THE EFFECT OF STANDARD AND BUDGETARY COSTINGS ON THE RETURN ON ASSETS OF QUOTED CONSUMER GOODS FIRMS IN NIGERIA

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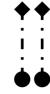
ABSTRACT

The study assessed the Effect of Standard and Budgetary Costing on the Return on Assets of Quoted Consumer Goods Firms in Nigeria. The study adopted both descriptive survey and expost facto research designs. The population of the study consisted of twenty (20) consumer goods firms listed on the Nigeria Stock Exchange Group as of 2025. The sample size of this study consisted of one hundred and fifty (150) staff randomly selected from the study population based on the six geopolitical zones in Nigeria .The sampling method used for this study was stratified sampling technique. This study used both primary and secondary sources of data collection via structured questionnaire and firms' financial reports. The data collected were analyzed using multiple regression analysis technique and descriptive statistics technique respectively via SPSS Version 20. The study found a positive significant effect of Budgetary control (BUC) and standard costing (SC) respectively on the financial performance of quoted consumer goods firms in Nigeria. The study concluded that both standard costing and budgetary costing have limited but notable effects on the return on assets (ROA) of quoted consumer goods firms in Nigeria. One of the recommendations made was that the management of the studied companies should always develop and adopt budgetary control strategy as it revealed a positive and significant effect on the financial performance of quoted consumer goods firms in Nigeria.

KEYWORDS: Standard and Budgetary Costings, Return on Assets, Quoted Consumer Goods, Firms, Nigeria

INTRODUCTION

Controlling operational costs in the quoted consumer goods firms in Nigeria involves several key challenges and among these include: fluctuating commodity prices, regulatory compliance costs, and technological uncertainties, government laws and



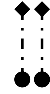
regulations. Additionally, the sector often deals with complex supply chains, geopolitical factors, and environmental regulations, all of which can lead to cost overruns and financial inefficiencies. Accordingly, effective operating cost control mechanisms implies strategies designed to address these multifaceted challenges, mitigate risks and optimize financial performance (Babayeju et. al. 2024, Ekechukwu & Simpa , 2024, Ochulor et. al. 2024). Operating cost control mechanisms constitute the processes which ultimately focus on controlling the total cost through competitive analysis for the purpose of ensuring that the costs incurred by the organization are kept within the pre-determined level. A key step in implementing operating cost control mechanisms by business organizations is the preparation of the operating budget in relation to production; after which the actual performance is determined by computing the variances between the actual cost and the budgeted cost and finally, implementing the necessary actions for correcting discrepancies.

Related accounting literatures on cost control techniques and firms' financial performance reveal that the first step in operating cost control is budgetary control. Budget control is the process of estimating operating expenditures to be incurred and incomes to be generated by the organization for a specified period of time to boost profitability. Maintaining and increasing profitability depend on maintaining and reducing costs as well as targeting expenditure reductions form part of operating cost control mechanisms which ultimately boost financial performance (Parveen & Pougajendy, 2023). In view of this fact, quoted consumer goods firms in Nigeria can incorporate cost control techniques in their manufacturing process as well as cost accounting principles, methods and techniques to enhance the intended profitability (Lucey, 2023; Akinleye & Fajuyagbe, 2022; Umo,2023).

By implication, the management of business organizations (including consumer goods firms in Nigeria) is concerned with profitability (a measure of financial performance) which can be achieved by applying some cost control techniques namely budget costing, standard costing and lean manufacturing. Convincingly, robust financial performance (profitability) remains the primary focus of every business existence. Accordingly, management of quoted consumer goods firms in Nigeria should target proper care and efficiency in the use of resources so as to achieve a sustained profitability.

The link between cost control techniques and financial performance lies in the fact that the adoption of an effective cost control techniques (such as budgetary control, standard costing, lean manufacturing analysis, supply chain management can effectively provide management of quoted consumer goods firms in Nigeria the operating strategies necessary to control and maintain costs and at the same time sustain profitability of the business as encapsulated in the literatures of both the developed and developing countries (Umo, 2023). Consequently, this allows for better decision-making, resource allocation and ultimately the company's overall financial performance since very little will be appreciated if profitability objective of the business is not prioritized. By accurately allocating costs to products, consumer goods firms can determine their profitability, identify areas of improvement and make informed pricing decisions. By applying cost control techniques in evaluating the efficiency and effectiveness of resource utilization and also identifying cost drivers, consumer goods firms can analyse the cost-effectiveness of different processes and ultimately optimize its operations and improve financial performance (Etim et al., 2024; Muse, 2021).

STATEMENT OF PROBLEM



Effective implementation of cost control techniques by business organizations allows for better decision-making, resource allocation, waste elimination and ultimately the company's profitability. Extant literatures reported that manufacturing firms can achieve better financial performance via the adoption of budgetary control, standard costing, lean manufacturing analysis and supply chain management respectively as cost control techniques. But in reality, the consumer goods firms in Nigeria seems not to adopt these mechanisms which eventually lead to poor financial performance. This, in effect, has resulted in resource inefficiency and financial risks (Macharia et al. 2022).

RESEARCH OBJECTIVE

- To appraise the effect of standard costing on the return on asset of quoted consumer goods firms in Nigeria.
- To examine the effect of budgetary control on the return on asset of quoted consumer goods firms in Nigeria.

RESEARCH QUESTION

- To what extent do standard costing affect the return on asset of quoted consumer goods firms in Nigeria?
- To what extent does budgetary control affect the return on asset of quoted consumer goods firms in Nigeria?

RESEARCH HYPOTHESIS

H_{01}: Standard costing has no significant effect on the return on asset of quoted consumer goods firms in Nigeria.

H_{02}: Budgetary costing has no significant effect on the return on asset of quoted consumer goods firms in Nigeria.

LITERATURE REVIEW

CONCEPTUAL REVIEW

COST CONTROL TECHNIQUES

Operating cost control mechanisms denote the strategies designed for the purpose of identifying and reducing business expenses in order to increase profitability . It starts with the budgeting process where the actual costs is compared with the budgeted costs. If actual costs are higher than budgeted, management takes actions so as to address the situation. Cost control mechanisms are characterized as controlling spending within a desired or budgeted level, with budgeting and budgetary management as essential procedures. Cost control is the process of keeping expenses at the level that was meant for them to be at or at the level that was anticipated for them using substantial budgetary and budgetary management systems. The area where corrective measures are conducted has implemented cost control in order to compare actual costs with expected expenditures in order to allow for comparison of both sets of figures (Arora, 2004).

According to the definition provided by lawyers (2014), cost control refers to a complete set of accounting processes and management strategies that improve business efficiency by reducing expenses or, at the very least, decreasing the growth in costs. According to Akeem (2017), an aspect of marginal costs is included in cost management. As profitability amongst others is the essence of any business, there will be the need to incur reasonable costs and management is to ensure careful and efficient use of resources so as to achieve the set standard or target. Cost control is operated by setting of standards and maintaining the performance according to standard because, as management aspires to increase productivity for more profit, there will be increasing cost and collection of cost will be made by each area of responsibilities.

From the accounting literature of Umo (2023), cost control techniques are the means whereby management seeks to influence costs so as to keep them within planned limits. Thus, management sees cost control mechanisms as beneficial approaches adopted to search for better and more economical ways of completing related operation at the same time preventing waste within the existing environment. This environment is made up of acceptable operating methods for which standards have been developed. These standards are expressed in the perspective of budget and standard costs. Cost control techniques connote procedure whereby actual results are compared with the standard so that waste can be measured and appropriate action taken to correct the activity. Cost control mechanism highlights regulation by executive action relative to the cost of operating an undertaking. Cost control techniques include the managerial skill used in achieving sales target and involves setting of standards of performance. Firms are expected to adhere to standards. Cost control mechanism discusses the past, relate it to the present and carries findings tha support informed judgement and decisions. These mechanisms use variables the permit standards and which seek to attain lowest possible scouts under existing conditions (Umo, 2023).

According to Adeniyi (2007), cost control techniques help in regulating operating cost of business as well as keeping costs within acceptable limit. Ayodele (2005) defines operating cost control as a method of establishing the cost of a product developed and monitoring it to completion. Operating cost control is the process whereby management seeks to influence costs so as to keep them within planned limits. Management sees cost control as a search for better and more economical ways of completing each operation. Cost control is simply the prevention of waste within the existing environment (Onuora & Edoziuno ,2019). Cost control mechanisms are part of marginal cost that comprises establishing unit costs, monitoring and correcting subordinates' performance in order to guarantee that the enterprise's goals and ways of accomplishing them are achieved effectively and Akinleye and Fajuyagbe (2022) identified cost control as a complete spectrum of accounting and management practices targeted at boosting business efficiency via cost reduction or at least cost containment.

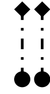
COMPONENTS OF COST CONTROL TECHNIQUES

- **Standard costing**

Standard costing as the planned unit cost of the products, components or service produced in a period. Standard costing involves the setting of acceptable or expected level of costs for various activities, measuring actual cost of activities as they unfold, comparing actual cost with those predetermined and taking corrective action where necessary. The operation of standard costing system is therefore required for accurate preparation of standard costs for effective cost control system. Standard costing is therefore a method of ascertaining how much costs should be, and analysing the causes of variations between how much they are and how much they should be. It is equally regarded as a scientific method of developing a comprehensive series of cost standards to cover the activities of a business of comparing actual costs against cost standards in such a way that the causes of variations are revealed in full details, and of combining the variations to form a complete statement of profit and loss (Sutar, 2022; Parveen & Pougajendy, 2023).

- **Budgetary control**

An operating budget concerns the ongoing projections of revenue and expense items that affect the income statement. Budgetary control is considered by the Institute of Cost and Management Accountants (CIMA) as the establishment of budgets relating



the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with budgeted results, either to secure by individual action the objective of that policy, or to provide a basis for its revision (Malcom & Harris, 2010).

Operating budget refers to a plan that illustrates all short-term activities, the firm's financial position and the targets the business aims to achieve within a specific period of time (Sagdic & Celikturk, 2017). Furthermore, Gaffney (2018) explains that an operating budget includes an estimated revenue as well as the associated expenses to be incurred within a period of time, thereby enabling managers in projecting an estimated income and profit percentage. Examples of operating budget includes sales, production or manufacturing, labour and overhead expenses.

Budgetary control could be seen as a way of directing, analysing performance, profit planning and techniques of operating cost control of individuals or sections of organisations (Boussabaine, 2013). The overall purpose of budgetary control is to help managers plan and control the use of resources in systematic and logical manner to ensure that they achieve their financial objectives, that is profit satisfying (making satisfactory level of profits) and profit maximization (making the maximum profit). Budgetary control is a subject to human judgment, interpretation and evaluation. The system necessitates forecasting which is surrounded with the risks of future uncertainties. It requires good and adequate standards and, in some cases, these are hard to develop at the same time, it requires skills, experience, and expenditure of time, money and effort to make this system to work successfully.

- **Standard costing and return on asset (ROA)**

Standard costing provides a benchmark against which management can compare actual performance. According to Ologbenla (2021) in a study reported that results shows that contrary to some opinions that standards cost techniques is no longer in vogue, the study finds out that about 85% of the manufacturing firms sampled are still applying standard cost techniques to cost control in their various organizations. Again, the study shows that the decision of these manufacturing firms to continue to use standard cost is because of its effectiveness in minimizing the cost of raw material as well as overheads cost of the organization. However, application of standard cost to personnel cost appears not be in vogue. It is recommended that manufacturing firms should emulate these firms that are minimizing their cost via application standard cost and also find a way of applying it to labour cost efficiently. Adeniyi (2014), examined the standard costing and competitive advantage in the manufacturing industry using ANOVA. The result revealed that standard costing enhances cost advantage and quality advantage in competitive manufacturing industry, despite some teething problems encountered by firms in adopting the techniques.

- **Budgetary control and return on asset (ROA)**

The use of budgetary control by the firms, combined with employee participation, strategic cost-control measures, and effective monitoring systems, is essential for ensuring an organization's financial success. Engaging employees in the budgeting process creates a sense of responsibility and accountability, which leads to better cost management and operational efficiency. Implementing robust cost-control techniques such as target costing and quality control further helps organizations minimize costs and maximize profits. Making a budget is the first step in cost control, which is followed by ongoing tracking and observation of spending. Corrective measures are put in place to get the organization back on track in the event that the budget deviates from the original plan. Studies have asserted that a company's capacity

to efficiently manage costs can be greatly impacted by the implementation of strategic cost-control strategies, such as the use of modern accounting systems and the establishment of reasonable budget (Parveen & Pougajendy, 2023; Onuora & Edoziuno, 2019).

The findings of the study by Njoroge et al., (2024), revealed that variations in financial performance of the company are explained by budget control (45.4%) and recommended need to enhance the budgetary controls through improving the mechanism for budgeting as the mechanism for enhancing profitability.

METHODOLOGY

The study adopted descriptive survey design method. Based on the population of the study, two hundred and fifty-three (253) workers were selected using judgemental sampling technique from the six geopolitical zones as follow; thirty (30) workers drawn each from North West, North Central, North East, South South, South East geopolitical zones while seventy-three (73) workers were drawn from South West geopolitical zone. The study adopted stratified sampling technique. This study used both primary and secondary sources of data. The reliability of instrument for this study was determined using cronbach alpha reliability coefficient via SPSS. The instrument for this study was validated by accounting experts. The data for this study were analysed using multiple regression analysis technique and descriptive statistics technique will be used to answer research questions in this study to explain the data characteristics.

RESULTS AND DISCUSSIONS

Test of Hypothesis One

H_{01}: Standard costing has no significant effect on the return on asset of quoted consumer goods firms in Nigeria.

Table 1 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.729	.386		1.886	.061		
	BUC	.185	.064	.229	2.887	.004	.695	1.439
	SC	-.030	.061	.043	.503	. 002	.599	1.669
	LM	.393	.078	.402	5.043	.000	.689	1.451
	JIT	.274	.012	.326	2.35	.086	.473	1.523

a. Dependent Variable: ROA

Source: Researcher's Computation (2025)

The result in Table 1 showed that Standard costing (SC) has positive significant effect (Beta = -.043 or 4.3%, p= 0. 002, p< 0.05, t= -.503). Thus, the null hypothesis one which states standard costing has no significant effect on the return on asset of quoted consumer goods firms in Nigeria was rejected. The result also showed that budget costing (BC) has positive significant effect (Beta = - .229 or 22.9%, p=0.004, p< 0.05, t= 2.887). Thus, the null hypothesis two which states that **budgetary** control has no significant effect on the return on asset of quoted consumer goods firms in Nigeria was rejected.

Test of Hypothesis Two

H_{02}: Budgetary control has no significant effect on the return on asset of quoted consumer goods firms in Nigeria.

Table 2 Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.538[a]	.289	.258	.42199	2. 037

a. Predictors: (Constant), LM, BUC, SC, JIT
b. Dependent Variable: ROA

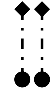
Source: Researcher's Computation (2025)

The model summary which is used to explain the effect of Budgetary Control (BUC), Lean manufacturing (LM), Standard costing (SC and just in time inventory control (JIT) on the financial performance of quoted consumer goods firms in Nigeria was shown in Table 4.8. The R Square of 0.289 obtained means that 89% of the variation in financial performance was explained by Budgetary Control (BUC), Lean manufacturing (LM), Standard costing (SC) and just in time inventory control (JIT) respectively while the remaining 11 % was due to unexplained variables not used in this study.

DISCUSSION OF FINDINGS

In evaluating the model of the study, we have; FP= 0.523+0.402(LM) + 0.043 (SC) + 0.229(BUC + 0.326 +0.386. The constant of 0.523 is the value that return on asset takes when all the independent variables is zero. Coefficient of lean manufacturing (LM) was 0. 402 means that one unit increase in lean manufacturing (LM) will result in increase in the dependent variable (ROA) by 0.402. The coefficient of standard costing (SC) is 0. 043 means that one unit increase in standard costing (SC) will result in an increase in the dependent variable (ROA) by 0.043 while the coefficient of budgetary control (BUC) was 0.229 and means that one unit increase in budgetary controls (BUC) will result in increase in the dependent variable (ROA) by 0.229 and the coefficient of just in time inventory control (JIT) is 0. 326 means that one unit increase in just in time inventory control (JIT) will result in an increase in the dependent variable (ROA) by 0.326

The model summary which is used to explain the effect of Budgetary Control (BUC)), Lean manufacturing (LM), Standard costing (SC) and just in time inventory control (JIT) on the financial performance of quoted consumer goods firms in Nigeria was shown in Table 4.8. The R Square of 0.89 obtained means that 89% of the variation in financial performance was explained by Budgetary Control (BUC), Lean manufacturing (LM), Standard costing (SC) and just in time inventory (JIT) respectively while the remaining 11 % was due to unexplained variables not used in this study.



Standard costing and financial Performance (ROA) of quoted consumer goods firms in Nigeria.

The result in Table 1 showed that Standard costing (SC) has positive significant effect (Beta = -.043 or 4.3%, p= 0.616, p> 0.05, t= -.503). Thus, the null hypothesis four which states standard costing has no significant effect on the return on asset of quoted consumer goods firms in Nigeria was not rejected.

The finding of this study was consistent with the findings of Ali-momoh et al (2022) whose study revealed that standard costing had insignificant positive effect on the financial performance of manufacturing firms in Nigeria. Similarly, the findings of Nwatu & Idoko (2020), who investigated the effect of standard costing on firms' performance of manufacturing firms in Nigeria supported this finding.

Budgetary control and financial Performance (ROA) of quoted consumer goods firms in Nigeria.

The result in Table 1 showed that operating budget costing (BC) has positive significant effect (Beta = - .229 or 22.9%, p=0.004, p< 0.05, t= 2.887). Thus, the null hypothesis five which states that **operating** costing has no significant effect on the return on asset of quoted consumer goods firms in Nigeria was rejected.

The finding of this study is consistent with the findings of Iliemena & Adinoyi (2019) whose study revealed that operating budget had significant effect on the financial performance of manufacturing firms in Nigeria. Also, this finding is in agreement with finding of Erasmus (2021) and Saragih et al. (2020) whose findings showed that operating had a positive effect on the corporate performance of manufacturing firms in Nigeria . This finding has supported in the theory used in this work as well as the a priori expectation.

CONCLUSION

The study concluded that both standard costing and budgetary costing have limited but notable effects on the return on assets (ROA) of quoted consumer goods firms in Nigeria. Standard costing aids in cost control and performance evaluation, while budgetary costing enhances financial planning and resource allocation. However, their influence on profitability depends largely on effective implementation and management commitment. The results indicate that accurate costing systems improve decision-making and operational efficiency.

RECOMMENDATION

- The management of the studied companies should always develop and adopt budgetary control strategy as it revealed a positive and significant effect on the financial performance of quoted consumer goods firms in Nigeria.
- The studied firms should adopt lean manufacturing as its adoption by firms impacted positively on the financial performance of quoted consumer goods firms in Nigeria.

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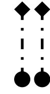

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