

AN EMPIRICAL ANALYSIS OF REPORTED PROFITS OF NIGERIAN COMPANIES: INVENTORY VALUATION EFFECTS.

ABSTRACT

The purpose of this paper is to examine profits reported in the financial statements of companies operating in Nigeria in order to ascertain whether they are real or paper profit. To achieve this objective, the Last-In-First-Out(LIFO),First-In-First-Out(FIFO) method and Weighted Average Cost(WAC) methods of inventory valuation were used to analyse the data gathered .it was found that, companies operating in Nigeria use the FIFO method for valuing their stock. The sampled companies posted the highest profit using the FIFO method when compared with other methods(LIFO and WAC). The conclusion was that companies in Nigeria report ‘paper profit’...It was recommended that, the Nigerian Statement of Accounting Standard(SAS) No. 4