

The Effect of Material Pricing Method on Profitability of a Manufacturing Firm

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ABSTRACT

This research work is aimed at assessing the effect of material pricing methods on profitability of manufacturing firm, a case study of Uniuyo Table Water Enterprise. In order to bring a valid and reliability of this study, the researcher adopted a survey design method as it field work. Four research questions were generated for the study. The study involves about 50 respondents from the industry. Data from the study was drawn from both primary and secondary source. The questionnaire instrument was also used in collecting data. The data generated was analyzed using chi-square technique. The study confirmed that FIFO, weighed and moving average method increases the profit of the firm while FIFO reduces the profit of the firm as its findings. The laid down recommendations are based on the employment of effective method of material pricing system that would assist the firm to achieve her common goal of maximizing profits. It is believe that this research work that if the recommendations are implemented it will go a long way to improve the smooth running of achieving profit maximization in a manufacturing firm; and the embracement of all activities that would enable different stock in the company to be more effective and productivity.

Keywords: Material, pricing, probability, manufacturing, firm

INTRODUCTION

The central concern of our today's world is solely depends on the manufacturing goods to enable us complete one tasks or the other, and the whole of this concern can only be achieved through the application of covering raw materials into finished goods for human consumption and that of the organizational benefit. It is through this engagement that prompts the manufacturing firms to place an optimal focus on the task of their production so as to ensure effectiveness and efficiency operation in the factory. Therefore, this task could only work out if the management installs a system that would help them to process their production with little or no waste of material. As observed, it is from the above expression that the application of material pricing system came to play in order to outline the fundamental procedures that should be taken by manufacturing firms in the stag of their production so as to accomplish its expected profit as well.

In addition, [1] disclose that material pricing could be seen as a bin crd which

is attached to bin, drawer, or shelf in or on which each individual material is stored, and provided a running record of receipts and issues in a simplest possible form. This is to say; if a cost accounting unit is to be fully effective in an organization, there must be a proper system for the control of material from the time a requisition to purchase is made until the same material is being issued for production in other to assess the actual price that is issue and whether the price correspond with the purchase price of the material. [2].

In a logical view, one may see to it that the way and manner by which this material pricing is being place has an imperative influence in the profit level of the firm. In order word, care must be taken in operating the system because the same system can bring negative or positive reaction in the profit. This is happen so because monetary value is being employ on the quality of different items of inventory held or used at a particular point in time [3]. Through this [4] streamline that these system concern with planning and controlling of

material in order to meet the set target. In his justification, planning process of material pricing system focuses on such issues as to, what to buy, where to buy, when to buy and how much to buy the items. Charles justification can be observe that the effectiveness and efficiency with which the firm does in purchasing their material (Inventory) may as well be determine the firm's profit.

The above illustration has shown that pricing is one of the techniques that must be put into consideration when discharging material pricing system in the firm. In other hand the controlling process of material pricing according to [5] is concerned with the internal procedure of administer stock or inventory in the organization from the point of receiving material into store and the point of issuing out for production. He further confirm the control process of material pricing system can also display the blue print of available of raw material in the stock, closing inventory and work-in-progress in manufacturing concern. [6] brought out an appraisal on the above fact that an error in the valuation of inventory may cause a material misstatement in the financial position when prepare. So therefore for the management to meet the target of satisfying their customer and optimize their profit level yearly, the have to adopt a systematic and easy method of material valuation that is adequate and complex in nature, and also install an information system that is required at every stage of taking stock to ensure the continuity and development of a valid system of material valuation.

Furthermore, [7] disclosed that the application in the valuation method of material pricing present the account of store ledger control for the firm to value and determine their closing inventory that would enhance a corporate effect in the profitability of the firm. But it is at this point that made difficult for the cost accountant officer to determine the correct and effective method of store ledge control account. Studies have shown in various cases that; any method of valuation that gives a highest proportion of closing inventory in a store and in book value would lesser the

value of cost of goods sold in order to maximize the profit of the firm when compared with the value of sales.

Finally, [8] outline the three alternative methods that might be considered when facing with the difficult of determining a correct method of valuation. Accounting to him, cost material issue for production would bring impact to both the cost of sales and the closing inventory in the profit statement and statement of financial position of the firm. The first method is the assumption that the first item (inventory) received should be the first item to be issue out for production which is known as first-in-first-out (FIFO). The second assumption entails that the last items (i.e. raw material) to be receive should be the recent item to be issue out for production and the method is called last-in-first-out (LIFO), and the third approach may be a strong case of issuing the raw material at the average cost of the material in store which at the end split into two cases of valuation such as weighted average method (WA) and Moving Average method (MA).

The above alternatives explain that stock then refers to goods which a business holds to resale to its customers or for use in the normal cause of business [9]. Second, inventory represents a significant part of the current asset of most organization. The finished goods of an enterprise may constitute the basic input of another firm's raw material even apart of its permanent or fixed assets [10]. Stock therefore, is an important asset which firms must hold and deal on in order to attain the primary objective of making management that [11] observes that largest size of current asset is and error in the valuation of inventory and may cause a material misstatement of financial position. So therefore, inventory is importance because it is essential in the trading activities of any concern and as such influences profits and losses directly.

In large industries for example in India, the investment in material constitutes up to 90% of total capital. Therefore serious losses may be suffered in companies with inefficient store handling. Therefore [12] [13] [14] [15] observed that the maximum advantage

of a cost accounting system should be an efficient and well equipped stores system which will; hold in proper custody of all stores to be issued. Protect all kinds of stores from theft, deterioration, evaporation, pitter age etc. and maintaining a smooth and regular flow of stores to the production shops or processes.

In comparison, this study is carried-out to analyze the application of different material pricing system on a profit of a firm especially in a manufacturing concern. In its critical analysis, stock as in; raw-materials, closing inventory and work-in-progress are factors that enhance the growth of company's profit says by [16]. Because of this, any firm that want to achieve their goals and objective must first of all implement an acceptable technique that will guild their inventory, raw material against waste or fraud among staff and guild against economic inflation [17] [18] [19]. So therefore, it is significant for management in manufacturing firm to have or display the concept of material pricing system that is inventory management and control as well as stock valuation in order to maximize their profit and minimize their total cost of production [20].

Statement of the Problem

The value of materials as is it being executed into the stock is very important in setting the selling price of a products and determination of closing stock in any organization. This has made material pricing imperatives in profit maximization.

Unfortunately, manufacturing firms are be deviled by a host of factors inhibiting proper material valuation which include among others; lack of effective material pricing system, inability to establish a method of valuing inventory of raw materials, work-in progressed and finished goods, materials misstatements due to weak internal control system, wrong material pricing during purchase and finally, the problem of selecting a pricing method that will knowledge the cost associated with each issue.

In addition, material pricing system can be face 'with the challenge of inability of a purchase manager to price the quantity and quality of raw materials at the point of purchase [20] [21] [22].

Objective of the Study

The purpose of this study is to examine the effect of material pricing methods on the profit of the manufacturing firm. The following objectives are deemed necessary.

- 1) To determine the effect of First-in-First-out (FIFO) on the profitability of manufacturing firms.
- 2) To find out the effect of Last-in-First-out (LIFO) on the profitability of manufacturing firms.
- 3) To examine the effect of weighed average (WA) on the profitability of manufacturing firm.
- 4) To ascertain the effect of moving average (MA) on the profitability of manufacturing firms.

Research Questions

Consequently, upon the problem highlighted above, the following research questions are posed by which the answers of these questions provide the impact after which the whole exercise follows and also enables the researcher formulate a questionnaire for the study. The following research questions are considered in work.

- 1) What is the effect of FIFO on the profitability of a manufacturing firm?
- 2) Does the application of Last-first-out (LIFO) have any effect on the profitability of a manufacturing firm?
- 3) How does the application of weighed average (WA) affect the profitability of a manufacturing firm?
- 4) Does moving average method (MA) have any effect on the profit of a manufacturing firm?

Statement of Hypothesis

Mention should be that the hypothesis is declarative statement that relate generally or specifically on one variable to another. In order not to choose sight of the objective of this research study, the following hypotheses have been formulated:

- 1) There is no significant effect of First-in-First-Out (FIFO) on the profitability of a manufacturing firm.
- 2) The application of Last-in-First-out (LIFO) does not have any

- significant effect on the profitability of a manufacturing firm.
- 3) There is no significant effect of weighed average (WW) on the profitability of a manufacturing firm.
 - 4) Moving average does not have a significant effect on the profit of a manufacturing firm.

Significance of the Study

Since this study is empirical in nature and its content cannot be easily ascertain in all cost accounting textbooks, the study will be a great measures to the following personalities.

- 1) The study and its finding would provides management of manufacturing firm with an insight to determine, select and adopts a realistic material pricing method that will help them in achieving their objectives of maximizing profit at a true and fair value in the financial statement.
- 2) It contributes knowledge in the area of material pricing or inventory program or management, control and valuation.
- 3) The study will as well help the staff working in the cost accounting department to know that they are the life wire of the firm.
- 4) It will also act as a guide to student's studying accounting to know the various division of accounting such as cost accounting with material pricing concept.

Research Design

In this research work, the descriptive analysis was mainly used in its design in order to enable the researcher's carryout accurate information that will aim at achieving the whole objective of the study.

Population of the Study

In detail analysis the total population of this study comprises the total number of manufacturing firms operating in Nigeria, but the study strictly concentrate on UNIUYO table water factory at University of Uyo permanent site, for the review of and the total

- 5) The study exposed the danger inherent in the adoption of valid method of materials pricing that assist the management to accomplishing their maximum profit.

Scope of the Study

The study is an industrial study which data was duly collected from Uniuyo table water establishment. The study is not intended to be a comparative one of the effect of different of manufacturing enterprise, either within the same industry or outside it.

The total population of this study comprises of the total number of manufacturing firms operating in Nigeria, but the study strictly concentrates in Uniuyo table water firm, 283 Nwaniba Road Uyo, Akwa Ibom State for the period of review and the total population of this study is comprises staff of the firm while almost all the staff are Christians in religion view.

Limitation of the Study

This study is highly concentrated on the area of interest respecting material valuation especially for reporting on the profit. The issue addressed in this research work is various accounting methods of valuing materials and their impact upon the profit of a manufacturing firm. In this research work, various stock valuation method are issued theoretically. The examination of these numerous does not presume discussion of all known approaches. The much that was considered don with time and space at limiting factors.

METHODOLOGY

population of this study are comprises of 80 staff of the firm.

Sample Size and Sampling Technique

Staff of 50 was taken from UNIUYO table water factory and were randomly selected based on their knowledge about material pricing system, and their ability to express opinions that could be relied upon for the purpose of this research work.

Description of the Instrument for Data Collection

The instrument used for data collection was eighty (80) items questionnaire on a title; the effect of material pricing

system on profitability of a manufacturing firm. The instrument constitutes two major sections which are section A and section B. Section A was designed for the respondent to supply their personal data which include age, marital status, sex, position hold and years of service. Section B was designed for the main items (questionnaire) that the researchers administered in UNIUYO table water factory by the staff in order to enable him carryout the results of the formulated questions. And the researcher developed an instrument called “Material Pricing System on Profitability of a Manufacturing Firm (MPSPMF)

Validation of the Instrument

Two kinds of validity were established for the instrument of the study face and content validity. Face validity was the questionnaire items appear to take care of the relevant content in the subject area of interest, while content validity was the extent to which the instrument represents the content of interest. For the work to have accurate validation, the face and content validity were established by using expert’s evaluation of the supervisor. That is to say the supervisor certified that the instrument was face and content validity and could be used for the study.

Reliability of the Instrument

To determine the correct reliability of the instrument, a pilot testing (that is

Test- retest method of reliability) was done by using fifty (50) staff drawn from the population to ascertain the correct validity estimate of the instrument.

Administration of the Instrument

The questionnaire was the only instrument used in data collection. The questionnaire was administered in each of the sampled department (both cost and financial department by which it constitutes with senior and junior staff). The questionnaire was administered personally by the researcher with the help of some departmental heads. At the end of the exercise, fifty questionnaires were successfully completed and retrieved from the sampled unit.

Data Analysis Technique

Data gathered needed to be collected, analyzed and interpreted towards the end of using the obtained data in answering the crucial issues that affect the material pricing system on the profitability of a manufacturing firm, tables are employed in organizing the data, analytical tools like the accounting ratios used and tools used in testing hypothesis is CHI square; which formula is

$$X^2 = \frac{\sum(O - E)^2}{E}$$

Where: Fo = observed frequency Fe = expected frequency

DATA PRESENTATION

Questionnaire

This questionnaire is design to asset in the collection of relevant information on

the effect material pricing method (that is different stock valuation method) on profitability of a firm.

Table 1; Sex of the Respondents

	Frequency	Percent	Valid Percent
Male	35	70	70
Female	15	30	30
Total	50	100	100

Table 1 above shows the sex distribution of the respondents used for this study.

Out of the total number of 50 respondents 35 respondent which represent 70% of the populations are male while 15 respondents which represent 30% are female?

Table 2: Age group of the Respondents

	Frequency	Percent	Valid percent
20-30	15	30	30
30-40	20	40	40
41-45	15	30	30
Total	50	100	100

Table 2 above shows the age group of the respondents used for this study. Out of 50 respondents used 15 respondents which represent 30% are between 20-3years old 20 respondents which

represent 40% are between 31-40years, while the remaining 15 respondents which represent 30% are between 41 and above.

Table 3: Marital Status

	Frequency	Percent	Valid percent
Married	40	80	80
Single	10	20	20
Total	50	100	100

Table 3 above shows the marital status of the respondents used for the survey, 40 respondents represent 80% are

married, while 10 respondent representing 20% are single.

Table 4: Years of Services

	Frequency	Percent	Valid percent
1-5years	25	50	50
5-10years	25	50	50
Total	50	100	100

Table 4 above shows the years of service of the respondents out of the total number of 50 respondent selected, 25 respondents representing 50% have

between 1- 5years of experience, which 25 of the respondent which represent 50% have between 5- 1 Oyears of experience in service.

Table 5: Level/Position Held

	Frequency	Percent	Valid percent
Senior	30	60	60
Middle	10	20	20
Junior	10	20	20
Total	50	100	100

Table 5 above shows the position of the respondents in the firm used for the study. Out of the total number of 50 respondents, 30 respondents which

represent 60% are senior staff, 10 respondent representing 20% are middle staff, which 10 respondent representing 20% are junior staff of the firm.

Table 6: What is the effect of FIFO method on the Profitability of a Manufacturing Firm?

Items	Total	Percentage
Does FIFO method increases the profit of the firm?		
Does FIFO method reduces the profit of the firm?		
Does FIFO method leave the profit unaffected?		
Total		

Table 7: What Impact does the Application of LIFO method has on the Profit of a Firm?

ITEMS	Total	Percentage
Does LIFO method increases the profit of the firm?		
Does LIFO method decrease the profit of the firm?		
Does LIFO method influence the profit of the firm directly?		
Total		

Table 8: How does the Application of Weighed Average (WA) Method affects the Profit of the Firm?

Items	Total	Percentage
Does WA method minimize the profit of the firm?		
Does WA method maximize the profit of the firm?		
Does WA method leave the profit of the firm unaffected?		
Total		

Table 9: Does the application of Moving average method have an effect on the profit of a Manufacturing Firm?

Items	Total	Percentage
Does MA method upgrade the profit of the firm?		
Does MA method downgrade the profit of the firm?		
Does MA method gives the management of the firm a change of making an effective decision		
Total		

DATA ANALYSIS

In analyzing the data, the researcher used tables and percentage to make it easy for the users of this research project to under and the information given therein. To achieve this purpose, a total number of 50 questionnaires were

personally administered and some were equally collected. Then, below are the responses to the questions that will help in testing the hypotheses and the data are analyzed in tables.

Table 10: What is the effect of FIFO method on the Profitability of a Manufacturing Firm?

Items	Respondents	Percentage
Does FIFO method increases the profit of the firm?	25	50
Does FIFO method reduces the profit of the firm?	10	20
Does FIFO method leave the profit unaffected?	5	10
All of the above	10	20
Total	50	100

Table 11: What impact does the application of LIFO method has on the profit of a firm?

ITEMS	Respondents	Percentage
Does LIFO method increases the profit of the firm?	5	10
Does LIFO method decrease the profit of the firm?	10	20
Does LIFO method influence the profit of the firm directly?	20	40
does LIFO method contribute to profit margin	15	30
Total	50	100

Table 12: How does the application of Weighed average (WA) method affects the Profit of

Items	Respondents	Percentage
Does WA method minimize the profit of the firm?	10	20
Does WA method maximize the profit of the firm?	28	56
Does WA method leave the profit of the firm unaffected?	10	20
does WA method influence the profit directly	2	4
Total	50	100

Table 13: Does the application of moving average method have an effect on the profit of a manufacturing firm?

Items	Respondents	Percentage
Does MA method upgrade the profit of the firm?	28	56
Does MA method downgrade the profit of the firm?	6	12
Does MA method gives the management of the firm a change of making an effective decision	10	20
All of the above	6	12
Total	50	100

Testing of Hypothesis

A hypothesis is a conjectural statement of the relationship between two or more variances. The researcher will on the basis of the responses to the structural question to test the hypothesis stated in chapter one, on the basis of the results and in addition of the information from secondary sources, explanation will be forwarded, as why things are the way they are. Therefore, to accept a hypothesis percentage view from 50% and above will be appropriate to buttress its validity.

The researcher also used chi square technique to test the hypothesis for validity and to suite with the nature of research question; test of goodness of fit is used to apply the chi square technique.

Hypothesis 1

Ho: There is no significant effect of first-in-first-out (FIFO) on the profitability of a manufacturing firm.

To test the hypothesis above, the researcher used the research question for this purpose, the question read as follows: what is the effect of First-in,

First-out (FIFO) method on the profit of the firm? Therefore, in testing hypothesis 1 chi-square formula is applied as:

$$\text{Chi-square} = \chi^2 = \frac{\sum O_i - E_i}{E_i}$$

Where:

Fo - observe frequency

Fe = expected frequency

In the case of this research work, numbers of responses would fully assumed to be the observed frequency (Fe) while expected frequency (fe) will be calculated as well.

Step 1: Calculation of the table of expected frequently.

$$(fe) = \frac{(Ef)}{n}$$

Where: fo for research question = 25, 15, 5, 10 n = 4 (the apply questions)

$$fe = \frac{Ef}{n} = \frac{25 + 15 + 5 + 10}{4} = 13$$

Table 14 (Step I)

Items	Number of Responses
Does FIFO method increase the profit	13
Does FIFO method reduces the profit	13
Does FIFO leave the gross profit unaffected	13
All of the above	13
Total	52

Table 15 (Step II)

Items	Fo	fe	fo-fe	(fo-fe) ²	$\frac{(Fo-Fe)^2}{Fe}$
Increases profit	25	13	12	144	11.07
Reducing profit	10	13	-3	9	0.69
Unaffected profit	5	13	-8	64	4.92
All of the above	10	13	-3	9	0.69
Total					17.37

The calculated value = 17.37

Step III: The establishment of decision criteria.

The criteria value of chi square is always at 0.05 with the degree of freedom $n-1 = 4-1=3$

The answer = 7.815

Step IV: Decision

In the decision, since the calculated value is greater than the table value the Null (H₀) hypothesis is rejected and accept the alternative hypothesis which state that: there is significant effect of LIFO on the profitability of a manufacturing firm.

Hypothesis 2

H₀ There is no significant effect of LIFO on the profit of a manufacturing firm.

Research Question

What is the effect of LIFO on the profitability of a manufacturing firm?

Step 1: the calculation of table of expected frequency

$$fe = \frac{Ef}{n} = \frac{5 + 10 + 20 + 15}{4} = 12.5 \approx 13$$

Table 16 (Step I and II)

Items	Number of Respondents				
Influences profit	13				
Increases profit	13				
Reduces profit	13				
Contributing to profit	13				
Total	52				
Step II: The application of Chi Square Statistical*					
Items	Fo	Fe	fo-fe	Est (fo-fe) ² 'J	(Fo-Fe) ² Fe
Influences profit	5	13	- 8	64	4.92
Increases profit	10	13	-3	9	0.69
Reduces profit	20	13	7	49	3.79
Contributing to profit	15	13	2	4	0.30
Total					9.67

Calculated value = 9.67

Step III: Establishment of decision criteria the criteria value of chi square is always 0.05 with the degree of freedom n-1

$$= 4-1=3$$

∴ The decision = 7.815

Step IV: Decision

Since the calculated value is greater than the table value, null hypothesis is being reject as way and alternative hypothesis is accepted which stated that:

Hi: There is significant effect of LIFO on the profit of a manufacturing firm.

Hypothesis 3

Ho: The application of weighed average have no significant effect on the profit of a manufacturing firm.

Research Question

How well does the application of weighed average have any effect on the profit of a manufacturing firm?

Testing

Step 1: Calculation of the table of expected frequency

$$fe = \frac{Ef}{n} = \frac{10 + 28 + 10 + 2}{4} = 12.5 \approx 13$$

Table 17 (Step I)

Items	No of Responses
Minimizing profit	13
Maximizing profit	13
Leave the profit unaffected	13
All of the above	13
Total	52

Table 18 Step II: The application of chi square

Items	fo	fe	fo-fe	(fo-fe) ²	(Fo-Fe) ² Fe
Minimizing profit	10	13	-3	9	0.69
Maximizing profit	28	13	15	225	17.30
Leave the profit unaffected	10	13	-3	9	0.69
All of the above	2	13	-11	121	9.30
Total					27.98

The calculated value = 27.98

Step III: The establishment of decision criteria

The critical value at chi square is 0.05 with the degree of freedom $n-1 = 4-1=3$
The answer = 7.815

Hypothesis 4

Ho: There is no significant effect of moving average (MA) on the profit of the manufacturing firm.

Research question
What is the effect of moving Average method (MA) on the profit of the firm?

Testing

Step 1: Calculation of the table of expected frequency

$$f_e = \frac{Ef}{n} = \frac{28 + 6 + 10 + 6}{4} = 12.5 \approx 13$$

Table 18 (Step I)

Items	No. of Respondents
Upgrade the profit	13
Downgrade the profit	13
Give the management effective decision	13
All of the above	13
Total	52

Table 19 (Step II)

Items	Fo	fe	fo-fe	(fo-fe) ²	$\frac{(Fo-Fe)^2}{Fe}$
Upgrade the profit	28	13	15	225	17.30
Downgrade the profit	6	13	-7	49	3.76
Effective decision	10	13	-3	9	0.69
All of the above	6	13	-7	49	3.76
Total					25.51

Step III: The establishment of decision criteria

The critical value at chi square is 0.05 with the degree of freedom $n-1=4-1=3$
The answer = 7.815

Step IV: Decision

Since the calculate value is greater than

DISCUSSION OF FINDINGS

Finding of the study is the decision that the researcher accept on the testing of hypothesis and the outcome of the related literature on chapter four. Then the acceptable hypothesis depends upon the comparison of the calculated value table value of chi-square statistical tool and test of goodness of fit. Below are the findings of this study Finding on the Valuation Methods

The material valuation methods are:

- i. First-in, First-Out (FIFO)
- ii. Last-in, First-Out (LIFO)

the table value the null hypothesis is rejected which state that there is no significant effect of moving.

Average method on the profit of a manufacturing firm, and alternative hypothesis is being accepted.

iii. Weighed Average (WA)

iv. Moving Average (MA) ·
First-In, First-Out (FIFO)

The outcome of FIFO on the profitability of a manufacturing organization as given as N60.000 as a profit after it comparing with the total sales of Ml 00,000 opening stock was N20,000, purchases 93,000 and closing stock was 31,000. Below is modern trading accounting system that would analyze this finding.

Table 20 Trading account for the year ended 31st December, 2017

	₦	₦
Sales		100,000
Opening stock	20,000	
Add purchases	93,000	
Cost of goods available for sale	113,000	
Less closing stock	34,000	
Cost of goods sold		79,000
Gross profit		21,000

The outcome of questionnaire on method of FIFO is determine the higher percentage of the respondents. Which the higher percentage is 50% from 25 respondents which agreed that FIFO method of valuation enhance a high

profit in the organization. And the testing of hypothesis agreed on the Hp this is significant effect of FIFO on the profitability of a manufacturing organization after comparing calculated value with that of table statistical value.

Last-in, First-out (LIFO)

Table 21 Under this method, the outcome of its testing in chapter two is stated below:

	N	N
Sales	100,000	
Opening stock		20,000
Purchases		93,000
Closing stock		33,000
Calculation of Gross profit to know its result		

Table 22 Trading Account for the Year Ended 31st December, 2017

	₦	₦
Sales		100,000
Opening stock	20,000	
Add purchases	93,000	
Cost of goods available for sales	113,000	
Less closing stock	33,900	
Cost of goods sold		79,100
Gross profit		210,990

Above is the first finding of Weighed Average on the profit of a manufacturing organization (in chapter two). Another supporting fact under this method is the main fact on the item of

questionnaire, which is 28 respondents, representing 56% that weighed average method increase the profit not reducing. And the testing of hypothesis which HO has.

Table 23 Moving Average (Ma)

It first result is stated in the following.

	N	N
Sales		100,000
Opening stock	20,000	
Add Purchases	93,000	
Cost of goods available for sale	113,000	
Less closing stock	34,190	
Cost of goods sold		78,810
Gross profit		21,190

The second result of finding under this method is of the agreement of the

questionnaire. Which the valid agreement is 28 respondents that

representing 56% by which the respondents agreed that moving average

generate the highest profit of a manufacturing organization.

SUMMARY

The discussion of this research finding is depending on the method of valuation which there are:

First-in, First-Out (FIFO)

Last-in, First-Out (LIFO)

Weighed Average (WA)

Moving Average (MA)

First-In, First-Out (FIFO): FIFO method is the method that influences the profitability of a manufacturing organization positively after the testing of hypothesis by which the result shown as Hi: There is significant effect of FIFO on the profitability of a manufacturing organization.

Last-In, First-Out (LIFO): (LIFO) method is the method that influences the profitability of a manufacturing organization negatively. But the acceptable hypothesis is Hi: There is significant effect of LIFO on the profitability of a manufacturing organization.

Weighed Average (WA): In the other hand, weighed average method also increase the profit of a manufacturing

organization which its percentage of it agreement is almost the same with FIFO method (this shown in the questionnaire). And the acceptable hypothesis is

Hi: There is significant effect of WA on the profitability of a manufacturing organization, the same with FIFO.

Moving Average (MA): This method takes the highest proportion of agreement that influences the profit of a manufacturing organization positively. Moving average is the best method of valuation that enhance an increase in the profit by which will give the management of the manufacturing organization a chance of making a better decision toward their goals. Moving average method increases, profit more the FIFO method in their comparison. And its acceptable hypothesis is Hi: There is significant effect of moving average on the profitability of a manufacturing organization.

CONCLUSION

Based on the findings above, the following conclusion became possible that Uniuyo Table Water factory adopt the method of moving average on the material valuation method. This is because it offers the following benefits and advantages.

- (1) This method does not report understated profit. By such, the company would avoid the penalty imposed by section 67 (ii) of the company Income Tax (1979) (as amended) for

submitting incorrect return by omitting or understate profits.

- (2) This method of valuation would gives the management of the firm a change to determine a correct decision that would favour them with their set up goals.
- (3) This method sound theoretically and mathematically, and it is systematic and consistent.

RECOMMENDATIONS

Based on the findings above, the following conclusion became possible that Uniuyo Table Water Factory adopt the method of moving average on the material valuation method. This is because it offers the following benefits and advantages.

- (1) The organization should adopt a simple and easy method of valuation that would achieve an increase in their profit.
- (2) The researcher also suggest that the firm should make use of moving average, FIFO and

Weighed Average methods for their valuation of stock by which the three methods are ready to influence their profit positively.

- (3) The organization should embrace all activities which will enable different stock in the company to be more effective and productive.
- (4) Provision should be made in the firm's budget for training of staff to ensure the effectiveness of the system.
- (5) Adequate and complex

information is require at every stage of taking stock to ensure continuing and development of new product and this should be done timely.

Suggestion for Further Research

The further research on the this work is as follows;

- (1) Research should be done on the area of internal control system, to check whether material pricing methods can serve as a medium for detecting fraud and financial misappropriation.
- (2) This work should further entails whether the variables that involves, such as FIFO, LIFO, WA and MA can easily be influence by the staff of organization in other to bring result.
- (3) The work should further analyst other material pricing methods to know their reaction on the profit of the organization.

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