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RATIO ANALYSIS AS A MEASURE OF PERFORMANCE IN THE MANUFACTURING INDUSTRY
A CASE STUDY OF SELECTED FIRMS IN FOODS AND BEVERAGE INDUSTRY

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ABSTRACT

The need for firms to measure their performance become imperative in view of their vulnerability to environmental risks and the fact that firms can only continue to exist if the firms are performing their activities well internally and relative to competitors in the market. Measurement of the performance business firms is done in the field of financial management through ratio analysis and that why this study specifically the investigates how financial ratio analysis can be used to measure the performance of manufacturing Industry using three selected manufacturing firms in the Foods and Beverages industry as case study. The study mainly sourced it data through secondary means, that is, examination of relevant literature such as text book, journal, conference papers and 2005 and 2006 annual Fact Books of Nigerian Stock Exchange. Three firms were randomly selected from the industry and selected financial ratios were used as analytical tool for this study. The study discovered Nestle had the highest earnings per share and dividend per share as well as the most liquid in terms of the ability to redeem its financial obligations.

INTRODUCTION

The continue existence of businesses in general, and manufacturing firms in particular depend on the firms' dexterity in utilizing its resources efficiently and effectively to be able to generate profit and realise the firm's stated objectives. The paramount objective business entity pursues is maximization of profit in order to be able to pay for the resources committed by the business owners and increase shareholders' wealth. However, it is on the profit that other business objectives depend, as profit realization or maximization ensures firm's survival, growth and expansion (Mustapha, 2006, Motajo, 2008, Olujide and Aremu, 2004). A firm that makes profit will continue to existence and going concern is an important concept in Accounting and this is important because a continuous lift is anticipated for the firm within a foreseeable future (Omuya, 1992, Abdulraheem, 2004 and Aliu and Shagari, 2005).

Business organizations' periodic financial reports through profit and loss accounts, sources and uses of funds and Balance Sheets requires a cautious assessment and interpretation to be able to establish the extent of performance of such firms. Hence, the evaluation of the performance of business organization should start with the interpretation of the financial statements as this will reveals the strengths and weaknesses of business organisations generally and manufacturing firms in particular and the future plans of the firm should be laid down in the view of the firm's financial strength and weaknesses Pandey (2005). Thus, it is in this regard that the study examines how best financial ratio analysis can be used to measure performance in manufacturing industry.

Specifically the study investigates on financial ratio analysis as a measure of performance in manufacturing Industry using selected manufacturing firms in the Food and Beverages industry as a case study. The study aims at educating operators in the selected industry, shareholders, creditors, financial management researchers as well as financial management students and other interested publics on how financial ratio can empirically