

REAL ACTIVITIES EARNINGS MANAGEMENT AND FIRM VALUE OF QUOTED CONSUMER GOODS FIRMS IN NIGERIA

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Abstract

This study investigated the impact of real activities earnings management (RAEM) on the firm value of consumer goods companies quoted on the Nigerian Exchange Group (NGX). A correlational research design was employed, with a criterion-based sampling adopted to choose fifteen (15) companies from a population of twenty as of 31 December 2025. RAEM was measured using the Absolute value of abnormal cash flow from operating activities, abnormal production costs and abnormal discretionary expenses based on Roychowdhury Model, while firm value was proxied by Tobin's Q ratio. Firm size, profitability and leverage were included as control variables. Data covering the period from 2013 - 2025 were extracted from the audited annual financial statements of the sampled firms. The result estimates are obtained with panel corrected standard errors and panel specific AR(1) correction. The findings-revealed that RAEM exerts a positive and statistically significant influence on the Tobin's Q (coefficient = 0.156; $p = 0.020$). Profitability and leverage are also positive and significant, whereas firm size is not statistically significant in the final specification. These results underscore the role of RAEM as a strategic tool that can shape investors' perceptions and market valuations. However, the empirical findings also highlight concerns for transparency and ethical financial reporting. Accordingly, the study recommends that policymakers and regulatory authorities should enhance monitoring and enforcement mechanisms to detect and curtail misleading earnings management practices that may distort market outcomes and mislead investors. Establishing and enforcing effective regulatory frameworks will help to ensure that earnings management, where practiced, aligns with ethical standards and promotes integrity in financial reporting.

Keywords: earnings management, firm value, tobin's q, consumer goods companies, Nigeria

1. Introduction

Reliable financial information is central to the way investors, creditors and other stakeholders assess listed companies. Reported earnings influence how users judge current performance and future prospects, and this makes the credibility of reported figures an important issue in capital markets. Earnings management becomes a concern when managers deliberately use accounting choices or operating decisions to influence the earnings reported to outsiders (Healy & Wahlen, 1999; Cohen et al., 2008).

Earnings management involves more than simply altering accounting estimates or accrual-based figures. Managers can also alter the timing and scale of genuine business activities. Roychowdhury (2006) describes this form of manipulation as real activities earnings management, whereby operating decisions are adjusted in ways that affect reported earnings. Common examples include offering unusually large price discounts to stimulate sales, producing more units than are required in the normal

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course of business, and cutting discretionary expenditure. Although these actions occur within the firm's operations, their timing or intensity may be driven by a desire to achieve a particular earnings outcome (Roychowdhury, 2006; Cohen & Zarowin, 2010; Gunny, 2010).

The distinction is important because real activities manipulation is more difficult to identify from published accounts than many conventional accrual adjustments. The reported figures may reflect genuine transactions even though the underlying decisions were influenced by an earnings target. Moreover, actions that improve current period earnings can impose costs on later periods. For example, heavy discounting can weaken margins, excessive production can create unnecessary inventory costs, and cuts in discretionary expenditure can affect a firm's ability to sustain future growth.

Previous studies therefore associate RAEM with both short-term improvements and possible longer-term economic costs (Cohen & Zarowin, 2010; Gunny, 2010; Darmawan et al., 2019). These issues are particularly relevant to the Nigerian consumer goods sector. Companies in this segment operate in markets where demand, input prices, competition and access to finance can change rapidly. Managers may consequently face pressure to maintain sales, meet earnings expectations and preserve investor confidence. Such pressures can create incentives to use operating decisions to influence reported performance (Olatunji & Juwon, 2020; Ogundajo et al., 2021; Isiaka et al., 2025). The economic consequences of those decisions matter because investors ultimately incorporate their expectations about future cash flows and risk into market prices.

Firm-value therefore provides a useful outcome variable for examining the possible market consequences of RAEM. In this study, firm value is measured with Tobin's Q. The measure relates the market value of the firm to the value of its assets and is widely used to capture how the market assesses a firm's investment opportunities and future prospects (Darmawan et al., 2019; Almari et al., 2021).

A value above one generally indicates that the market places a value on the firm that exceeds the recorded value of its asset base. The empirical evidence on the relationship between RAEM and firm-value is not uniform. Some-studies report that real-activities-manipulation is accompanied by improved short-term performance or favourable market responses (Gunny, 2010; Liu & Tsai, 2015; Kim & Park, 2020). Other studies find that the practice damages firm value because investors eventually bear the costs associated with distorted operating decisions and lower reporting credibility (Cohen & Zarowin, 2010; Darmawan et al., 2019; Al-Zahrani, 2019). Evidence from Nigeria is similarly mixed (Odia & Ogiedu, 2019; Olatunji & Juwon, 2020; Agugom & Salawu, 2022).

Despite this literature, relatively little evidence has focused specifically on listed Nigerian consumer goods firms using a long-balanced panel and a combined measure of real activities manipulation. The sector-specific setting is important because the operating characteristics of consumer goods companies can affect both the incentives to manipulate real activities and the way investors interpret the resulting performance. This study therefore investigates the relationship between RAEM and firm value among listed consumer goods firms in Nigeria over 2013 - 2025.

2. Literature Review and Hypotheses Development

Real Activities Earnings Management and Firm Value

The relationship between RAEM and firm value can be understood from three competing positions. The first is that operating actions used to meet an earnings objective may generate a favourable signal in the short run. If a firm reports stronger sales or earnings, investors who cannot immediately observe the managerial motives behind the operating decisions may interpret the outcome as evidence of improved performance.

Gunny (2010) found that some real activities decisions are associated with improved subsequent performance, while Liu and Tsai (2015) reported evidence from Taiwan that market responses to real activities manipulation can be favourable under particular conditions. Kim and Park (2020) similarly suggest that the valuation consequences of earnings management may depend on the institutional and market environment.

The alternative view is that RAEM destroys economic value because managers sacrifice future cash flows in order to improve current earnings. Cohen and Zarowin (2010), for example, document the use of real activities manipulation around seasoned equity offerings and show that the consequences extend beyond the reporting period. Darmawan et al. (2019) report a negative association between RAEM and Tobin's-Q among Indonesian firms, while Al-Zahrani (2019) finds evidence of a negative valuation effect among Saudi listed firms. Simamora et al. (2022) also report adverse consequences for firm performance in Indonesia. These findings are consistent with the argument that investors may eventually recognize the economic costs of manipulation.

A third strand of research finds that the relationship is not necessarily significant. Zang (2012) demonstrates that managers may substitute between accrual based and real activities earnings management depending on the constraints they face. Chen et al. (2021) further argue that institutional quality, investor sophistication and enforcement can influence the valuation consequences of earnings management. Nigerian evidence also points to contextual effects. Enofe et al. (2020) find that audit quality affects the relationship between earnings management and performance, while Olatunji and Juwon (2020) and Aguguom and Salawu (2022) provide evidence of adverse effects in Nigerian firms.

Taken together, the literature does not establish a single universal effect of RAEM on firm-value. Differences in institutional setting, monitoring, managerial incentives and investor interpretation may explain the mixed findings. The Nigerian consumer goods market provides a useful setting for another test because firms face strong competitive and operating pressures while their shares are continuously assessed by market participants. On this basis, the study proposes the following null hypothesis:

H1: Real activities earnings management has no significant impacts on the firm value of quoted consumer goods firms in Nigeria

Theoretical Review

This study adopts two theoretical perspectives; agency theory and signaling theory to provide a foundation for examining how real activities earnings management influences the market value of listed consumer goods firms in Nigeria. These frameworks explain both the incentives to manipulate earnings and the consequences such actions have on firm value and stakeholders' confidence.

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Agency-theory explains the problem that can arise when ownership and managerial control are separated. Jensen and Meckling (1976) argue that managers may have incentives that do not always coincide with those of shareholders. Because managers normally possess more detailed information about the firm's operations than outside investors, information asymmetry can make it difficult for shareholders to observe managerial decisions fully. This creates an environment in which managers may take actions that improve their private outcomes or protect their positions even where those actions are not optimal for owners.

RAEM fits naturally within this framework because managers can influence reported earnings through operating decisions that are difficult for outsiders to distinguish from normal business choices. Pressure to meet performance targets, obtain bonuses, maintain employment or avoid negative market reactions can encourage managers to alter sales practices, production or discretionary expenditure. From an agency perspective, such behaviour may represent an agency cost where the private benefit to management is achieved at the expense of the firm's longer-term economic interests. Nigerian studies also associate weak monitoring and governance conditions with greater scope for earnings management (Uwuigbe et al., 2015; Olatunji & Juwon, 2020; Iredele et al., 2022; Isiaka et al., 2025).

Signaling theory provides a complementary explanation of how reported performance can influence investors. Corporate financial information communicates management's assessment of the firm's condition and prospects to parties outside the organization. Because investors cannot directly observe every aspect of the business, reported earnings and other financial indicators can affect their expectations.

Managers may therefore have an incentive to present information in a way that creates a favourable impression (Dainelli et al., 2011; Sampurna & Romawati, 2019). Real activities decisions can become part of that signaling process. An increase in sales generated through aggressive discounts, for example, can improve current revenue and earnings even though the economic quality of the sales may be weaker.

Similarly, cost reductions can raise current profitability while reducing resources available for future activities. If investors initially interpret the reported outcome positively, the firm's market value can increase. The possibility of a later reversal, however, means that the signal may not be sustainable. The signaling perspective therefore helps explain why the market response to RAEM can be positive in some settings and negative in others.

3. Methodology

The research utilized correlational research design. The correlational research design is considered appropriate because the study examines the impact of RAEM on the value of quoted consumer goods firms in Nigeria using historical financial and market data obtained from previously published annual reports and other relevant secondary sources.

The design enables the researcher to analyze observations relating to the study variables over a specified period and to establish empirical relationships between real activities earnings management (RAEM) and firm-value. The choice of research design is informed by the nature of the research problem, the objective of the study, the availability of relevant secondary data and the need to empirically examine the relationship between RAEM and firm value. Since the study does not manipulate the variables but rather observes their values as reported for the selected firms over time, the research adopts a non-experimental approach based on historical panel data.



The population of the study comprised all twenty consumer goods companies quoted on the Nigerian Exchange Group (NGX) as of December 31, 2025, as presented in Appendix 1a. A purposive sampling approach was applied, based on specific selection requirements: firms were included only if they had consistently published annual reports from 2013 to 2025 and maintained uninterrupted listing on the NGX within this period. Applying these conditions led to the exclusion of five firms, as presented in Appendix (Table C). These firms were excluded because they did not satisfy the inclusion criteria. The final sample therefore consisted of fifteen consumer goods companies, as presented in Appendix (Table B).

The research relied exclusively on secondary data obtained from the audited annual reports of the sampled companies, accessible through the NGX and the companies' official websites. The data covered a thirteen-year period (2013 - 2025), generating a balanced panel of 195 firm year observations. The data were analyzed using descriptive statistics and panel data regression methods. The regression analysis considered pooled ordinary least-squares (OLS), fixed-effects, and random effects models. In addition, relevant post-estimation diagnostic tests were conducted to evaluate model robustness and efficiency.

Measurement of Variables

Table 1

Measurement of Variables

Variable	Symbol	Measurement	Source used
Tobin's ratio	Q (TBQ)	Equity Market Value + Debt Book Value / Total Assets.	Almari et al., (2021); Darmawan et al., (2019).
Real Activities Earnings Management	(RAEM)	Absolute value of abnormal cash flow from operating activities, abnormal production cost activities and abnormal discretionary expenses activities based on Rowchowdhury Model.	Darmawan et al., (2019); Olatunji & Juwon, (2020).
Firm-Size	(FMZ)	Natural logarithm of Total Assets.	Abogun, et al., (2021).
Leverage	(LEV)	Total debts / (Debt + Equity).	Musa et al., (2022); Abogun et al., (2021).
Profitability	ROA	Net Income / Total Assets.	Al-Zahrani (2019); Darmawan et al., (2019); Abubakar & Suleiman-Ahmed, (2024).

Source: Compiled by the Researcher (2026)

Model Specification

The study measures RAEM through abnormal CFO from-operation, abnormal cost of production and abnormal discretionary expenses from operation using Rowchowdhury Model. Abnormal CFO from operation is estimated from the following model:

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$$CFO_{it} / A_{it-1} = a_0 + \beta_1 (1/A_{it-1}) + \beta_2 (S_{it})/A_{it-1} + \beta_3 (\Delta S_{it}) / A_{it-1} + \varepsilon_{it} \dots (1);$$

where: CFO_{it} = Cash flow from operation of firm i in year t; A_{it-1} = Total assets of firm i in year t-1; a_0 = Constant lag; $\beta_1 \beta_2 \beta_3$ = Coefficient of the variables; S_{it} = Total sales of firm i in year t; ΔS_{it} = Changes in sales of firm i in year t; ε_{it} = error-term or stochastic-term of firm i at time period t.

Production costs are estimated using the following model:

$$PROD_{it} / A_{it-1} = a_0 + \beta_1 (1/A_{it-1}) + \beta_2 (S_{it})/A_{it-1} + \beta_3 (\Delta S_{it}) / A_{it-1} + \beta_4 (\Delta S_{it-1}) / A_{it-1} + \varepsilon_{it} \dots (2);$$

where: $PROD$ = Production cost (the summation of total cost of goods sold and changes in inventory) of firm i in year t; A_{it-1} = Total assets of firm i in year t-1; a_0 = Constant lag; $\beta_1, \beta_2, \beta_3, \beta_4$ = Coefficient of the variables; S_{it} = Total sales of firm i in year t; ΔS_{it} = Changes in sales of firm i in year t; ΔS_{it-1} = Changes in sales of firm i in year t-1; ε_{it} = error-term or stochastic-term of firm i at time period t.

Discretionary expenses are estimated using the following model:

$$DISEXP_{it} / A_{it-1} = a_0 + \beta_1 (1/A_{it-1}) + \beta_2 (S_{it})/A_{it-1} + \varepsilon_{it} \dots (3);$$

where: $DISEXP_{it}$ = Discretionary-expenses (the summation of total advertising expenses, research and development expenses, sales, general and administrative expenses) of firm i in year t; A_{it-1} = Total assets of firm i in year t-1; a_0 = Constant lag; β_1, β_2 = Coefficient of the variables; S_{it} = Total sales of firm i in year t; ε_{it} = error-term or stochastic-term of firm i at time period t.

The estimated coefficients from the respective models are used to calculate the expected or normal levels of operating cash flows, production costs, and discretionary expenses. The difference between the observed values and their corresponding normal values is then computed to obtain the abnormal components of each measure.

These abnormal values provide the basis for measuring RAEM. Following the approach of Cohen et al. (2008), the individual abnormal measures are combined to derive the overall measure of RAEM. To ensure that the direction of the measures is consistent, abnormal operating cash flows and abnormal discretionary expenses are multiplied by -1.

The RAEM measure is estimated using the following model:

$$RAEM = (ACFO \times -1) + APROD + (ADISEXP \times -1) \dots (Model 4)$$

where: $RAEM$ = A combined measure of real activities earnings management; $ACFO$ = Abnormal cash flow from operation; $APROD$ = Abnormal production cost; $ADISEXP$ = Abnormal discretionary expenses.

Regression Model

The empirical relationship between the dependent and explanatory variables is expressed through the regression model specified below:

$$TBQ = a_0 + \beta_1 RAEM + \beta_2 FMZ + \beta_3 PRF + \beta_4 LEV + e \dots Model (5);$$

where: TBQ = Tobin's Q; a_0 = intercepts; $\beta_1 - \beta_4$ = Coefficient of the variables; $RAEM$ = Absolute values of Real activities earnings management; FMZ = Firm size; PRF = Profitability; Lev = Leverage; e = Error term.

4. Results and Discussion

This section presents and discusses the empirical-findings derived from the financial statements of the sampled consumer goods companies in Nigeria. The analysis covers the descriptive characteristics of the variables, their correlation patterns, the results of the diagnostic tests, and the estimated regression model.



Descriptive Statistics

Table 2

Descriptive Statistics

Variable	Obs.	Mean	Std. Dev.	Min	Max
TBQ	195	1.958	1.601	0.110	9.415
RAEM	195	0.633	0.881	-0.237	6.662
FMZ	195	17.602	1.886	12.679	21.227
ROA	195	0.031	0.152	-0.922	0.549
LEV	195	0.638	0.303	-0.142	1.941

Source: STATA 13 Data Output

The descriptive-results show substantial variation in the valuation and operating characteristics of the sampled firms. Tobin's Q (TBQ), records a mean of 1.96 and a standard deviation of 1.60. Tobin's Q reflects the ratio of a firm's market value to the replacement cost of its assets, with values above one indicating that the market values the firm more highly than its book value.

The mean of 1.96 implies that, on average, the market valuation of the sampled firms is nearly twice their replacement cost. The relatively high standard deviation (1.60) highlights substantial variation in investment prospects across the firms, with some performing well above or below the average. The observed range of values (0.11 - 9.42) further illustrates the heterogeneity in investors' expectations, underscoring the wide disparities in market valuation among Nigeria's listed consumer goods companies.

Firm size (FMZ) has a mean value of 17.60, suggesting overall homogeneity within the sample; however, the observed range of 12.68 to 21.23 highlights substantial variation, with certain firms being markedly larger or smaller than the average. The average of return of asset is 3%, with a standard deviation of 15%. This shows that, on the whole, firms-achieved a modest level of profitability relative to total assets. The range of -92% to 55% indicates significant variability, with some firms experiencing substantial losses while others reported strong profitability.

The leverage ratio average is 64%, with a standard deviation of 30%, highlighting notable differences in debt usage among the sampled firms. The values range from -14% to 194%, reflecting a range from minimally leveraged firms to those heavily reliant on debt financing.

Table 3

Pairwise Correlation Result

	TBQ	RAEM	FMZ	ROA	LEV
TBQ	1.0000				
RAEM	0.1584*	1.0000			
	0.0270				
FMZ	0.1860*	-0.2516*	1.0000		
	0.0092	0.0004			
ROA	0.2168*	0.2010*	-0.2088	1.0000	
	0.0023	0.0048	0.0034		
LEV	0.1204	0.0018	0.2268*	-0.4755*	1.0000
	0.0937	0.9798	0.0014	0.0000	

Source: STATA 13 Data Output

From the table 3, TBQ, which is firm value, has a positive correlation coefficient of (0.16) with RAEM. This means that companies with higher Tobin's Q are more likely

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to engage in RAEM. The positive relationship of TBQ with RAEM implies that as RAEM increases, the firm value increases and vice versa. The pairwise correlation provide preliminary insights into the potential relationships between the dependent variable and other variables. However, the regression analysis in the next section clarifies both the extent and direction of this relationship and draw more definitive conclusions consistent with the study's specified objectives.

Regression Diagnostics Test

The regression estimates were subjected to a series of regression diagnostic tests to evaluate the suitability of the models and establish the consistency and reliability of the results.

Table 4

Variance Inflation Test

Variable	VIF	1/VIF
ROA	1.37	0.730
LEV	1.35	0.739
FMZ	1.13	0.882
RAEM	1.12	0.892
MEAN VIF	1.24	

Source: STATA 13 Data Output

The mean variance inflation factor is 1.24, with individual VIF values ranging from 1.12 to 1.37. These values are comfortably below conventional thresholds used to indicate serious multicollinearity. The tolerance values, represented by the inverse VIF, are also normal. The diagnostic evidence therefore does not indicate a material collinearity problem among ROA, LEV, FMZ and RAEM.

Table 5

Shapiro-Wilk-W Test

Variable	Obs.	W	V	z	Prob>z
r	195	0.99152	1.237	1.489	0.31238

Source: STATA 13 Data Output

The Shapiro Wilk test produced $W = 0.99152$ and $p = 0.31238$. Because the probability value is above 0.05, the null hypothesis of normality is not rejected. The result therefore does not provide evidence of a departure from normality for the residual variable tested. This outcome suggests that applying ordinary least squares (OLS) estimation to the panel data may not be appropriate, thereby necessitating the consideration of alternative analytical techniques.

Table 6

Hausman Specification Test

Variable	Comparison Chi ²			Prob > Chi ²	Decision
Model 5	FE	vs	RE	0.0002	FE
	21.63				

Source: Stata 13 Data Output

The Hausman specification test produced $\chi^2 = 21.63$ with $p = 0.0002$. The null hypothesis that the fixed and random effects coefficient differences are not systematic is rejected. The evidence favour the fixed effects specification over random effects as



the consistent conventional panel estimator. However, further testing is necessary to ensure the reliability and robustness of the models.

Table 7

Modified Wald Test, Cross-sectional Independence and Serial Correlation Test

Modified Wald Test for Heteroscedasticity		Breusch-Pagan LM Test of Independence		Auto Correlation / Serial Correlation	
Chi ²	P-value	Chi ²	P-value	F-test	P-value
13600.14	0.0000	405.55	0.0000	19.65	0.0006

Source: Stata 13 Output

The Modified-Wald-test reports $\chi^2 = 13,600.14$ with $p < 0.001$, providing evidence of groupwise heteroscedasticity. The Breusch Pagan LM test for cross sectional independence reports $\chi^2 = 405.55$ with $p < 0.001$, indicating dependence across panels. The Wooldridge test gives $F = 19.653$ with $p = 0.0006$, confirming first-order serial correlation. Since the three issues occur together, relying on conventional fixed-effects standard errors would risk misleading inference. The final model consequently uses panel corrected standard errors with panel specific AR(1) correction to ensure consistent and efficient parameter estimates.

Panel Corrected Regression-Result

This-section reports the findings from the regression analysis, focusing on how RAEM influences the value of quoted consumer goods companies in Nigeria.

Table 8

Panel Corrected Standard Error Regression Results

TBQ	Model 5
RAEM	0.156** (0.067) {2.33}
FMZ	0.090 (0.103) {0.87}
ROA	2.121*** (0.835) {2.54}
LEV	0.636** (0.314) {2.02}
R-Square	0.3806
Waldchi2	14.65
P-value	0.0055

Source: STATA 13 Data Output

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Notes: Findings without bracket is coef. with p-value. Findings in () are standard error. Findings in {} are z-value. *** indicates p-value significant @ 1%, ** @ 5%, * @ 10%, without * means not significant

The PCSE results demonstrate that the model has a statistically significant overall (Wald $\chi^2 = 14.65$, $p = 0.0055$). The explanatory variables jointly account for about 38.1% of the variation captured by the model's R-squared measure. More importantly, RAEM has a positive coefficient of 0.1560 and is significant at the 5% level ($z = 2.33$; $p = 0.020$). Holding firm size, profitability and leverage constant, higher RAEM is therefore associated with higher Tobin's Q in the sample.

Furthermore, the positive coefficient indicated an association rather than proof that manipulating real activities creates economic value. One possible explanation is that investors initially respond to the earnings and operating signals generated by these decisions. For example, stronger reported sales or lower current discretionary costs can improve visible performance and can affect market expectations. The result is therefore compatible with a short-term signaling explanation, even though the underlying decisions could create future costs.

Firm size has a positive but statistically insignificant-coefficient (0.0901, $p = 0.383$). Profitability has a positive and significant coefficient of 2.1209 ($p = 0.011$), indicating that more profitable firms have higher Tobin's Q after accounting for the other variables. Leverage is also positive and significant (0.6362, $p = 0.043$), suggesting a positive association between the financing measure used in the study and firm value during the observation period.

Discussion of Findings

The central finding is that RAEM is positively associated with value among the sampled Nigerian consumer goods firms. The result leads to rejection of the null hypothesis of no significant effect at the 5% level. This finding is consistent with studies that report favourable short-term performance or valuation consequences from real activities decisions, including Gunny (2010), Liu and Tsai (2015) and Kim and Park (2020).

At the same time, the result differs from studies that document negative valuation effects, such as Cohen and Zarowin (2010), Darmawan et al. (2019), Al-Zahrani (2019), Olatunji and Juwon (2020) and Aguguom and Salawu (2022). The difference can reflect the institutional and market environment in which the firms operate, the composition of the sample, the measurement of RAEM, or the period examined. The result should therefore be read as evidence specific to the sampled Nigerian consumer goods firms rather than as a general conclusion that RAEM is beneficial to companies.

The finding can also be interpreted through the theoretical perspectives adopted. Agency theory suggests that managers have incentives to influence reported outcomes when their interests are tied to accounting performance or market perceptions. Signaling theory suggests that reported improvements can affect investors' expectations, particularly where outside investors cannot immediately observe the operating decisions that produced the earnings. The positive association observed in this study is consistent with the possibility that the market reacts to the visible performance signal before the longer-term economic consequences of the operating choices become apparent.



5. Conclusion and Recommendations

This study investigated the effect of RAEM on the value of quoted consumer goods companies in Nigeria over the period of 2013 - 2025. The empirical evidence revealed that RAEM exerts a statistically significant positive impact on firm value, demonstrating that such practices contribute significantly to the market valuation of the sampled firms. The positive association does not imply that firms should deliberately manipulate operations to raise reported earnings.

Real activities manipulation can change genuine business decisions and can create costs that are not immediately reflected in market prices. The result is better understood as evidence that, within the study period, the market valuation of the sampled firms was positively associated with the RAEM measure. Investors can respond to short-term earnings signals without fully observing the future costs of the related operating choices.

Drawing on these insights, several policy recommendations are advanced. First, given the substantial association of RAEM on company valuation, it is essential to strengthen regulatory monitoring and supervisions. Regulatory institutions should develop more robust frameworks to detect and curb fraudulent practices that have the potential to distort market efficiency and misinform investors.

Second, consumer goods firms should commit to transparent financial reporting by adhering to international best practices. This includes providing detailed disclosures on accounting estimates and judgments, as well as regularly reviewing and updating reporting practices to ensure compliance with current regulations and standards.

Third, while RAEM may contribute positively to firm value in the short term, its ethical implications and regulatory challenges demand careful scrutiny. Adequate measures by regulators, corporate boards, and managers are crucial to safeguarding transparency, accountability, and stakeholder trust in Nigeria's financial markets.

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REAL ACTIVITIES EARNINGS MANAGEMENT AND FIRM VALUE OF QUOTED CONSUMER GOODS FIRMS IN NIGERIA

Appendix:

Table A: Population of the Study

S/N	Firms	Years of Listing
1.	Cadbury Nigeria Plc	1976
2.	Champion Breweries Plc	1983
3.	Dangote Sugar Refinery Plc	2007
4.	Guinness Nigeria Plc.	1965
5.	Honeywell Flour Mill Plc.	2009
6.	International Breweries Plc.	1995
7.	McNichols Plc.	2009
8.	Nascon Allied Industries Plc.	1992
9.	Nestle Nigeria Plc.	1979
10.	Nigeria Breweries Plc.	1973
11.	Nigerian Enamelware Plc.	1979
12.	Northern Nigeria Flour Mills Plc.	1978
13.	PZ Cussons Plc.	1974
14.	Unilever Nigeria Plc.	1973
15.	Vitafoam Nigeria Plc.	1978
16.	DN Tyre & Rubber Plc.	1961
17.	Golden Guinea Breweries	1979
18.	Multi-Trex Integrated Foods Plc.	2010
19.	BUA Foods Plc.	2022
20.	Union Dicon Salt Plc.	1993

Source: Nigerian Exchange Group Website (2025)

Table B: Sample of the Study

S/N	Firms	Years of Listing
1.	Cadbury Nigeria Plc	1965
2.	Champion Breweries Plc	1983
3.	Dangote Sugar Refinery Plc	2007
4.	Guinness Nigeria Plc.	1965
5.	Honeywell Flour Mill Plc.	2009
6.	International Breweries Plc.	1995
7.	McNichols Plc.	2009
8.	Nascon Allied Industries Plc.	1992
9.	Nestle Nigeria Plc.	1979
10.	Nigeria Breweries Plc.	1973
11.	Nigerian Enamelware Plc.	1979
12.	Northern Nigeria Flour Mills Plc.	1978
13.	PZ Cussons Plc.	1974
14.	Unilever Nigeria Plc.	1973
15.	Vitafoam Nigeria Plc.	1978

Source: Nigerian Exchange Group Website (2025)

Table C: Companies Filtered



**TAIWO MUIDEEN ISIAKA¹, APEDZAN EMMANUEL KIGHIR²,
ISMAILA YUSUF³**

S/N	Firms	Years of Listing
1.	DN Tyre & Rubber Plc.	1961
2.	Golden Guinea Breweries	1979
3.	Multi-Trex Integrated Foods Plc.	2010
4.	BUA Food Plc.	2022
5.	Union Dicon Salt Plc.	1993

Source: Nigerian Exchange Group Website (2025)