

## **An Assessment of Impact of Financial Statement Fraud on Profit Performance of Manufacturing Firms in Nigeria: A Study of Food and Beverage Firms in Nigeria**

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**Abstract :** The aim of this research study is to assess the impact of financial statement fraud on profitability of some selected Nigerian manufacturing firms covering (2002-2016). The specific objectives focused on to ascertain the effect of incorrect asset valuation on return on assets (ROA) and to ascertain the relationship between improper expense recognition and return on assets (ROA). To achieve these objectives, descriptive research design was used for the study while secondary data were collected from the financial reports of the selected firms and website of security and exchange commission. The analysis of covariance (ANCOVA) was used and STATA II econometric method was used in the analysis of the data. Altman model and operating expenses ratio was adopted in the analysis of the financial reports to create a dummy variable for the selected firms from 2002-2016 and validation of the parameters were ascertained using various statistical techniques such as t-test, coefficient of determination (R<sup>2</sup>), F-statistics and Wald chi-square. Two hypotheses were formulated and tested using the t-statistics at 5% level of significance. The findings of the analysis revealed that there is a significant relationship between financial statement fraud and profitability in Nigerian manufacturing industry. It was revealed that incorrect assets valuation has a significant positive relationship and so also is the improper expense recognition on return on assets (ROA) which serves as a proxy for profitability. The implication of this is that distortion of asset valuation and expense recognition leads to decreasing profit in the long run in the manufacturing industry. The study therefore recommended that pragmatic policy options need to be taken in the manufacturing industry to effectively manage incorrect asset valuation and improper expense recognition in order to enhance manufacturing industry performance in the country and also stemming of financial statement fraud should be adequately inculcated into the internal control system of manufacturing firms for the effective running of the manufacturing industry in Nigeria.

**Keywords :** Althman's Model, improper expense recognition, incorrect asset valuation, return on assets

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