A COMPARATIVE ANALYSIS OF THE IMPACT OF INVENTORY VALUATION METHODS ON FINANCIAL REPORT STATEMENT IN SOME MANUFACTURING COMPANIES IN ENUGU STATE

BY

MORGAN, ACCEPTANCE OKON

ACC/2007/376

DEPARTMENT OF ACCOUNTANCY

FACULTY OF MANAGEMENT AND SOCIAL SCIENCE

CARITAS UNIVERSITY

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A PROJECT SUBMITTED TO THE DEPARTMENT OF ACCOUNTANCY
FACULTY OF MANAGEMENT AND SOCIAL SCIENCE
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IN PARTIAL FULFUILLMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELOR OF SCIENCE (B.Sc.) DEGREE IN ACCOUNTANCY

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APPROVAL PAGE

This is to certify that this project work titled "A comparative analysis of the impact of inventory valuation methods on financial report statement in some manufacturing companies in Enugu state". Was written by ACCEPTANCE .O. MORGAN with registration number ACC/2007/376 of the department of Accountancy, Caritas University Amorji-Nike, Enugu State. In partial fulfillment of the requirement for the award of a B.Sc. degree in Accountancy.

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DEDICATION

This project work is dedicated to God Almighty for His immeasurable love and faithfulness all through the course of this work and my academic pursuit.

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ABSTRACT

This research work was conducted on with special reference to the impact inventoryvaluation methods has on financial report statements of manufacturing companies. For a longtime now the Accounting profession has not been able to come up with any particular technique or method to be used uniformly in valuing inventory. This research work examined if the method used was as a result ofthe prevailing economic circumstances. A survey research design was adopted for the study; data collected weregotten from both the primary and secondary sources. An infinite population of over 3000 was used and a finite population of 220. Three hypotheses were tested at 5 percent level of significance. Tables and percentages were employed to answer the questionnaires while the statistical regression coefficient analysis and Z- test were used to test the hypotheses. It was found amongst others that the prevailing economic parameter influences the decision of choice of inventory valuation method used. The Accounting professional bodies should try as much as possible to adopt a particular method of inventory valuation and the weighted average method was recommended as a method that can withstand any economic challenges

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CHAPTER ONE

1.0 INTRODUCTION

1.1BACKGROUND OF THE STUDY

Inventory valuation allows companies to provide a monetary value for items that make up their inventory (stock).

Inventories are usually the largest current asset of a business and are as important as funds (cash). It is a form of fund tied up in assets (current assets). It's proper or accurate measurement or valuation cannot be overlooked as it forms a greater percentage of an enterprise's current assets in particular and a total asset in general. For manufacturing companies, inventories usually represent approximately 20 to 60 percent (%) of their assets. If inventory is not properly valued, it may result that expenses and revenue may as well not be properly matched and a company could make poor business decisions that will affect the company's profit. It is essential the way assets are valued because it could be attributable to the numerous benefits which an organization stands to gain by keeping an accurately valued stock that meet shareholders needs, demands for financial information and also the relevant specification of a particular organization. However, it will be a waste of time if the record accuracy is poor.