It also shows how many assets of your company are financed with the help of debts. To calculate long term debt to total assets ratio you need to add together your current liabilities and long term debts and sum up the current and fixed assets and divide both the total liabilities and the total asset to get an output in percentage form.

The output is the assets that are financed by the debt financing while the other half is financed by the investors in your firm. Having the long term debt to total asset ratio as a high percentage should be worrying factor for the firm and the company should look into it and determine the reason of the high percentage and try to minimize it as much as possible. The high value would mean that your company needs to have a good cash inflow to meet all the expenses.

Long Term Debt Ratio therefore provides a measurement to the investor regarding the percentage of a company's assets which are financed with the help of loans or debts for a period lasting over a year.

Liquidity Ratio

A liquidity ratio is a type of financial ratio used to determine a company's ability to pay its short-term debt obligations. The metric helps determine if a company can use its current, or liquid, assets to cover its current liabilities. Three liquidity ratios are commonly used – the current ratio, quick ratio, and cash ratio. In each of the liquidity ratios, the current liabilities amount is placed in the denominator of the equation, and the liquid assets amount is placed in the numerator.

Given the structure of the ratio, with assets on top and liabilities on the bottom, ratios above 1.0 are sought after. A ratio of 1 means that a company can exactly pay off all its current liabilities with its current assets. A ratio of less than 1 (e.g., 0.75) would imply that a company is not able to satisfy its current liabilities.

A ratio greater than 1 (e.g., 2.0) would imply that a company is able to satisfy its current bills. In fact, a ratio of 2.0 means that a company can cover its current liabilities two times over. A ratio of 3.0 would mean they could cover their current liabilities three times over, and so forth.

Earnings Per Share

According to Alexander and Britton (1998) earnings per share "represents the amount of profit the company has earned during the year for each ordinary share. Ikpe (2008) explained earnings per share mathematically as net profit after tax divided by number of common shares outstanding (Net profit after tax / No of ord. shares outstanding). He noted that the value of a firm depends to a large extent on its earnings and also dividend paid. So, we can understand earnings per share as net profit available after paying related taxes by the business and which are then shared (divided) to the number of common shares owned by shares holders. It is what each common or ordinary share holder receives out of the total net earnings (less tax) of the business within the specified year.

Theoretical Framework

Univariate Theory

This theory was propounded by William Beaver in the year 1968. It states that a single variable can be used for predictive purposes. The univariate theory which was published in the accounting review in October 1968 achieved a moderate level of predictive accuracy. Such a theory will use individual financial ratios to forecast financial failure. William Beaver study classified a company as failed when any one of the following events occurred: bankruptcy, bond default, an overdrawn bank account or nonpayment of a preferred stock dividend. This is the theory of which this research is based. The competitive value approach to performance focuses on product quality, assurance of supply, competitive cost/price and long-term reward for the shareholder. The approach depends more on the flexibility, effectiveness and efficiencies of the enterprise in using its resources to meet external pressures.

Liquidity Premium Theory

This theory was propounded in 1979 by Lloyd, it is based on the idea that investors will hold long-term maturities only if they are offered a premium to compensate for future uncertainties, which increases with assets maturity. Therefore, investors are always interested in the growth of a particular firm before embarking on any investment. Growth has been viewed from various perspectives depending on the objectives and expectations of the users of the information generated. However, it is a relationship between input and output with an objective to be achieved.

Richard (2009) present that an organization's growth can be viewed from three major areas of outcomes; financial performance (usually measured by profit, return on assets, and return on investment. Product market performance (sales and market share); and shareholders' return (total shareholder return and economic value added). Nworji (2011) elucidates that corporate growth is an important concept that relates to the way and manner in which financial resources available to an organization are judiciously used to achieve the overall corporate objectives of an organization. It keeps the organization in business and creates a greater prospect for future opportunities.

Empirical Review

Debt Equity Ratio and Earnings Per Share

Hatem (2013) investigated the effect on the debt equity ratio of ownership structures: a static and dynamic analytical context from 1997 to 2007. The study adopted regression analysis while the test results showed a non-linear relationship between the managerial ownership and capital structure.

Asrizal, Linzzy and Shinta (2018) researched on the effect of debt-to-equity ratio and total asset turnover on equity returns in automotive and equipment companies in Indonesia. Purposive sampling was adopted for the study while the multiple linear regression was adopted as the analytical technique of the study. The results of the study showed that partially and simultaneously debt equity ratio had a significant effect on return on equity and so did total asset turnover have a significant effect on return on equity.

Muhammad and Imran (2015) investigated the effect of selected financial ratios on profitability: an empirical analysis of listed firms of cement sector in Saudi Arabia from 2008 to 2012. The research adopted Pearson correlation and multiple regression techniques to analyze the variables under study being Debt to Equity Ratio (DER), Inventory Turnover Ratio (ITR), Debtors' Turnover Ratio (DTR), Creditors' Velocity (CRSV), Total Assets Turnover Ratio (TATR) and Net profit Margin (NPM). The study revealed that there is a significant relationship between the three selected ratios and Net Profit Margin (NPM) of cement companies in Saudi Arabia.

Nurlaela, et al. (2019) studied asset turnover, capital structure and financial performance of consumption industry in Indonesia Stock Exchange from 2016 to 2018. The study adopted multiple linear regression analysis while it was discovered that the variable debt to equity ratio (DER) of capital structure, current ratio (CR), and asset turnover (TATO) have a direct impact on financial performance (return on assets).

Time Interest Ratio and Earnings Per Share

Mehrnaz (2013) carried out a study on exploring the link between the financial ratios and the worth of the created shareholders value from 2005 to 2011. The study adopted pooled least squares model while the analysis indicates that even though there is a substantive correlation between financial ratios and the value created by the shareholders, the corporate life cycle of various stages may affect the relationship between the financial ratios and the value created by the shareholder.

Umer and Muhammad (2018) investigated the impact of financial leverage on firm performance textile composite companies of Pakistan from 2011 to 2015. Descriptive statistics, correlation analysis and regression were adopted for the study. The study showed that financial leverage has negative and significant effect on firm ROE and financial leverage has positive and significant effect on firm ROA. It was also revealed that the high interest rate and higher debt amounts minimizes the asset value and also have a negative effect on firm efficiency. The sum of the debt, on the other hand, has a positive effect on firm ROA.

Long-term Debt Ratio and Earnings Per Share

Saied, Nagaraju and Mahboobeh (2011) studied the relationship between long term debt-to-equity ratio with share price using the cross-sectional correlation method in India Market in a 4-year period; 2007 to 2010. Sample size of 317 companies was determined. Method of data analysis include Pearson correlation, multiple regression, ANOVA, with the help of SPSS (16) and the relevant methodology. Findings showed that there is meaningful relationship between Long Term Debt to Equity Ratio and share price.

Akhor and Jafaru (2015) researched on performance evaluation through ratio analysis from 2009 to 2013. Descriptive statistic, Pearson correlation matrix and simple ordinary least square regression technique were adopted in the study as the analytical techniques. It was revealed that liquidity ratio has a negative and significant impact on firm performance while leverage ratio and market ratio have unfavorable and favorable impacts on firm efficiency respectively and profitability ratio have substantial positive influence on organizational performance evaluation.

Liquidity ratio and Earnings Per Share

Mohammad, Najib and Mosab (2019) examined the impact of liquidity on firms' performance using an empirical investigation from Indian Pharmaceutical Companies from 2008 to 2017. The study adopted regression analysis

while the findings revealed that current liquidity ratio and quick ratio have positive and significant impact on the profitability of pharmaceutical companies measured by return on assets while control variables leverage, firms' size, and age have negative impact on the profitability of pharmaceutical companies.

Halimahton and Rozita (2013) carried out a study on the effect of the profitability metrics on a chemical company's financial performance. Current ratio (CR) and quick ratio (QR) portray liquidity ratios, debt ratio (DR) and debt equity ratio (DTER), while operating profit margin (OPM) and net profit margin (NPM) represent profit ratios. For the research multiple regression analysis has been adopted. It has been revealed that CR, QR, DR and NPM have a positive relationship while DTER and OPM have a negative relationship to the financial performance of the company.

Akhor and Jafaru (2015) researched on performance evaluation through ratio analysis from 2009 to 2013. Descriptive statistic, Pearson correlation matrix and simple ordinary least square regression technique were adopted in the study as the analytical techniques. It was revealed that liquidity ratio has a negative and significant impact on firm performance while leverage ratio and market ratio have unfavorable and favorable impacts on firm efficiency respectively and profitability ratio have substantial positive influence on organizational performance evaluation.

Gap in Empirical Review

The review of literatures indicates that many related studies have been conducted in this area. However, most of the existing studies were done outside Nigeria. This signifies that more studies are required in Nigeria to close the research gap.

Methodology

Research Design

The study adopted *ex post facto* research design which provides an empirical solution to research problems by using data which are already in existence. The study was therefore based on published financial statements of the selected foreign companies in Nigeria.

Sources of Data

The data used in this study were secondary data which were generated from the annual reports and accounts of the sampled foreign companies operating in Nigeria as at 31 December 2020.

Area of Study

This study was carried out in Nigeria, with specific reference to foreign companies operating in Nigeria.

Population

The population of this study is six (6) foreign companies operating in Nigeria as at 31 December 2020 namely: Shell petroleum Development Company, Chevron oil & Gas Multinational, Mobil oil & Gas Multinational, Julius Berger construction multinational, UAC FMCG Multinational and Glaxosmikline pharmaceuticals Multinational.

Sample Size Determination

The sample size consists of three out of the six selected foreign companies operating in Nigeria. They include, Chevron oil & Gas Multinational, FMCG Multinational and Glaxosmikline pharmaceuticals Multinational. Accordingly, availability of data and sufficiency of observations are important factors of consideration in a study of this nature.

Hence, this study adopted a non-probabilistic sampling technique in determining the sample size. The judgment of the researcher is guided by the size, market capitalization, nature of production availability of annual report and accounts containing relevant data required for the analysis for the period under review. These are the reasons why the researcher did not embark on the entire population of the study.

Model Specification

The Multiple Regression Model is represented as;

$$Y = a + \beta_1 X_1 + \beta_2 X + \beta_3 X + \epsilon_t$$

This can explicitly be represented as thus:

$$EPS = a + \beta_1 DER + \beta_2 TIER + \beta_3 LTDR + \beta_3 LQR + \epsilon_t$$

Where:

EPS = Dependent Variable (Earnings Per share)

DER = Debt Equity Ratio

TIER = Time Interest Earned Ratio

LTDR = Long Term Debt Ratio

LQR = Liquidity Ratio

a = Constant

$\beta_1 \beta_2 \beta_3$ = Coefficients

ϵ_t = Error Term

Description of Variables in the Model

In line with the objective of this analysis, the research variables were divided into dependent and independent variables. The dependent Variable of the study is Earnings Per Share (EPS) while the independent variables are Debt Equity Ratio (DER), Time Interest Earned Ratio (TIER), Long Term Debt Ratio (LTDR) and liquidity ratio (LQR).

Method of Data Analyses

Data were analyzed using Descriptive Statistics and multiple regression. The study was carried out using administrative procedure and extraction of secondary data from company's annual financial reports. This study was subjected to analysis, using EViews and necessary interpretations and recommendations were made for the understanding of the users. The tool used for the data analysis is ordinary least square (OLS).

Results

Data Presentation

Table 1: Logged Data of the sampled Firms

<i>Coy</i>	<i>Year</i>	<i>LTDR</i>	<i>TIER</i>	<i>DER</i>	<i>LQR</i>	<i>EPS</i>
<i>Chavron</i>	2011	6.001862	5.611523	0.303196	-0.53985	0.17393
	2012	6.224312	5.710988	-0.13077	0.195485	0.36653
	2013	6.273413	5.702571	-0.16749	0.350868	0.38722
	2014	6.284685	5.772414	0	-0.16583	0.30103
	2015	6.364385	5.78606	0.170262	-0.33686	0.22185
	2016	6.331797	5.780258	0.193125	-2.39794	0.21467
	2017	6.364368	5.788272	0.064458	-1.057	0.24413
	2018	6.384902	5.7939	-0.08092	-0.73779	0.34679
	2019	6.554183	5.548705	-0.20761	-0.40738	0.46852
	2020	6.614298	5.659815	-0.0655	-0.09572	0.33724
<i>UAC</i>	2011	7.682883	5.844151	0.184691	0.215082	0.21467
	2012	7.746749	5.84093	-0.25181	-0.10353	0.4437
	2013	7.791781	5.839682	-0.18046	-0.04566	0.39794
	2014	7.835071	5.845035	-0.13077	-0.17044	0.36653
	2015	4.840821	5.902073	-0.24413	-0.10226	0.4437
	2016	7.856816	5.898333	-0.21467	0.159146	0.42022
	2017	7.868729	5.902098	0.089905	-0.27778	0.25964
	2018	7.871651	5.909135	0.1959	-0.54592	0.21467
	2019	7.877709	5.909558	0.222716	-1.56384	0.20761
	2020	7.870064	6.578887	0.198657	-1.42366	0.21467
<i>Glaxosmikline</i>	2011	5.533131	4.053501	0.4133	-1.38934	0.14267
	2012	5.687787	5.052363	0.217484	-2	0.20761
	2013	5.728284	5.395899	0.32838	-2.12494	0.16749
	2014	5.734798	5.372883	0.572872	-2.1549	0.10237
	2015	5.615225	5.396096	0.475671	0.175599	0.12494
	2016	5.614035	5.379777	0.522444	1.12362	0.11351
	2017	6.087484	5.030838	0.562293	0.545121	0.10237
	2018	6.006521	4.53362	0.711807	0.26181	0.07572
	2019	5.674779	4.959199	0.642465	0.164264	0.09151
	2020	5.436056	3.98713	0.719331	0.168763	0.05552

Table 2: Description Statistics of the variables

	EPS	DER	TIER	LTDR	LQR
Mean	0.587333	1.884000	573530.5	21110642	1.234000
Median	0.610000	1.545000	553077.5	2036478.	1.365000
Maximum	0.880000	5.240000	3792166.	75458713	5.280000
Minimum	0.340000	0.560000	9708.000	69314.00	0.870000
Std. Dev.	0.160429	1.383468	664585.3	31077556	1.473468
Skewness	0.086993	1.138397	3.874263	0.949068	1.126397
Kurtosis	1.860457	3.216039	19.71600	1.993843	3.328039
Jarque-Bera	1.661037	6.538078	424.3304	5.769090	5.538078
Probability	0.435823	0.038043	0.000000	0.055880	0.038043
Sum	17.62000	56.52000	17205915	6.33E+08	71.52000
Sum Sq. Dev.	0.746387	55.50552	1.28E+13	2.80E+16	74.50552

Observations 30 30 30 30 | 30 |

Source: Annual Report and Account

Table 2 Reveals that statistics or characteristics of the variable of the study are quite unlike when the companies were examined individually, it describes those statistics of the variables under study and indicated that the Skewness coefficient of all the variable (EPS, DER, TIER, LTDR and LQR) are positive and they revolve around 0 and 3. This signifies a normal frequency distribution for all the time series data. On the other hand, the kurtosis coefficient of all variables are equally positive which confirms the finding when Skewness coefficient is used for decision making. Jarque-Bera statistic is also used to check the extent of normality frequency distribution variables. The probability value of the statistic indicates significant as none of the values fell below 0.05. Standard deviation was significantly not volatile except for DER.

Table 3: Multiple Regression Result

Dependent Variable: EPS

Method: Least Squares

Date: 19/03/22 Time: 23:37

Sample: 1 30

Included observations: 30

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DER	0.110375	0.008950	12.33192	0.0000
TIER	2.03E-08	2.08E-08	0.977775	0.3372
LTDR	-1.21E-10	4.47E-10	-0.270102	0.7892
LQR	0.210381	0.008760	11.21392	0.0023
C	0.370269	0.026037	14.22091	0.0000
R-squared	0.871037	Mean dependent var		0.587333
Adjusted R-squared	0.856156	S.D. dependent var		0.160429
S.E. of regression	0.060845	Akaike info criterion		-2.637393
Sum squared resid	0.096256	Schwarz criterion		-2.450566
Log likelihood	43.56089	Hannan-Quinn criter.		-2.577625
F-statistic	58.53591	Durbin-Watson stat		1.156521
Prob(F-statistic)	0.003601			

Table 3 depicts that DER and TIER has a positive and insignificant effect on earnings per share. The effect of Long Term Debt on Earnings per share is also insignificant but negative. Adjusted R-square is 0.856156. The F-statistic has a positive and significant probability value which confirms fact that effects of the independent variables on the dependent variable did not happened by chance. This implies that the interaction among the variables are not sustainable in the long run.

Test of Hypotheses

This hypothesis will be tested in this section of the study. The test was aided with EViews statistical software 9.0. The test was carried out in the following order.

Decision Rule: reject H_0 if computed t^* -statistic is greater than 2 and P-value is less than 0.05.

Test of Hypotheses One

Hypothesis one seeks to ascertain the effect of debt equity ratio on earning per share of foreign companies in Nigeria. To test this hypothesis, the regression analysis in table 3 was adopted.

H_0 : Debt equity ratio has no significant effect on the earnings per share of foreign companies in Nigeria.

H₁: Debt equity ratio has significant effect on the earnings per share of foreign companies in Nigeria.

Decision: Since the computed t*-statistic for DER is 12.33192 which is more than absolute 2 and P-value is 0.0000 which is less than 0.05. The H₀ is rejected and H₁ therefore accepted.

Conclusion: Since the H₁ is accepted, it entails that we conclude that debt equity ratio has significant effect on the earnings per share of foreign companies in Nigeria.

Test of Hypothesis Two

The primary focus of hypotheses two is to seek to examine the effect of times interest earned ratio on earnings per share of foreign companies in Nigeria.

The hypothesis is based on regression result in table 3 above and it is anchored on the 5% level of significance.

H₀: Time interest earned ratio has no significant effects on earnings per share of foreign companies in Nigeria.

H₁: Time interest earned ratio has significant effects on earnings per share of foreign companies in Nigeria.

Decision Rule: reject H₀ if computed t*-statistic is greater than 2 and P-value is less than 0.05.

Decision: Since the computed t*-statistic for TIER is 0.977775 which is less than absolute 2 and P-value is 0.3372 which is greater than 0.05. The H₀ is accepted and H₁ therefore rejected.

Conclusion: Since the H₀ is accepted, it entails that we conclude that time interest earned ratio has no significant effects on earnings per share of foreign companies in Nigeria.

Test of Hypothesis Three

Hypothesis three seeks to ascertain the effect of long-term debt on the earnings per share of conglomerate companies in Nigeria. To test this hypothesis, the regression analysis in table 3 was adopted and 5% level of significance was used.

H₀: Long term debt ratio has no significant effect on earnings per share of foreign companies in Nigeria.

H₁: Long term debt ratio has significant effect on earnings per share of foreign companies in Nigeria.

Decision Rule: reject H₀ if computed t*-statistic is greater than 2 and P-value is less than 0.05.

Decision: Since the computed t*-statistic for TIER is -0.270102 which is less than absolute 2 and P-value is 0.37892 which is greater than 0.05. The H₀ is accepted and H₁ therefore rejected.

Conclusion: Since the H₀ is accepted, it entails that we conclude that long term debt ratio has no significant effect on earnings per share of foreign companies in Nigeria.

Test of Hypothesis Four

Hypothesis four seeks to ascertain the effect of liquidity ratio on the earnings per share of conglomerate companies in Nigeria. To test this hypothesis, the regression analysis in table 3 was adopted and 5% level of significance was used.

H₀: Liquidity ratio does not have significant effect on the earnings per share of foreign companies in Nigeria.

H₁: Liquidity ratio has significant effect on the earnings per share of foreign companies in Nigeria.

Decision: Since the computed t*-statistic for LQR is 11.21392 which is more than absolute 2 and P-value is 0.0023 which is less than 0.05. The H₀ is rejected and H₁ therefore accepted.

Conclusion: Since the H₁ is accepted, it entails that we conclude that liquidity ratio has significant effect on earnings per share of foreign companies in Nigeria.

Discussion of Findings

Result of hypothesis one shows that debt equity ratio has significant effect on the earnings per share of foreign companies in Nigeria. This is in line with that study of Hatem (2013) on the effect of debt equity ratio of ownership structures: a static and dynamic analytical context from 1997 to 2007 which the results showed a non-linear relationship between the managerial ownership and capital structure.

Result of hypothesis two revealed that time interest earned ratio has no significant effects on earnings per share of foreign companies in Nigeria. This is in accordance with the study of Mehrnaz (2013) on the link between the financial ratios and the worth of the created shareholders value from 2005 to 2011 which shows that even though there is a substantive correlation between financial ratios and the value created by the shareholders, the corporate life cycle of various stages may affect the relationship between the financial ratios and the value created by the shareholder.

Hypothesis three revealed that long term debt ratio has no significant effect on earnings per share of foreign companies in Nigeria. This is in agreement with the studies of Saied, Nagaraju and Mahboobeh (2011) on the relationship between long term debt-to-equity ratio with share price using the cross-sectional correlation method in India Market in a 4-year period; 2007 to 2010. Sample size of 317 companies was determined. The findings showed that there is meaningful relationship between Long Term Debt to Equity Ratio and share price.

Findings of hypothesis four shows that liquidity ratio has significant effect on earnings per share of foreign companies in Nigeria. This result agrees with the findings of Mohammad, Najib and Mosab (2019) examined the impact of liquidity on firms' performance using an empirical investigation from Indian Pharmaceutical Companies from 2008 to 2017. The findings revealed that current liquidity ratio and quick ratio have positive and significant impact on the profitability of pharmaceutical companies measured by return on assets while control variables leverage, firms' size, and age have negative impact on the profitability of pharmaceutical companies.

Summary of Findings

At the end of this research work on effect of accounting ratios on the effective management of foreign companies in Nigeria. The researcher found out that accounting ratios has significant effect on the effective management of foreign companies in Nigeria.

- i. Debt equity ratio has significant effect on the earnings per share of foreign companies in Nigeria.
- ii. It was also observed that time interest earned ratio has no significant effects on earnings per share of foreign companies in Nigeria.
- iii. The study also shows that long term debt ratio has no significant effect on earnings per share of foreign companies in Nigeria.
- iv. The study further shows that liquidity ratio has significant effect on earnings per share of foreign companies in Nigeria.

Conclusion

In accordance with the research findings the study concludes that accounting ratios has effect on the effective management of foreign companies in Nigeria, debt equity ratio and liquidity ratio have significant effect on the earnings per share of foreign companies in Nigeria. While time interest ratio and long-term ratio have no significant effect on the earnings per share of foreign companies in Nigeria. Therefore, from this work it is believed that foreign companies in Nigeria have performed remarkably well within the period of the study 2011-2020.

Recommendation

Based on the findings the researcher recommends that:

- i. The management of foreign countries should optimize the use of debt equity ratio in order to increase its profitability and boost their earnings.
- ii. The management of foreign companies must caution against the use of time interest ratio and long-term debt ratio, since failing to meet its obligations can force a company into bankruptcy.

- iii. The management of foreign companies should involve the use of liquidity ratio as it helps to checkmate and determine its structure and debt capacity. And since it is significant, it means that the company can pay off all its current liabilities.
- iv. There is need to invest on human capitals by the foreign companies, as it offers the highest returns in terms of increasing performance and also enhances the level of competence of the employees.

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