EFFECT OF ABSORPTION AND MARGINAL COSTING ON CORPORATE PERFORMANCE IN NIGERIA

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ABSTRACT

The study examined the effect of absorption and marginal cost on corporate performance in Nigeria, it specifically examined the effect of absorption costing on corporate performance of selected manufacturing firm in Nigeria and it also ascertained the significant influence of marginal costing on corporate performance of selected corporate performance in Nigeria. The population of the study consisted on twenty-one (22) manufacturing companies listed on the Nigeria exchange group, however, eighteen (18) samples were selected from the population. A total number of 540 were randomly sampled from the companies in the samples. Data were collected with the use of questionnaire. Collated data were analyzed using descriptive method of analysis. Specifically, the study made use of percentages and frequency analysis. Result revealed that to a large extent the absorption costing has significant and positive effect on corporate performance of the selected companies in Nigeria. Also, result reflected that there is evidence across the manufacturing that marginal costing has positive and significant relationship with corporate performance of selected manufacturing in Nigeria. This study therefore concluded that absorption and marginal costing has positive and significant effect on corporate performance of selected manufacturing companies in Nigeria. Hence, the study therefore, concluded that absorption and marginal costing have strong statistical relationship with the corporate performance of selected manufacturing companies in Nigeria. The study recommends that profitability, business size, liquidity situation, and asset tangibility are important variables to consider when the management of selected manufacturing firms in Nigeria decides to adopt absorption and marginal costing

Keywords: Absorption Cost, Marginal Cost, Resources Base Theory, Manufacturing Companies.

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INTRODUCTION

Management accounting is the act of using proper methods and ideas to analyze an organization's past and future financial information in order to help top-level executives set achievable financial goals and make sound choices that will lead to the achievement of those goals. Managerial accounting, sometimes known as management accounting, is a collection of processes and approaches designed to provide managers access to financial information for the purpose of making decisions and keeping better track of the company's assets (Consolata, 2019). These include the theories and practices integral to efficient planning and decision-making (including picking the best course of action from a variety of possibilities and keeping tabs on things through analysis of results) (Oguntodu & Taiwo, 2018).

There is now greater rivalry in business and marketing than ever before due to new company breakthroughs, technological advancements, and shifting client demands. As a result of the intense rivalry in today's business world, top executives need tools and tactics to steer their companies toward profit maximization. Sales growth and manufacturing cost reductions will bring this goal within reach. A firm may be able to get an edge in its market if it maximizes earnings and minimizes expenses. It is safe to infer that conventional methods of management accounting could struggle to cope with such difficulties. With the use of strategic management accounting methods, businesses may implement measures that will persuade a sizable percentage of their clientele to develop a loyal preference for their items (Consolata, 2019).

There is a greater emphasis on the value of MAPs in the manufacturing sector than ever before as a consequence of the industry's clearly diminishing profitability, rising production costs, increased corporate competitiveness, and various economic crises (Ayaundu & Ogoun, 2020). Despite the fact that management accounting methods play a crucial role in the administration of manufacturing concerns, a disproportionately large number of Nigerian manufacturing enterprises have been found to be lagging behind their international counterparts in their adoption of these procedures. Companies who have been slow to adopt and implement innovative MAPs may struggle to meet the demands of today's competitive marketplace. Such a company is still at ease, for the most part, since the status quo does not pose any immediate danger to the size of their output (Austin & Ejike, 2019). Management accountants in a wide range of manufacturing industries are increasingly adopting marginal and absorption costing in favor of more traditional approaches to cost accounting, particularly as it relates to lowering production costs, which has allowed their businesses to grow and compete more effectively in recent years.

Because their MAPs level could not keep up with the development of business competitiveness, product diversification, production technology, higher expenses, and toughening business environment, several manufacturing enterprises have continued to have poor financial and non-financial outcomes. As a result, many different manufacturing companies around the nation are in danger of going under since the management information that serves as the organization's lifeline isn't strong enough to properly contribute to the creation of strategic plans. Companies' bottom lines would suffer as a result, creating a brew of serious managerial issues. Thus, there is renewed impetus for management accounting to adapt to the growing requirement for management accounting as a tool for business decision-making.

This study aims to fill in these research gaps by first looking at absorbing costing and marginal costing as part of component of management accounting technique used in decision making to enhance corporate performance of listed manufacturing firms in Nigeria exchange group in this study. However, the main objective of this study is to examine the effect of absorbing and Marginal cost on corporate performance of listed manufacturing firm in Nigeria Exchange group , while the specific objectives are to:

- examine the effect of absorption costing on corporate performance of listed manufacturing companies in Nigeria Exchange Group
- ascertain the significant influence of marginal costing on corporate performance of listed manufacturing companies in Nigeria Exchange Group

LITERATURE REVIEW

Cost

A cost is anything that must be given up in order to accomplish something else. A sum that must be paid or sacrificed in order to get something. In economics, the term "cost" refers to the monetary value placed on the time, money, energy, resources, and opportunities lost during the manufacturing and distribution of a product or service. According to the Association for Cost Accounting and Management (ACCA), cost is "the amount of spending expended on, or attach to, a certain product or activity."(Maziriri & Miston 2017).

Absorption Costing: The phrase "Absorption Costing" may refer to either the "Traditional" or "Full Cost" approach. The total price of an item is calculated using this approach, which takes both fixed and fluctuating expenses into account. The expenses of direct materials, direct labor, etc., are passed on directly to the products, while the fixed costs are distributed fairly among all the goods produced in a certain time frame.

In this way, Absorption Costing associates all expenses directly with finished goods. (Mustafa, & Fehmi 2017)Therefore, Absorption Costing might provide some unexpected outcomes, especially for seasonal enterprises with pronounced stock level swings throughout the year. The movement of fixed costs into and out of inventory will have an effect on their earnings for both time periods, reducing profits during times of strong sales and raising profits during periods of low sales. Absorption Costing is a method that may be used to justify passing up lucrative opportunities. The lowest potential price will often be assumed to be the sum of the unit costs. It is possible that a lucrative order will be rejected because it is placed at a price below the total unit cost..(Consolata,2019)

Marginal Costing: Marginal costing only considers the expenditures that vary in direct proportion to the amount produced when determining a final contribution. Due to the immense challenge that fluctuating activity levels provide, project management strongly depends on it. Managers may use marginal costs to weigh the pros and cons of alternatives when making big choices like replacing expensive pieces of machinery or dropping an entire product line. Break even analysis may help management determine the sweet spot for production by showing how different output levels affect profits.(Egbunike et al<2015)

Corporate Performance

Businesses may determine if their initiatives and procedures have been successful by conducting an assessment and review of company performance. Efficient businesses not only gather and evaluate performance data, but also use the data to search for methods to make some improvements to the business, all in the name of developing the most effective strategies for achieving the firm's corporate objectives. According to Alabdullah (2019), the primary focus of every business should be on increasing its profits, hence this metric receives a great deal of attention in corporate performance evaluations. In business, profitability is measured by how well money generated from operations exceeds costs expended. Traditionally, net income has been and continues to be the only metric of profitability. Profitability is the single most important metric to both investors and creditors when evaluating a company's success. As a result, before putting money into a company, most people consider the company's present and projected profitability. Though the major goal of any commercial operation is now to maximize the value of the shareholders, contemporary financial management literature claims that the current primary purpose of any corporation is to provide a high degree of profitability to reassure investors and lenders about the company's performance (Nzewi, 2015).

Among the many factors that might affect absorption and marginal cost to boost corporate performance, the following are among the most crucial: I profits, (ii) cash on hand, (iii) pace of growth, (iv) size of company, (v) financial leverage, (vi) business risk, and (vii) asset tangibility (Ayaundu & Ogoun,2017). The following is a description of these qualities in further detail.

I. Profitability

Profitable companies are believed to pay bigger dividends, implying a positive association between profitability and absorption and marginal costing. This relationship agrees with the resource base theory (John & Williams, 1985), which states that highly profitable companies are more inclined their production cost to their shareholders in order to communicate their superior financial performance. When their counterpart firms with weaker financial positions are unable to match such levels, this serves as a signal of a company’s performance to the market.

ii. Liquidity

Liquidity assesses a company's capacity to pay its short-term debts using its liquid assets. Companies with strong liquidity makes good provision for their direct labour than those with weak liquidity (Gichaaga 2014). To mitigate the consequences of the agency problem, Jensen (1986) proposed that companies should make good provision for the smooth running of the firm to limit the amount of funds available for managers to enrich themselves. As a result, absorption and marginal cost serves as a cost-cutting tool for the agency. **iii. Growth Rate**

According to Mustafa and Miston, (2017), manufacturing firm with a lot of investment prospects and the ability to grow their business will keep more earnings to reinvest because such source of funding has lower costs than external funding. Baker and Powell (2012) agreed that a company's motivation to reduce their cost is determined by its investment growth potential. This shows that a company's ability to reduce their cost is influenced by its growth potential, as investment opportunities drain cash resources may be through their external responsibility or through dividends payment **iv. Firm’s Size**

According to Baker and Mustafa and Miston, (2017), absorption and marginal cost by a company is directly proportionate to its size. This implies that the such costs to shareholders is a function of the company's size. The study claimed that because of the significant processing costs smaller firms are likely to incur when raising capital externally, they can resort to pay minimal cost. As a result, this study regards firm's size as a crucial firm-specific attribute that managers frequently consider in determining the level of their usage and expenses in making decisions.

v. Financial Leverage

High-levered companies frequently pay no or modest dividends because they prefer to use their internal resources to satisfy their obligations and minimize external borrowing costs rather than providing cash to shareholders ((Oguntodu &Taiwo 2018). According to Kirkulak and Kurt (2010), the quantity of debt has no effect on dividend behavior, but a higher level of debt will eventually increase the volume of dividend decreases.

vi. Business risk

According to Pradhan et al (2018), companies with significant business risk are more likely to go bankrupt, hence they could not reduce their cost of production during these times. External finance is the most expensive type of financing, according to pecking order theory, hence, companies reduced dividend distribution instead to enhance the smooth running from the production process to the final consumers **vii. Tangibility of Assets**

According to Soltani et al, (2014), firms operating in developing nations with more physical assets (and consequently less short-term assets) pay smaller dividends. The study explains this by claiming that having a higher percentage of long-term tangible assets reduces the proportion of short-term assets that may be used as collateral for short-term loans, lowering the borrowing capacity of companies whose primary source of debt is short-term bank financing. This will require such companies to employ more internally generated capital, reducing their excess cost and expenses that is not necessary.

Theoretical Underpinned

Although there are various theories in the literature that explain absorption and marginal costing on corporate performance, resource-based theory was chosen as the most applicable theory for the investigation.

Resource-Based Theory

The resource-based theory was propounded by Wernerfelt (1984). It stems from the idea that a company's internal assets, as opposed to its market position, are where competitive advantage is really created. To put it another way, a company's competitive edge does not come from just assessing the advantages and disadvantages of its operating environment, but rather from the special resources and qualities that it has (Barney, 1995). The resource-based view of the company postulates that certain categories of corporate-controlled resources would likely lead to competitive advantage and high performance. The resource-based approach states that in strategic management, valuable and difficult-to-replicate resources and capabilities are the primary sources of a firm's competitive advantage and superior performance (Peteraf and Bergen, 2003). All the assets, capabilities, organizational processes, firm qualities, information, expertise, etc. that are within the company's control and that allow it to develop and execute plans to increase its efficiency and effectiveness are collectively referred to as "firm resources" (Barney, 1995)..

Empirical Evidence

The study of Jadid (2015) examined the standard costs system in order to monitor and evaluate the performance of the Syrian oil industry. The primary objective of the research was to acquaint readers with the relevance and intended outcomes of standard costs, the role of transactions, and the possible role of control. The study's premise is that standard costing may be utilized to efficiently control oil production costs, and that doing so would enable the establishment and evaluation of quantifiable performance goals. The research concluded that the reality of the appropriate system cost for the company's premium product is behind the needs of the current manufacturing environment, but that the system designed by the standard cost accountants helps keep oil production costs under control.

Hussein (2017) analyzed the effects of the standard cost system on the managerial and financial decisions of Sudanese manufacturing companies. The purpose of this study was to shed light on the relevance of the standard costs approach by measuring the effects of adopting it on the control process and its influence on rationalizing financial decisions made by industrial enterprises. In this study, we hypothesize that the more heavily an industrial organization uses the conventional costing approach, the more sway it will have over its financial outcomes. Studies with scientific foundations show that these pre-set prices help in correctly monitoring the anticipated performance, and adopting the standard pricing system helps in making rational judgements and reducing indirect expenses in the facility.

Ahmad's studies on conventional cost-cutting expenditures have been quite fruitful (2018). The goals of the research were to ascertain how prevalent the use of standard costing is among Sudanese flour mills, to pinpoint the factors that prevent its wider adoption, to analyze the grain industry's ability to set trustworthy benchmarks in accordance with the scientific principles of costs, and to explain the positive effect that standard costing has on the efficiency and accuracy of cost management. The study's underlying premise is that Sudanese grain mills' cost management improves significantly when they adopt the standard costing method. Indicating the existence of a statistically significant correlation Using a uniform costing approach is statistically linked to higher profits in Sudanese grain mills. Two of the most important findings from this study are (1) the use of a standard costing system is a reliable indicator of cost control effectiveness, and (2) the use of a standard costing system helps management zero in on issues and trace their origins.

Two approaches to managing costs are compared by Raghavan (2019). Standard costs and activity-based costs are the two main methods used to determine prices. Recreating a production setting according to lean principles allows for accurate cost estimation by taking into account variables like overhead and throughput. While all costs had a role in setting the ultimate price, the research showed that overhead had the most impact. The lean primary implementation controlled and modified allocation on a global scale. This study suggests that the length of time needed to complete the process cycle contributes significantly to overall costs. As a result, the major objective of a lean implementation is to reduce the cycle time of the system and its associated costs. The goal of the lean ideology is to enhance output while minimizing waste and cycle time. This is accomplished by just-in-time delivery, higher inventory rotations, and the effective use of kaizen techniques.

Researchers in the Nigerian state of Edo were studied to see how using conventional costing techniques impacted their bottom lines (Iliemena, 2019). Standard costing's contribution to saving money, cutting down on waste, and maximizing earnings was analyzed, and the results were as expected. We drew up three hypotheses after reading the literature on the topic. The businesses of Benin City were selected because of their prominence in certain sectors. This study relied heavily on information gathered from primary resources. The findings indicate that standard costing has a substantial positive effect on monetary savings. Profits were shown to be higher after switching to standard costing methods, according to the study's authors.

Ekergil and Göde's (2020) study found that in order to gauge their success, hotels often rely on traditional costing methodologies and supply chain management. In order for a hotel to achieve the five-star status, four years of data are required. Total energy consumption and energy cost, as well as constant and changing expenditures, are initially calculated for a four-year data set representing the hotel's active time, and then updated. You may evaluate nightly performance with the use of the collected data, which includes client and room details. Part 2 of the report details the energy use, the total cost of electricity, and the breakdown of the total cost into fixed and variable components. It is possible to break down performance data by guest room and client. Given this, it would be interesting to see how departmental performance reviews impact the hotel as a whole.

Ologbenla (2021) investigated the impact of standard cost on manufacturing costs in Nigeria (2021). A total of 147 participants from 26 different factories contributed to the study. Both descriptive and inferential statistical approaches are used to examine the responses of the respondents to various questions about the value relevance of standard cost in cost management in their separate originations. First, the results show that conventional cost methodologies are still extensively employed by the majority of the manufacturing companies in the study's sample for cost management reasons, which runs counter to common assumption. The findings also demonstrated that the standard cost approach was effective in reducing raw material and administrative costs, thus these manufacturers opted to continue using it..

Research Gap

Following an examination of related empirical studies, it is clear that most of the studies conducted in Nigeria only looked at few measures of standard costing, rather than focusing on other attributes to investigate pattern of absorption and marginal costing on corporate performance behaviour in Nigeria (such as business risk, free cash flow, asset tangibility, and so on).. It is on this premise that this study was carried out to examine the relationship that exists between absorption and marginal cost and corporate performance of manufacturing firms in Nigeria. The study chose larger variables so as to increase the explanatory power of the model adopted in this study.

METHODS

Population of the study: The population for this study consisted of 22 manufacturing firms in Nigeria listed in Nigeria Exchange group as at December,2021

Sample Size: The sample size covered eighteen companies representing 80% of the population were purposively selected and studied for a period of 10 years giving 540 observations from the sample listed firms which are "7-Up Bottling Comp. Plc. Cadbury Nigeria Plc, Tyre & Rubber Plc, Fidson Healthcare Plc ,Glaxo Smithkline, Consumer Nig. Plc, Greif Nigeria Plc, Guinness Nig Plc, Lafarge Africa Plc, Meyer Plc .,Nemeth International Pharmaceuticals Plc, Nestle Nigeria Plc., Nigeria-German Chemicals Plc, P Z Cussons Nigeria Plc, Portland Paints & Products Nigeria Plc ,Unilever Nigeria Plc,Vitafoam Nig Plc., Nigeria Breweries Plc Nigeria-German Chemicals Plc. This study used primary sources of data collection. Each state's department of internal revenue and office of the accountant general provided 30 respondents. In all, 540 people were chosen at random for this study's sample population. Respondents were selected at random using a sampling formula developed for this study.

Research Design: This study's primary data came from carefully chosen manufacturing companies that were surveyed using detailed questionnaires. This survey has three parts: A, B, and C. Questions were posed in Section A about the respondents' backgrounds, Section B about the effect of absorption and marginal cost on corporate performance, and Section C on the effect of absorption and marginal cost on corporate performance of a sample Nigerian manufacturing firms.

Method of Data Collection and Analysis: The descriptive method was used throughout data gathering and analysis. Analyses focused on percentages and frequency distributions.

Validity of the Test: Content analysis was used to verify the instrument's reliability, and the results were positive. The Pearson correlation was used to determine the dependability (r). It also had a strong dependability coefficient of 0.84. Averages were used for data presentation and analysis.

Table 1: *Bio-Data of Respondents*

	Total	**425**	**100**
Age	18-25years	112	26.4
	26-39years	214	50.4
	40-55years	95	22.4
	56-65years	4	0.9
	Total	**425**	**100**
Marital Status	Single	131	30.8
	Married	294	69.2

	Total	**425**	**100**
Level of Education	SSCE/GCE	3	0.7
	NCE/OND	32	7.5
	HND/B.Sc./BA/B.Ed.	2	0.5
	MBA/M.A/M.Ed./M.Sc.	262	61.6
	PHD	126	29.6
	Total	**425**	**100**
Status of the Respondent	Top level Management	219	51.5
	Middle Level Management	121	28.5
	Lower Level Management	85	20.0
	Total	**425**	**100**
Duration of Service	Less than 3years	45	10.6
	3-6years	101	19.8
	7-10years	270	46.5
	10years Above	124	23.2
	Total	**540**	**100**

Source: *Field Survey (2022)*

Table 1 shows that of the total respondents, 226 (or 53.2% of the sample) were male and 199 (or 46.8% of the sample) were female. This means that in the evaluated departments of the chosen companies, men predominate. 112 (26.4% of the total) respondents were between the ages of 18 and 25, 214 (50.4%) were between the ages of 26 and 39, and 95

(22.4%) were between the ages of 40 and 55. In addition, 294 (69.2%) were married while 131 (30.8%) were single. This means that most persons who have worked in factories are between the ages of 40 and 55. Three (0.7%) had an SSCE/GCE, thirty-two (7.5%) an NCE/OND, two (0.5%) an HND/B.S.C/B.A/B.E.D, two hundred sixty-two (61.6%) an MBA/M.A./M.E.D./M.S.C, and one hundred twenty-six (29.6%) a PHD. This means that most factory employees had master's degrees (MSC, MA, MAE, and MA) or above. Of the responders, 219 (51.5% of the total) are in upper management, 121 (28.5%), are in middle management, and 85 (20.0%) are in lower management. This suggests that the bulk of the staff members who filled out the survey were upper-level managers. There were 45 with less than 3 years of service (10.6%), 101 with 3 to 6 years (23.8%), 155 with 7 to 10 years (36.5%), and 124 with 10 years of service or more (29.2%). If this is the case, then the vast majority of responders have been with their current companies for at least ten years. In this part, we looked at the percentages and frequencies of replies to each of the study variables' worth of questions.

Therefore, there is no doubt that the poll utilized in this study captured very well-informed people on the subject at hand. The impact of absorption costing on corporate performance on selected manufacturing firm Nigeria is examined.

The perception study of the absorption costing on corporate performance on selected manufacturing firm in Nigeria is presented in this section. For a clear overview, the findings are shown in table 2 and figure 1, respectively.

Table 2: Effect of absorption costing on corporate performance on selected manufacturing firm in Nigeria

S/N	QUESTIONS	SA	A	UD	D	SD
1	Absorption costing method has significantly affected the profitability giving competency by accessing the accurate cost	56 (31.1%)	66(36.7%)	5(2.8%)	30(16.7%)	23(12.8%)

2	Absorption costing has significant impact in decision making of any company	48(26.7%)	74(41.1%)	7(3.9%)	24(13.3%)	27(15.0%)
3	Most company adopt absorption method as a result of the effect on their business growth in determining the expenses spent in the manufacturing of goods.	33(18.3%)	70(38.9%)	9(5.0%)	37(20.6%)	31(17.2%)
4	Absorption costing method has significantly increased the level of their financial leverage and achieving high standard Accounting procedure	31(17.2%)	64(35.6%)	16(8.9%)	50(27.8%)	19(10.6%)
5	Absorption costing method has significantly increased the level of their growth rate of manufacturing companies in Nigeria	44(24.4%)	58(32.2%)	14(7.8%)	38(21.1%)	26(14.4%)

Source: *Field Survey, (2022)*

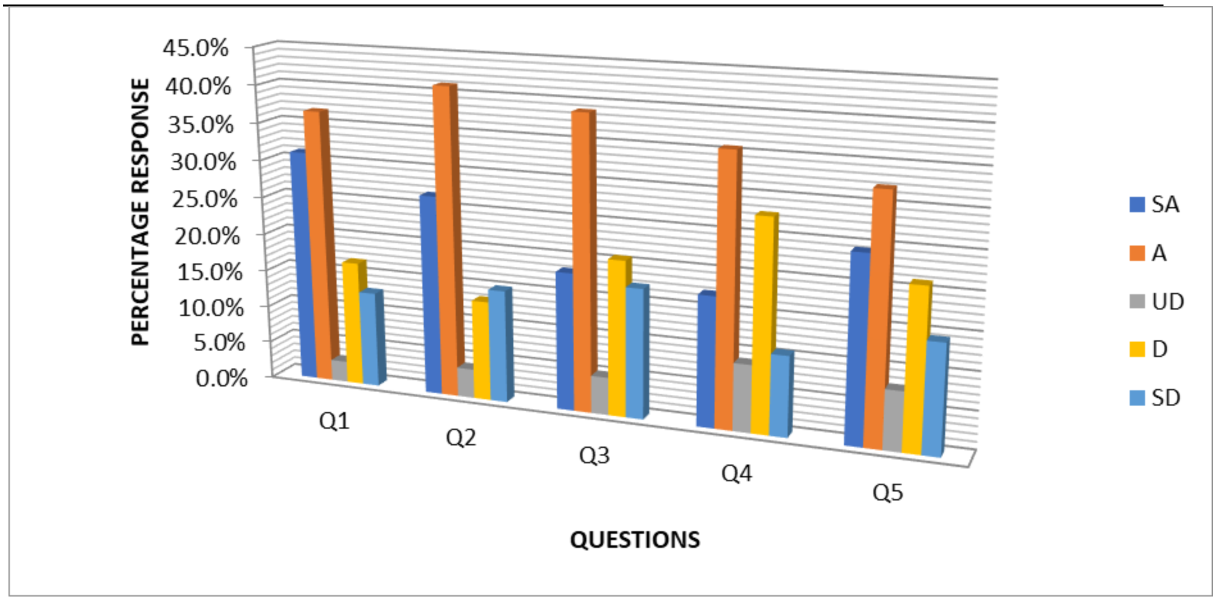

Figure 1:Analysis of the effect of absorption costing on corporate performance of manufacturing companies in Nigeria

In Table 2 and Figure 1, we saw how absorption costs affected the bottom lines of certain Nigerian factories. Results showed that 67.8% of respondents [31.1% (SA); 36.7% (A)] believed that using the absorption costing approach significantly impacted the profitability of a sample Nigerian manufacturing business. About 67.8% of respondents were analyzed [26.7% (SA); 41.1% (A)], and their results showed that absorption costs has a considerable influence on the performance of chosen manufacturing firms. Five-seven percent of respondents [18.3 percent (SA); 38.9 percent (A)] said that companies use the absorption strategy because it helps their businesses expand. The majority of respondents (52.8%; 17.2% SA; 35.6% A) believe that the absorption costing method has significantly increased the financial leverage of Nigerian manufacturers, and a similar number (56.6%; 24.4% SA; 32.2% A) believe that it has significantly increased the growth rate of Nigerian manufacturers. Table 2 and Figure 1 illustrate that the absorption costing method significantly improved the financial results of several Nigerian manufacturing companies.

Analysis of the impact of marginal cost on corporate performance of selected firms in Nigeria

This section presents the results of a subjective analysis of the effect of marginal cost on the financial success of a sample of Nigerian businesses. Tables 2 and 3 provide the data separately for a more concise summary.

Table 3: Effect of marginal cost on corporate performance of selected firms in Nigeria

S/N	QUESTIONS	SA	A	UD	D	SD
1	Marginal costing has significantly affected the profitability of selected manufacturing in Nigeria	43(23.9%)	65(36.1%)	11(6.1%)	35(19.4%)	26(14.4%)
2	Marginal costing has significant impact in decision making of any company	45(25.0%)	71(39.4%)	16(8.9%)	22(12.2%)	26(14.4%)
3	Most company adopt marginal costing as a result of the effect on their business growth	38(21.1%)	81(45.0%)	12(6.7%)	31(17.2%)	18(10.0%)
4	marginal costing has significantly increased the level of their financial leverage of manufacturing companies in Nigeria	46(25.6%)	66(36.7%)	9(5.0%)	22(12.2%)	37(20.6%)
5	marginal costing has significantly increased the firm size of manufacturing companies in Nigeria	51(28.3%)	77(42.8%)	8(4.4%)	21(11.7%)	23(12.8%)

Source: *Field Survey, (2022)*

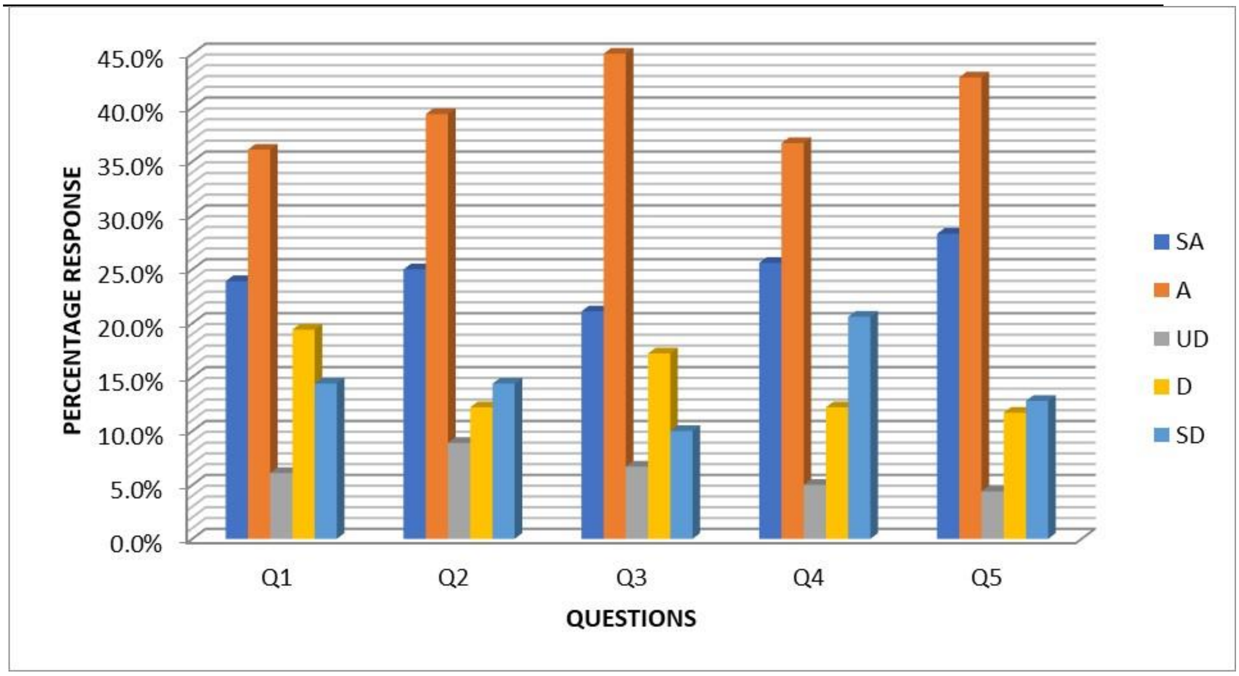

Figure 2:Analysis of the effect marginal cost on corporate performance of selected manufacturing firms in Nigeria

Table 3 and Figure 2 reveal that the majority of respondents (60%) found that marginal cost contributed positively to the profitability of the sampled Nigerian enterprises. The majority of respondents (64.4%; 25% SA; 39.4% A) believe that marginal costing has had a favorable effect on the financial success of strategically chosen manufacturers. Sixty-six percent of respondents [21.1% (SA); 45.1% (A)] also agreed that marginal costing is used by select manufacturing enterprises because of the positive impact it has on company expansion. Seventy-one percent of respondents [28.3 percent (SA); 42.8 percent (A)] praised that marginal costing has significantly increased the firm size of manufacturing companies in Nigeria, and 62.3% of respondents [25.6 percent (SA); 36.7 percent (A)] stated that marginal costing has significantly increased the level of financial leverage of manufacturing companies in Nigeria. According to the findings, marginal cost does have a positive and substantial influence on corporate performance throughout the sample of Nigerian manufacturing companies. The reason for this is that manufacturing firm can afford to comply with absorption and marginal costing due to the significant impact and are likely in cutting unnecessary expenses either through production overhead, cost incurred direct labour and direct labour, still maintain a high credit rating, and can readily manage external finance at a low cost. This finding is congruent with those of Hssein,(2017),Ahmad,(2018),Raghavan (2019), who found a statistically significant positive association standard cost and firm performance.

Although firm age, growth rate, financial leverage, free cash flow (FCF), and business risk (BR) are good for explaining the behavior of sampled firms' performance, the findings of this study suggest that they are critical factors to consider when making decisions to optimize performance of the selected manufacturing firms studied.

Conclusion and Recommendation

Several studies have been undertaken on factors affecting behavior of firm performance in Nigeria. Most of these studies were conducted examining fewer characteristics of financial performance without considering other measures (such as business risk, free cash-flow, asset tangibility, etc.) as determinants of corporate performance in Nigeria. This is exactly what this study attempted by investigating the relationship that exists between absorption costing and marginal costing and corporate performance of listed manufacturing firms in Nigeria. A number of logical inferences were drawn based on the empirical evidence and findings of this investigation.

The study therefore, submits that absorption and marginal costing have strong statistical relationship with the corporate performance of selected manufacturing companies in Nigeria. The study recommends that profitability, business size, liquidity situation, and asset tangibility are important variables to consider when the management of selected manufacturing firms in Nigeria decides to adopt absorption and marginal costing.

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