FINANCIAL MANAGEMENT PRACTICES IN MANUFACTURING FIRMS: A CASE STUDY OF THE NEW NIGERIA TIMBER COMPANY (N.N.T.C.) BENUE STATE

BY

MICHAEL ALI OKOH

A THESIS SUBMITTED TO THE POST-GRADUATE SCHOOL, AHMADU BELLO UNIVERSITY, IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF SCIENCE (ECONOMICS)

DEPARTMENT OF ECONOMICS,
FACULTY OF ARTS AND SOCIAL SCIENCES,
AHMADU BELLO UNIVERSITY, ZARIA

JANUARY, 1991

DECLARATION

I, MICHAEL ALI OKOH, hereby declare that to the best of my knowledge, the work presented in this thesis for the award of Master of Science degree in Economics has never been presented either wholly or in part to any other University for examination.

I also hereby certify that this thesis is entirely the result of my own independent investigations. The various sources to which I am indebted are clearly indicated in references in the text or in the bibliography.

MICHAEL ALI OKOH.

CERTIFICATION

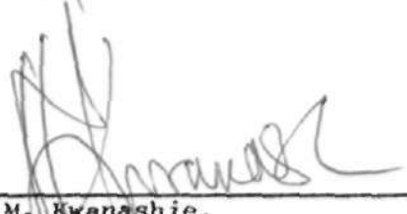
This thesis entitled FINANCIAL MANAGEMENT PRACTICES IN MANUFACTURING FIRMS: A CASE STUDY OF THE NEW NIGERIA TIMBER COMPANY, (N.N.T.C.) BENUE STATE by Michael Ali Okoh meets the regulations governing the award of the degree of Master of Science (Economics) of Ahmadu Bello University, and is approved for its contribution to knowledge and literary presentation.



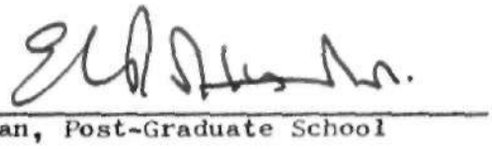
D.D. Bolaji — 14-10-91
Chairman, Supervisory Committee — Date



Dr. M. Kwanashie, — 14-10-91
Member, Supervisory Committee — Date



Dr. M. Kwanashie, — 14-10-91
Head of Economics Department — Date



Dean, Post-Graduate School — 9/4/92.
Date

External Examiner — Date

DEDICATION

The entire lot of this work is dedicated to my wife, JULIANA; and to my children, ABU, ENEOJO, OJONUGWA, FRIDAY, UFATI and OCHOGU.

ACKNOWLEDGEMENT

Acquisition of knowledge must be seen as a corporate enterprise. This is because experience has shown that successful authors always consult many other sources as references and seek advice either directly or indirectly. This is the guiding principle in putting things together for this thesis. Consequently, I have, in the preparation of this work, accumulated more debts than I can repay. I wish, in particular, to express my deepest appreciation to Mr. D.D. Bolaji (my main Supervisor) whose concern, experience and imagination not only provided a base for the take off of this work, but whose interest sustained a constant flow of ideas and constructive criticisms. I am also grateful for his regular corrections and consultation throughout the development of the study.

Gratitude is also expressed to some members of staff of the department of Economics, Ahmadu Bello University, Zaria. They are Dr. Mike Kwanashie who is the Head of Department and at the same time my second supervisor. I am greatly indebted to him for his advice, encouragement and supervision. Others are Dr. E. Dike, Prof. J.S. Odama, DR. R. Agheyisi, Mrs. Sani and Mr. Dangana. I am very grateful for their various contributions during the early stages of the study.

I am particularly indebted to Mr. F.A. Akogwu, the Assistant Director of Education, Olamaboro Local Government of Benue State for his consistency, support and encouragement. He has generously shared his time, ideas, expertise and money at every stage of the programme. Appreciation is also expressed to Elders S.S. Usman and E.A. Akubo for their financial and moral support.

I should express my gratitude to Mr. Simon Agada, Mr. Peter U. Adamu, Mr. Michael Ogaji for their assistance in the collection of data for this study. Others that deserve appreciation for their various contributions are Emmanuel A. Okoh, Mallam Musa Sule, Mr. J.S. Ogboji and Mrs. Mary Ogboji.

Thanks are due to many friends and bretheren in the Lord who prayed for the success of this study and helped in various ways: Mr. Attah A. Haruna, Mr. Edwin Enofe, Mrs. Rachael Salako, Mr. Abu Maji, Mr. Michael Jimaza, the entire members of Qua Iboe Church, Ugbokolo and Mr. Moses A. Aiafo.

I am also particularly grateful to my employer the Benue State Polytechnic, Ugbokolo for granting me study leave to undertake this course. I should express my gratitude to the entire staff of Registry Department, Benue State Polytechnic, Ugbokolo for their respective contributions to the production of this thesis.

This acknowledgement would not be complete without mention of the personal assistance of Mrs. Juliana Okoh whose patience and cheerful absorption of house-hold responsibilities provided the personal inspiration and context without which concentrated work would not have been possible. She successfully performed the dual role of a mother and a husband while I was away. Her devotion, self-sacrifice, prayers, co-operation and encouragement over the years have gone along way to make this work possible. I also wish to thank my children - ABU, ENEOJO, OJONUGWA, FRIDAY, UFATI, and OCHOGU - for their various forms of sacrifices necessitated by my unavoidable absence from home for a larger part of the course duration when they needed me most.

Finally, I wish to state that I am a lone responsible for any errors that may be found in the study.

ABSTRACT

The successful management of any business enterprise depends on the ability to recognize the inter-dependence of the operating and capital elements of the business structure, and to achieve a balanced financial control of the operations. To reach this point, there must be, first, the role of financial management and the nature of invested capital must be fully understood by those having the authority for decision making; secondly, the cost of capital employed in the business must be defined and translated into some specific objectives for profits that will provide an adequate return on invested capital; thirdly, operating targets must be established for the management of capital turn-over and for the management of profit rates that will support these basic objectives.

To be able to maintain an orderly balance between these several elements, management must clearly identify the inter-relationship between capital and profit, and must develop an operating plan which fully recognizes the inter-dependence of the operating decisions themselves.

This study examines financial management practices in manufacturing industries in Benue State with special focus on New Nigeria Timber Company. Financial management is being seen as the crucial factor in the growth and development of industries.

An attempt has, however, been made to:

(i) review the types of management, objectives, and the impact of financial management;

(ii) define the relevant environments and suggest various approaches to evaluate corporate financial management and;

(iii) discuss some quantitative techniques applicable to financial management practices.

Financial management has been observed as an important aspect of corporate management. This is as a result of significant role financial management plays in the determination of success or failure of any industry.

In this study, adequate descriptions of what approaches, methods and techniques are available in establishing sound financial management have been given. The methods discussed do not apply to only one firm. Definiately, the findings of the study will enhance not only NNTC but any similar industry operating with the same conditions; for, results have given an insight on how, when and why to control financial resources for effective, efficient and satisfactory management. It should, however, be noted that a combination of approaches are often the most appropriate approach which can lead to successful financial management.

TABLE OF CONTENTS

		PAGE
Title Page		i
Declaration		ii
Certification		iii
Dedications		iv
Acknowledgements		v
Abstract		viii
Table of Contents		x
List of Tables		xiv
List of Figures		xv
CHAPTER I:		
1.0	INTRODUCTION	1
1.1	Introduction	1
1.2	Statement of the problem	3
1.3	Relevance	4
1.4	Objectives of the Study	5
1.5	Hypothesis	6
1.6	Scope of the Study	6
1.7	Sources of data	7
1.8	Constraints of the Study	7
1.9	Organisation of work	8
1.10	Foot Notes	9
CHAPTER II:		
2.0	REVIEW OF LITERATURE	10
2.1	Management: What it is	10
2.2	Types of Management	12

CHAPTER II:			PAGE
2.2.1	Personnel Management	...	13
2.2.2	Production Management	...	15
2.2.3	Marketing Management	...	16
2.2.4	Financial Management	...	18
2.3	The role of Financial Management	...	19
2.4	Objectives of Financial Management	...	20
2.5	The impact of financial management	...	23
2.6	Theoretical frame work	...	25
2.7	Foot Notes	...	28

CHAPTER III:

3.0	NNTC AND FINANCIAL MANAGEMENT TECHNIQUES	...	32
3.1	Introduction	...	32
3.2.1	Formation and ownership of NNTC	...	32
3.2.2	Organizational structure	...	34
3.3	Review of past operations of NNTC	...	37
3.4	Financial Management Techniques	...	39
3.4.1	Working Capital Management	...	40
3.4.2	Management of Inventories	...	42
3.4.3	Management of Cash-flow	...	45
3.4.4	Management of Accounts receivable	...	51
3.4.5	Management of Profit	...	52
3.4.6	Management of Dividends	...	55
3.5	Foot Notes	...	58

		PAGES
CHAPTER IV:		
4.0	ANALYSIS OF DATA	60
4.1	Introduction	60
4.2.1	Methodology	60
4.2.2	Some limitations of ratio analysis	65
4.3	Activity Ratios	68
4.4	Gross working capital - Total assets ratio ...	69
4.5	Liquidity ratios	71
4.6	Debt or leverage ratios	73
4.7	Profitability ratios	74
4.8	Management of accounts receivable	76
4.9	Management of dividend	78
4.10	Funding/Capitalization	79
4.10.1	Funding	79
4.10.2	Capitalization	80
4.11	Debts	82
4.12	Government interest free loan to the Company ...	84
4.13	Lack of established accounting system	86
4.14	Management by non-managers	87
4.15	Poor management	88
4.16	Curruption	89
4.17	Conclusion	91
4.18	Foot Notes	93

PAGES

CHAPTER V:

MAJOR FINDINGS, CONCLUSION AND RECOMMENDATION 95

5.0 MAJOR FINDINGS, CONCLUSION AND RECOMMENDATION ... 95

5.1 Introduction 95

5.2 Summary of major findings from the study ... 95

5.2.1 Invested capital 95

5.2.2 The Company's liquidity 96

5.2.3 The profitability of the Company 97

5.2.4 Payment of dividend 98

5.2.5 Poor capitalization 98

5.2.6 Mismanagement of funds 99

5.2.7 Lack of Established accounting system 99

5.2.8 Excessive turnover of chief Executives 100

5.2.9 Lack of qualified manpower 100

5.3 Conclusion 101

5.4 Recommendations 102

5.5 Suggestions for further research 105

5.6 Foot Notes 107

Bibliography 108

Appendices 113

Appendix A 113

Appendix B 114

Appendix C 119

Appendix D 123

LIST OF TABLES

		PAGES
3.1	Formation and ownership of NNTC	33
3.2	Current ownership of NNTC	33
4.1	Activity ratios	68
4.2	Gross working capital - total assets ratio ...	69
4.3	Liquidity ratios	71
4.4	Debt or leverage ratios	73
4.5	Loss of revenue between 1985-1989	75
4.6	Bad and doubtful debts	77
4.7	Ratio of dividend to share-holders funds ...	78
4.8	Capitalization of selected companies	81
4.9	Ratio of NNTC equity capital to other companies ...	81
4.10	Total debts of NNTC as at July 31, 1987 ...	83
4.11	Government's interest free loan to the Company ...	84
4.12	The Company's expenditure on some purchases and repairs	90

LIST OF FIGURES

		PAGES
2:1	Product life cycle	17
3:1	Organizational chart of NNTC	36
3:2	Cash-flow for a Manufacturing firm	46

CHAPTER I

1.0 INTRODUCTION

KASHIM IBRAHIM LIBRARY

1.1 INTRODUCTION:

Recent experience with Nigeria's Public Sector finances throws light on the importance of financial management. Financial management involves the efficient mobilisation of scarce financial resources, the judicious investment of such resources and the ultimate return of the financial resources to the financial sources. As Horn (1977)[1] aptly puts it, the major financial decisions are the financing, investment and dividend decisions. These decisions relate to the mobilisation of financial resources, the investment of such resources and the return of the finances to the financing sources. Following the discovery and exports of large volumes of crude oil, Nigeria recorded a rapid growth in per capita gross domestic product (GDP) in the 1970s (Kochav, et al, (1974)[2]. The money realized from the rapid growth of the GDP in the 1970s was not properly utilized.

In the 1970s, during the "oil boom" period, the country embarked on the development of heavy industries and projects without the capability to run and maintain them. Some projects undertaken as a result of the "oil boom" include: multi-million naira River Basin Development Authorities, the pulp and paper projects, vehicle assemblies, petroleum refineries, steel rolling mills and iron and steel plants. Furthermore, there was heavy dependence on imported goods ranging from latest

models of the most expensive vehicles, electronics, food items, saw dust items and at times even paying for sheer nothing (Ayagi, 1988)[3]. In addition to this, Nigerians during this period, imported into the Country containers of lipstick, tooth pick, spaghetti, macaroni to mention but a few. This was how the scarce financial resources earned during the "oil boom" was spent.

Nigeria started to face economic recession towards the tail end of the 1970s due to the cut back in the world oil glut. At this time, there was drastic reduction in the revenue realized from the sale of crude oil, and Nigeria could no longer afford to settle her ever-increasing import bills. The variables that influence the business cycles are some times beyond our control, such as oil glut, careful management of the country's financial resources could have reduced the hardships experienced during the recession (Osuagwu, 1985)[4]. The consequences of in effective financial management can be seen in our inability to settle our import bills without resorting to borrowing from the World Bank and other financial institutions abroad (Kwanshie, 1987)[5]. As at the end of December, 1988, Nigeria was indebted to these financial institutions to the tune of ₦100 billion, whereas we could have avoided this, if we were to efficiently and judiciously utilize the financial resources at our disposal during the "oil boom" era (Ayagi, 1988)[6].

The lesson we have learnt from this experience is that an effective management of financial resources is equally important, if not more important than the mere possession of

the resources. This applies to both the public and private sectors of the economy. Furthermore, we have learnt from the "oil boom" itself that the management of financial resources is a much bigger problem than the mere possession of these resources.

If industries are provided with financial resources for expansion and development without, at the same time, having access to assistance in using this newly-available financial resources rationally and efficiently, the availablility of finance may be ineffective, if not counter-productive.

1.2 STATEMENT OF THE PROBLEM:

Lack of finance and mismanagement of financial resources has seriously affected the development of industries in Benue State, and Nigeria (Sullivan and Ikpeze, 1980)[7]. The development of industries is not so much a question of absolute amount of financial resources employed as of the degree of effectiveness and efficiency with which the resources are employed (Kalu, 1986)[8]. Financial resources are very scarce. One would have expected that scarce resources be properly managed to the best interest of the industries, but there seems to be no efficient or prudent management of financial resources at the disposal of industrialists.

This study will endeavour to find out the extent to which mismanagement of financial resources hinders the development of industries in Benue State. This study also proposes to investigate the means by which industrial contribution to overall development of the State could be improved. Specifically, we

propose to study financial management of NNTC with a view to delineating the importance of the management of financial resources as a means of raising or improving the growth and development of industries in Benue State.

1.3 RELEVANCE:

The aspiration for economic development cannot be attained without industrial progress (Osara, 1985)[9]. Indeed, the development of industries is a sine-qua-non to the overall development of Benue State. In Benue State, the industrial sector has been deficient in terms of rapid development as a result of mismanagement of scarce financial resources.

To achieve the desired goal of developing the State economically, the management of scarce financial resources has been seen as very crucial. As a result of this, a detailed analysis of the impact of financial management practices in the development of industries is worth undertaking.

This study will be relevant in that it will determine whether a relationship exists between financial management and the development of industries. Secondly, this empirical study will help industries in proper utilization of scarce financial resources. Thirdly, it will provide the rationale for initiation of programmes designed to aid firms in their effective financial management for the sole purpose of improving their performances. It is in the realization of the fact that development in the modern world is invariably tied with industrialization that this research is geared towards

improving the management of scarce financial resources with the sole aim of ensuring that industries - particularly manufacturing industries grow and develop to their fullest potential. The growth and development of industries is a catalyst to the general growth and development of the State.

1.4 OBJECTIVES OF THE STUDY:

The main objective of this research is to attempt to suggest that if there is efficient and prudent financial management by industrial managers, it will go along way in improving rapid development of industries in Benue State.

Based on this aim, the objectives of this study are to:

(i) empirically analyze the utilization of financial resources available to New Nigeria Timber Company;

(ii) infer from the case study the consequences of ineffective utilization of financial resources and its interplay on the performance of industries in Benue State;

(iii) propose on the basis of findings from this case study, general guidelines which may be necessary for Benue State Government, as well as other industrialists to follow while setting up, running and maintaining industries.

1.5 HYPOTHESIS:

Non-efficient financial management will lead to failure of industries.

1.6 SCOPE OF THE STUDY:

This study covers the analysis of the impact of financial management practices in manufacturing industries in Benue State with particular focus on NNTC. The study also covers the period between 1985 - 1989. The study could not cover the pre-1985 period because data relevant to the study were not consistently available. Availability of data thus becomes the essential determinant of the period covered by the study. Furthermore, between 1980 and 1984 there were incessant strikes by workers. For example, in 1982 and 1984 the workers were on strike for five months and nine months respectively. Temporary stoppages, shortages, market shifts affect the operating ratios which we will use to analyze our data. As a result of this, the years where stoppages were more than four months were discarded in the analysis. However, in view of the fact that industries in Benue State faced acute shortage of finances during the late 1980s, we believe that a larger portion of the period of financial hardship in the manufacturing industry has been covered. It is expected that this period of tight money supply and credit restrictions will require prudent and efficient financial management. We, therefore, hope that useful and reliable conclusions can be drawn from the issues discussed.

1.7 SOURCES OF DATA:

This is an empirical study (research) attempting to examine various issues relating to the impact of financial management practices of NNTC, Okura-Lafia. Since it is intended to be a case study, information necessary for the research work will be gathered as follows:

(i) the Company's annual reports for 1985 - 1989;

(ii) the Company's balance sheets for 1985-1989;

(iii) the Company's profit and loss accounts for 1985-1989;

(iv) the Company's organizational chart;

(v) functions of the General Manager;

(vi) functions of other Managers.

In addition, interviews were conducted with the General Manager, other Senior Management officials as well as the officials of National Union of Wood Workers of the Company to supplement the other documents listed above.

The research data were also collected from the following sources:

(i) Benue State investment Company;

(ii) Benue State Ministry of Commerce and Industry;

(iii) Benue State Ministry of Finance and Economic Planning;

(iv) Federal Office of Statistics, Makurdi.

1.8 CONSTRAINTS OF THE STUDY:

Non-availability of enough data as many industries are usually resentful to studies of their financial management.

NNTC does not regularly publish its financial statements as done by some other organizations.

In addition, there is finance and time constraints.

In spite of these constraints, we will endeavour to make use of available figures which will hopefully produce useful results.

1.9 ORGANIZATION OF WORK:

1.9.1 Chapter One of the work will be on general introduction, statement of the problem, relevance, objectives, hypotheses and scope of the study.

1.9.2 Chapter Two will dwell on the review of related literature.

1.9.3 In chapter three, formation, ownership and operations of NNTC will be discussed. We will also evaluate the performance of NNTC. Financial management techniques - capital, inventories, cash flow, profits, dividends - will be discussed in detail.

1.9.4 Ratio analysis will be used to evaluate and analyze the data collected.

1.9.5 Chapter five will be the findings, conclusions and recommendations.

FOOT NOTES:

1. Horne, C.V.J. (1977), Financial Management and Policy, Prentice Hall, INC, New Jessey, PP. 33.

2. Kochav, D., Bohlin, H., Ditullio, K., Roostal, I., and Wahl, N. (1974), "financing the development of small scale industries", A study sponsored by International Bank for Reconstruction and Development (IBRD), Bank Staff working Paper No. 191.

3. Ayagi, A.I. (1988), "Who is The structural Adjustment Programme (SAP) for and who is the Real Beneficiary of (S)FEM". A Paper presented as the Guest Speaker on the occasion of launching of the book, The Nigerian Economy Under (S)FEM, at The Ahmadu Bello University, Zaria, on January 11.

4. Osuagwu, H.G.O. (1985), "Financial Management of the political and economic system: Some current problems." In Issues in Public Sector Management in Nigeria, edited by Isah Hashim, Centre for Management Development (CMD), Ahmadu Bello University, Zaria, Pages 247-268.

5. Kwanashie, M. (1987), "The Second-tier Foreign Exchange Market (SFEM): Prospects for Nigeria's Economic Recovery" in The Nigerian Economy Under (S)FEM, Edited by Attah, J.; Kwanashie, M., and Ojowu, O., Department of Economics, Ahmadu Bello University, Zaria, Page 112.

6. Ayagi, A.I. (1988), Op cit.

7. Sullivan, B.C., and Ikpeze, M. (1980), "Problems of industrial growth in Nigeria" in Readings in social Sciences, edited by Amucheazi, E.C., Fourth Dimension Publishing Company Ltd., Enugu, PP. 151-156.

8. Kalu, O. (1986), The challenge of industrialization in Nigeria - a Personal insight, Basic Trust Limited, Ikoyi - Lagos, PP. 29.

9. Osara, N.A. (1965), Food and Agricultural Organization, a paper presented at the proceedings of the Conference on pulp and paper development in Africa and Near East held in Cairo, 8-18 March, VOL.I, Rome 1966, sponsored by FAO (Food and Agricultural Organization) PP. 3.

CHAPTER II

2.0 REVIEW OF LITERATURE:

2.1 MANAGEMENT: WHAT IT IS.

The central core of the management function, which has made it of great interest to social scientists, is the decision - making behavour. The decision-making behaviour governs the allocation of scarce resources of a firm. This is why management has become a special area of interest to economists. Management facilitates decision-making and forward planning.

Management is a role - a set of duties, responsibilities and relationships. This role can be put as planning, organizing, controlling, investigating, negotiating and co-ordinating (Dunn, et al, 1973)[1]. This has been the tenement under which management function has been looked upon. Dunn et al (1973)[2] however, omitted motivation in their definition of management. Infact, most scholars of management like Dejon (1978)[3], Light, (1957)[4], Litterer (1978)[5], failed to include motivation as an important function of a manager. Motivation is the energising force that causes employees to behave in certain manner, positive or negative. If a manager motivates his employees, he will receive co-operation from the workers and eventually, the attainment of the organization's goals. An effective manager must draw others out to participate voluntarily in a common enterprise. Management usually involves getting the work done through and with the people. Management success is dependent upon its ability to build a work team and co-ordinate all the elements of an organization. Motivation, therefore, is

KASHIM IBRAHIM LIBRARY

an important function of a manager.

Management refers to the functions performed by the management staff. These functions are:

(i) the undertaking or managing of risk and handling economic uncertainty;

(ii) planning and innovation;

(iii) co-ordination, administration and control;

(iv) routine supervision (Singh, 1970)[6].

When a manager is planning, he is setting goals, organizing people, allocating resources and systematising procedures. When he is co-ordinating, he is turning the various acts and means to reach the common goal. Furthermore, when the manager is controlling, he is said to be monitoring utilization of resources, monitoring progress of work, comparing actual performances with plan. The result of this comparison should lead to signalling of errors and deviations. Signalling deviations may activate the manager to correct the problem (Goodman, 1968)[7].

The word "Management" suggests the existence of a leader. Someone whose duty it is to make arrangements for other people to carry out. Management involves six main activities, namely, forecasting, planning, organizing, commanding, co-ordinating and controlling (Light, 1957)[8]. The need for and the emergence of management occured when people became inter-dependent and at the same time could not spontaneously provide the co-ordination they needed. The major purpose of management is to achieve the most efficient means of accomplishing the task involved. It combines the efforts of individuals who are members of an

organization in a co-ordinated drive to achieve the goals of the organization (Dejon, 1978)[9].

It is important to note, however, that the manager has no complete control while performing his functions. A manager may be able to influence a particular subordinate, but have very little influence over a group of them; he may be trapped that is he may have not enough authority, and yet too much responsibility. The materials that he must process in his section may not be under his control and yet, his boss holds him responsible for the work and productivity of these materials. In addition, a manager may have control over the work methods of people, but little control over the efforts that people put into these work methods (Massie, et al, 1973)[10]. This shows that the manager's functions consist of controllable and uncontrollable elements.

2.2 TYPES OF MANAGEMENT:

Management is a process by which human and non-human resources are co-ordinated to achieve a given set of objectives (Connor, 1974)[11]. The principles of management are the same, irrespective of types of organization or types of management (Eziengbeaya, 1980)[12]. Take for example, the president, the general manager, the foreman and the vice chancellor, are all managers of their respective organizations. There are four main types of management in an industrial set-up. These are: personnel, production, marketing and financial managements.

2.2.1 PERSONNEL MANAGEMENT:

The management of an industry or any organization organizes people and their efforts. The aim of any organization is to generate effective cooperation among a group of people towards achieving whatever goals the organization has. Capital and Machinery are very important for any industrial set-up, but the human resources who co-ordinates the other resources and decide what to produce, when to produce and how to produce, are the most critical variables in the industrial growth and development process (Eziengbeaya, 1980)[13].

The basic organizational features that help achieve higher productivity are:

(i) lines of authority must be clear at all levels. The relationship of people in the organizational ranks must avoid confussion of responsibility and over-lapping of authority. All authority is delegated progressively downward from the highest to the lowest managerial level. Sufficient authority must remain at the top to permit effective over all control of the organization;

(ii) delegation of responsibility must be accompanied by delegation of commensurate authority;

(iii) the unity of command principle should be observed. This means that no worker should

have more than one boss. If an employee is responsible to more than one manager, he cannot know where the ultimate authority lies in a given situation and, hence, satisfactory performance is virtually impossible to achieve;

(iv) reasonable balance should be maintained in the distribution of activities among various departments or sections;

(v) the number of persons reporting to a single executive or supervisor should be related to the nature of the operations to be managed;

(vi) provisions should be made for organizational flexibility to permit adjustment to change with a minimum of disruption (Hart, 1970)[14].

The personnel policy of an organization will, to a large extent, reflect the over all corporate strategy, since company policy determines the frame work within which the whole organization operates (Hunter, 1983)[15]. Take for example, if management adopts an autocratic style of leadership with minimal workers participation, this can lead to a conflict, militancyand poor overall performance. On the other hand, a totally democratic style of leadership in which it is difficult to identify a management structure may result in lack of discipline, a feeling of insecurity and doubts about the management's ability to manage the affairs of the organization.

An effective personnel management lies somewhere between these two extremes and should provide an environment within which the work force are motivated towards producing effective effort and co-operation with management. The Company, on the other hand, should adopt a management style which to a considerable extent; meets the needs of the work force. To achieve this, management must be aware of the legal obligations and social responsibilities in relation to their effect on safety, health, working conditions and employee motivation (Hunter, 1983)[16].

A successful personnel management requires top management to control, supervise, delegate and allocate responsibilities and to co-ordinate the work of individuals and groups within the organization (Hart, 1970)[17].

2.2.2. PRODUCTION MANAGEMENT:

Production management is the management of factors of production, costs of such factors, as well as management of the best combinations of inputs (factors) to produce outputs. Production management takes as its starting point, the study of the entire group of possible factor combinations that could be used to produce a certain output within a given state of technology (Koutsoyannis, 1977)[18].

The major objective of any industry or firm is to maximize the difference between revenue and costs. For

the producer to maximize profits, he has to vary (increase) the quantity produced since profit, revenue and costs, are all functions of quantity of goods or services produced. The aim of the firm - profit maximization - can be achieved by looking for the cheapest factor or combine the factors in such away of getting the best result (output).

The production manager can do three things to maximize profit: the first is to maximize revenue subject to costs; secondly, profit can be maximized if cost is minimized subject to revenue; thirdly, by expansion of scale of production. To be effective, production management must manipulate available resources in such away that the productivity of the enterprise is maximized (Hunter, 1983)[19].

2.2.3 MARKETING MANAGEMENT:

The purpose of marketing management is to ensure continuous growth and profitability of the industry. Marketing management is mainly concerned with the development, financing, promoting and distributing goods and services to groups of consumers or clients so as to earn more profits (Esemuede, 1986)[20].

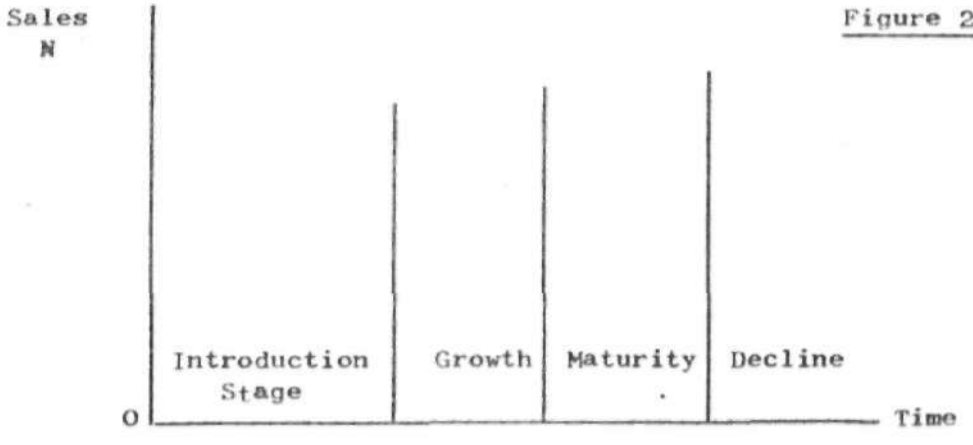
Products, like human beings, also have their life span. They pass through several stages and they eventually die. Beginning with their birth (introduction stage), they grow, mature and then fall out of the scene. By the time a product gets to maturity stage, the firm, though still enjoying increased volume of sales, it incurs a lot of costs.

This is so because the firm has to "step up" its advertising campaign, expands its distribution net-works, recruit more experienced sales people, offer better customer services, and spend more on quality control in order to survive various threats posed by its competitors. At this stage, the profit level will reach the peak and then drop, because of high expenditure on promotional efforts to sustain the products position against the competitors (Olaniyi, 1986; Segun, 1986)[21 & 22].

Setting and maintaining a price structure is another important aspect of marketing managment. The marketing manager has to develop and implement a pricing strategy that meets the needs of his industry at certain points in time. The basic pricing mix are costs, profits - demand and competition. The optimum mix of these ingredients varies according to the nature of product, service, markets and corporate objectives (Olaniyi, 1986)[23].

PRODUCT LIFE CYCLE:

Figure 2:1



Source: Business Times, Monday, Nov. 24, 1986, PP. 8.

Figure 2:1 shows the expected demand over the life cycle of a product. Right from introduction stages, the demand rises up to growth stage and maturity. At the age of maturity, the demand becomes sluggish and finally declines.

2.2.4 FINANCIAL MANAGEMENT:

Policy is the foundation of management (Maitin, 1982)[24]. Financial management, therefore, is the task of formulating and execution of suitable financial policies in the interest of the industry. The major objective of such policies is to plan, co-ordinate and control those activities of the industry, which are responsible for efficient administration of resources.

Finance is the heart and the engine of any business (Onoh, 1983)[25]. The most important aspect of business management is financial management. This is not to say that other managers are irrelevant, but it is true to say that most decisions in modern management of industries are financial decisions, hence the importance of financial management in an industry. The success of an industry largely depends on the effective financial management (Onoh, 1983)[26].

Financial management involves the procurement and handling of funds in such away as to maximize the value of the firm to its share holders. Basically, the financial manager strives to find an optimal combination of three

interrelated decisions: first is the investment decision; second, is the financing decision and third, is the dividend decision (Ebong, 1983, Horne, 1977)[27 & 28].

Financial managers should manage invested capital. In its broadest sense, the management of invested capital will be seen as the management of profit, since profit itself must be defined as an adequate return on capital employed. Furthermore, the financial manager must understand the legal environment in which his business functions. Otherwise, management decisions may be ineffective, if not entirely self-defeating. The understanding of the legal forms of business and tax legistation are crucial to the financial manager as they affect firm's financial decisions.

2.3 THE ROLE OF FINANCIAL MANAGEMENT:

It is obvious that technology has no value unless it can produce; production is worthless unless it can be sold, sales are of little importance unless they are profitable (Symonds, 1978)[29]. The role of financial management, therefore, is to unify these objectives and to give a common ground and a common purpose to each of these separate functions.

The management of capital fulfils the basic role of financial management. The management of capital will involve the management of profit, and profit management in turn, requires an evaluation of the amount of profit needed to pay for

the cost of capital. It leads, in short, to the management of the rate of return on invested capital (Symonds, 1978)[30].

In the past, financial management was mainly concerned with the keeping of accurate financial records, preparing of business reports, management of firm's cash position and providing funds for the settlement of bills. In the event of insufficient liquidity, the financial manager procured additional funds on either short, medium, or long-term loan basis (Martin, et al, 1979)[31].

As from the mid - 1950s, the role of financial management underwent drastic changes. During this period, capital budgeting became the major topic in finance. In effect, the field of financial management changed from the descriptive discipline dealing primarily with raising of capital, regulations, keeping of accurate financial records to a more encompassing one dealing with all aspects of acquiring and efficiently utilising these funds. As of today, increased inflationary worries, the measurement of return on capital, are constantly reshaping financial thought and management.

2.4 OBJECTIVES OF FINANCIAL MANAGEMENT:

There are many interests represented in a company and each interest depends on the political system, the attitudes of the society at a particular time, and the bargaining power of these interests at the time. A company is both part of a system and a system in itself. The larger system, the society in which it operates, will both affect its objectives and

influence its results. Within the Company itself, there will be individuals and groups whose own objectives deviate to a greater or lesser extent from those of the Company.

There are, however, two principal ways in which the financial objectives of the firm have been viewed (Franks and Broyles, 1979)[32]. First, the traditional view is that the objective of management is to maximize profits. This is usually practiced in terms of accounting profits. At rates of return below opportunity cost of capital, a business enterprise cannot attract external capital neither can it justify the retention of internally generated fund, to finance investments. A business enterprise must, therefore, earn enough profit to cover its costs of capital or it will face the risk of extinction. The desirability of any investment depends on its profitability (internal rate of return). No business enterprise can survive and stay alive if it cannot attain a level of profitability that at least can cover its cost of capital (Iyiegbuniwe, 1986)[33]. This is what classical economic theory suggest by its notion of "normal profit" defined as the excess of revenue over and above all costs of doing business, including the opportunity cost of capital.

Secondly, increased inflation and new theoretical developments have contributed to reshape financial thought. The goal of the firm was re-examined and the commonly accepted goal of profit maximization was rejected because it does not deal adequately with uncertainty and time. The goal of

influence its results. Within the Company itself, there will be individuals and groups whose own objectives deviate to a greater or lesser extent from those of the Company.

There are, however, two principal ways in which the financial objectives of the firm have been viewed (Franks and Broyles, 1979)[32]. First, the traditional view is that the objective of management is to maximize profits. This is usually practiced in terms of accounting profits. At rates of return below opportunity cost of capital, a business enterprise cannot attract external capital neither can it justify the retention of internally generated fund, to finance investments. A business enterprise must, therefore, earn enough profit to cover its costs of capital or it will face the risk of extinction. The desirability of any investment depends on its profitability (internal rate of return). No business enterprise can survive and stay alive if it cannot attain a level of profitability that at least can cover its cost of capital (Iyiegbuniwe, 1986)[33]. This is what classical economic theory suggest by its notion of "normal profit" defined as the excess of revenue over and above all costs of doing business, including the opportunity cost of capital.

Secondly, increased inflation and new theoretical developments have contributed to reshape financial thought. The goal of the firm was re-examined and the commonly accepted goal of profit maximization was rejected because it does not deal adequately with uncertainty and time. The goal of

maximization of share holder's wealth was then suggested and accepted as the proper goal for the firm, because it adequately deals with all complexities of reality (Martin, et al, 1979)[34]. The wealth maximization goal encourages the assessment of all future benefits that are expected to arise from an investment and provides a means of giving appropriate weights to futures benefits depending upon when they are expected to occur(Franks and Broyles, 1979)[35].

There are many constraints on these objectives - profit maximization or wealth maximization. These include the employees' interest, that of the manager, as well as the interest of the society and the government. One way to look at the objectives of Companies would be to say, therefore, that it should seek to maximize the shareholder's wealth, subject to a growing number of constraints (Symonds, 1978)[36]. All these constraints notwithstanding, the maximization of shareholders wealth is very important, because investors can move their funds from Company to Company, influenced by the returns they expect. Naturally, investors move their funds to where they expect the highest returns.

Finally, in recent years, Government have become important providers of finance to industries. The main interest of Government in establishing such industries is to achieve certain objectives in the national interest. Such objectives are high level of employment and a sound balance of payment position or to reduce import dependence among others (Samuels and Wilkes, 1980)[37].

2.5 THE IMPACT OF FINANCIAL MANAGEMENT:

Profit maximization is the traditional objective of financial management of any industry. A much more acceptable objective of financial management presently is the maximization of shareholder's wealth. An efficient financial management will enhance profit maximization or the maximization of the shareholder's wealth, while inefficient financial management will lead to unrealization of any of these objectives. The impact of financial management, therefore, is to enable the industry to grow and develop continuously.

The successful financial management of any business enterprise will depend on the ability to recognize the interdependence of the operating and capital elements of the business structure and to achieve a balanced financial control of operations. Capital invested into any business requires profit. From the inception of the business, the acceptance of capital funds from the investor places upon management a requirement to earn a profit that will justify the risk to which the capital has been put. Since the need for capital will continue throughout the life of the business enterprise the profit demand will be a continuing requirement which must become the primary goal of operating management.

The achievement of the first goal - earning of profit sufficient to justify the use of capital employed will then generate additional funds, part of which may be returned to the investor in the form of dividends. The bulk of the net

earnings are usually retained in the business to finance further growth and development. These retained earnings are infact, additional capital, and successive increments of new capital will continue to be generated as long as the operations continue to be profitable.

The initial capital has now been increased by the amount of the earnings retained in the business, and a corresponding increase in the level of profits will now be needed just to maintain an adequate rate of return on total capital employed.

The success of the business enterprise in earning enough profits to support the initial capital investment, will, in itself, result in continual increase in the total amount of capital employed. As capital increases, the profit requirement will also increase with the result that profits themselves will ultimately call for even greater profits as the business continues to grow (Symonds, 1978)[38].

In summary, the main impact of financial management are: first, capital require profit. That is, investment will bring about the need for profits; secondly, profit increases capital. That is as profit increases, the wealth or the capital or the assets of the Company increases; thirdly, higher capital requires higher profits; fourthly, profits require more profits. This shows that an efficient financial management will enable the company to grow and develop continuously. The impact of financial management, therefore, is to ensure growth and profitability of the industry.

2.6 THEORETICAL FRAME WORK:

The efficiency of financial management in private sector projects or ventures are measured by a number of ratios (Onoh, 1983)[39]. A ratio is the measurement of the relationship between two identifiable quantities, with the relationship usually expressed by a fraction. In order to compute a meaningful ratio, there must be a significant relationship between the two figures. Ratio analysis has long been a favourite technique of financial analyst (Adikwu, 1983)[40]. The magnitude of these ratios indicate the degree of efficiency with which the financial manager had directed the venture towards the profit maximization goal of the firm. Ratios are more illuminating than mere comparisons of naira costs or naira profits from period to period.

Financial analysis involves the assessment of a firm's past, present and anticipated future financial condition. The objective is to identify any weaknesses in the firm's financial health that could lead ot future problems and to determine any strengths that the firm might capitalize upon. Knowledge of strengths or weaknesses that can be detected through analysis of the figures is vital to the firms managers, its owners, creditors and prospective new investors. It is obvious that weaknesses would be discovered ultimately without the use of such tools as financial ratios. However, careful ratio analysis uncovers danger signals early enough to prevent financial embarrassment to the firm.

Financial ratios represent an attempt to standardize financial information, so as to facilitate meaningful comparisons (Hart, 1970)[41]. Ratio analysis help us in comparing the performance of an enterprise against its own historical performance record, against the performance of the competitors or against that of the industry in general or against projected standards designed to improve the results of operational efforts. Ratio analysis is intended to bring into clearer focus the problem(s) that may be faced by a firm at any given time. Such problems are liquidity, inability to pay debts or inability to make profits.

Specifically, financial ratios provide the basis for answering some very important questions concerning the financial well-being of the firm. Examples include the following:

(i) How liquid is the firm? Liquidity here refers to the firm's ability to meet maturing obligations and to convert assets into cash. This factor is particularly important to the firm's creditors.

(ii) Is management generating sufficient profits from the firm's assets? Since the primary purpose for purchasing an asset is to produce profits, the analyst often seeks an indication of the adequacy of the profits being realized. If the level of profits appears insufficient in relation to the investment, an investigation into the reasons for the inferior returns is imperative;

(iii) how does the firm's management finance its investment? These decisions have direct impact upon the returns provided for the common stock holders;

(iv) Are the common stock holders receiving sufficient returns on their investment? The object of the financial manager is to maximize the value of the firm's common stock and the level of returns being received by the investors relative to their investment is a key factor in determining the value. The financial ratios used in answering these and several other questions can be categorized into three. These three basic financial ratios consist of liquidity, leverage and profitability ratios.

FOOT NOTES:

1. Dunn, J.D., Stephen, E., Kelley, J.R. (1973), Management Essentials: Resource, McGnew Hill, INC., New York, PP. 3-15.

2. Dunn, J.D., Stephen, E., Kelley, J.R. (1973) Ibid. PP. 28-29.

3. Dejon, W.L. (1978), Principles of Management: Tests and cases, The Benjamin/Cunning Publishing Company, INC., Califonia, PP. 4.

4. Light, H.R. (1957), The nature of Management, 2nd Edition, Isaac Pitman and Sons Limited, London, PP.2.

5. Litterer, J.T. (1978), An introduction to Management, John Wiley and Sons, INC., New York, PP. 4.

6. Singh, N.N. (1970), Scientific Management of Small-Scale Industries, Lalvani Publishing House, Bombay, PP. 7.

7. Goodman, R.A. (1968), "A system diagramme of the functions of a manager" in Ododuma Business Journal No. 18 Ododuma and Company, Management Consultants, Uyo, PP. 31.

8. Light, H.R. (1957) Op. cit.

9. Dejon, W.L. (1978) Op. cit.

10. Massie, J.L. and Doughlas, J. (1973), Managing - Contemporary Introduction, 2nd Edition, Prentie Hall, International, INC., London PP. 8-11, 14-15.

11. Connor, P.E. (1974), Dimensions in Modern Management, Houghton Mifflin Company, Boston, USA, PP.1.

12. Iziengbeaya, D.(1980), "What do managers do?" In Management in Nigeria Journal of Nigerian Institute of Management, VOL. 16, No. 7, July, PP. 42-43.

13. Iziengbeaya, D. (1980), Ibid. PP. 42-43.

14. Hart, J.D. (1970), Introduction to business in a dynamic society, Collier - Macmillan, Canda, PP. 236-240.

15. Hunter, R. (1983), Core Business Studies: Production, Nitchell Boazley Publishers, PP. 87-89 Shaftesbury Avenue, London, PP. 1-12, 40.

16. Hunter, R. (1983) Ibid. PP. 40.

17. Hart, J.D. (1970), Op. cit. PP. 236-240.

18. Koutsoyannis, A. (1979), Modern Mirro Economics, 2nd Edition, Macmillan, London, PP. 67-69.

19. Hunter, R. (1983), Op. cit.

20. Esemuede, P.E. (1986), "Marketing Management in the Construction Industry" in Business Times, Monday, January 17, VOL. II, No. 7., PP. 6.

. Olaniyi, O. (1986), "Marketing side of Management Pitfalls" in Business Times, Monday, March 10, VOL.II, No.10, PP.8.

22. Segun, O. (1986), "Marketing Management in Nigeria" in Business Times, Monday, November 24, VOL.II, No. 47., PP.8.

23. Olaniyi, O. (1986), Op. cit. PP. 8.

24. Maitin, T.P. (1982), "Financial Management" in Management in Nigeria, Journal of Nigeria Institute of Management, VOL.18, No.11, November, PP. 39-43.

25. Onoh, J.K. (1983), "Development in Nigerian Financial Management" A Paper presented on November 8, 1983 at the Conference organized by the Industrial Training Fund (ITF) at the University of Benin.

26. Onoh, J.K. (1983), Ibid.

27. Ekong, G. (1983), "The Marketing Concept" in Ododuma Business Journal, No. 18, Ododuma and Company, Management Consultants, Uyo, PP.20.

28. Horne, C.V.J. (1977), Financial Management and Policy, Prentie Hall, INC., New Jessey, PP.33.

29. Symonds, C.W. (1978), Basic Financial Management, Revised Edition, (AMACOM) A division of American Management Association, New York PP. 11-12; 111-113.

30. Symonds, C.W. (1978), Ibid.

31. Martin, J.D., Authur, J.K., Petty, J.W., and Scott, D.E. (1979), Basic Financial Management, Prentice Hall, Engle Wood Cliffs, New Jessey, PP. 3-4, 8-19.

32. Franks, J.R., and Broyles, J.K. (1979), Modern Management Finance, John Wiley and Sons, Chichester, PP. 13-15.

33. Iyiegbuniwe, W.C. (1986), "Legitimacy of Profit" in Management in Nigeria, Journal of Nigerian Institute of Management, VOL. 22, Nos. 9 and 10, September and October, PP. 39-41.

34. Martin, J.D., Arthur, J.K., Petty, J.W., and Scott, D.E. (1979) Op. cit.

35. Franks, J.R. and Bnoyles, J.K. (1979), Op. cit.

36. Symonds, C.W. (1978), Op. cit.

37. Samuels, J.M. and Wilkes, F.M. (1980), Management of Company Finance, 3rd Edition, Thomas Nelson and Sons Ltd., Nelson House, Mayfield Road, Walton-on-Thames, Surney PP. 3-4.

38. Symonds, C.W. (1978), Op. cit.

39. Onoh, J.K. (1983), Op. cit.

40. Adikwu, M.A. (1983), "Problems of using ratio analysis" in Management in Nigeria, Journal of Nigerian Institute of Management, VOL. 19, No. 5, May, PP. 39-42.

41. Hart, J.D. (1970), Op. cit.

CHAPTER III

3.0 NNTC AND FINANCIAL MANAGEMENT TECHNIQUES.

3.1 INTRODUCTION:

In this Chapter we will examine the formation, ownership and past operations of NNTC, Okura-Lafia. Specifically, we will examine the financial management techniques which in turn will emphasize the management of capital, inventories, cash-flow, accounts receivable, profit and pricing. In addition, the techniques for management of dividends will also be discussed.

3.2.1 FORMATION AND OWNERSHIP OF NNTC:

New Nigeria Timber Company (formerly known as Northern Nigeria Timber Company Limited) was incorporated on September 19, 1958, as a limited liability Company. It was jointly owned by coast Timber Company of Britain and the then Igala Native Authority. Coast Timber Company of Britain held 60% shares, while Igala Native Authority and some individuals held 35% and 5% shares respectively. In compliance with Enterprises Promotion Decree of 1972, the 60% shares held by Coast Timber Company were taken over by the Kwara State Investment Corporation in 1973. These shares were later transferred to Benue State Government in 1976, when Benue State was created. Out of the remaining 40% shares, 35% were divided among the three Local Government Authorities, Ankpa, 13.9%; Dekina 11.9%; and Idah 9.2%; while the balance of 5% shares were taken over by two private individuals, Messrs P.S. Achimugu and D.A. Ogbadu.

The initial share capital investment of NNTC was £23,000.00 (₦46,000.00), which was raised to ₦150,000.00 in 1972, while the paid up capital now stands at ₦144,700.00.

TABLE 3:1

FORMATION AND OWNERSHIP OF NNTC:

SPONSOR	VALUE OF EQUITY SHARE	% SHARE HOLDING
COAST TIMBER COMPANY OF BRITAIN	£13,800.00 (₦27,600.00)	60%
IGALA NATIVE AUTHORITY	£ 8,050.00 (₦16,100.00)	35%
P.S. ACHIMUGU	£575.00 (₦1150.00)	2.5%
D.A. OGBADU	£575.00 (₦1150.00)	2.5%
TOTAL	£23,000.00(₦46,000.00)	100%

Source: The Company's annual reports.

IBRAHIM LIBRARY RECEIVED

TABLE 3:2

CURRENT OWNERSHIP OF NNTC:

SPONSOR	VALUE OF EQUITY SHARE	% SHARE HOLDING
BENUE STATE GOVERNMENT	₦86,820.00	60%
ANKPA LOCAL GOVERNMENT	₦20,113.30	13.9%
DEKINA LOCAL GOVERNMENT	₦16,351.10	11.9%
IDAH LOCAL GOVERNMENT	₦14,180.60	9.2%
P.S. ACHIMUGU	₦ 3,617.50	2.5%
D.A. OGBADU	₦ 3,617.50	2.5%
TOTAL	₦144,700.00	100%

Source: The Company's annual reports.

Tables 3:1 and 3:2 show both the original owners of the Company as well as the current owners. At present, Benue State Government owns the largest share in the Company - 60%; while Ankpa, Dekina and Idah Local Governments have 35% shares. The remaining 5% shares were taken by Messrs D.A. Ogbadu and P.S. Achimugu at the rate of 2.5% each.

3.2.2 ORGANIZATIONAL STRUCTURE:

(i) BOARD OF DIRECTORS:

The Board is at the helm of affairs in the Company. The major role of the Board are: formulation of corporate policies; articulation of formulated policies and supervision of management for the implementation of the Company's goals, objectives and programmes. The Board, also, has the responsibility to equip the organization with the right calibre of management staff.

(ii) THE GENERAL MANAGER:

The General Manager is responsible for the day-to-day administration of the Company. He is also responsible for implementing the corporate policies with the sole aim of attaining the organizational goals and objectives. The General Manager is the Chief Executive and is directly responsible to the Board of Directors.

(iii) THE COMPANY SECRETARY:

The Company Secretary is the Chief Administrative Officer of the Company. He takes minutes of Board Meetings and assist the General Manager in implementing Board decisions. He is responsible to the General Manager.

(iv) THE FINANCIAL MANAGER:

The Financial Manager is mainly concerned with the keeping of accurate financial records, preparing of business financial reports, management of the firm's cash position and providing funds for the settlement of bills. In the event of insufficient liquidity, the financial Manager in conjunction with the General Manager procured additional funds on either short or long-term-loan basis for the Company. Indeed, the duty of the financial Manager includes the acquisition and efficient utilization of available financial resources.

(v) PRODUCTION MANAGER:

The Production Manager is in-charge of forestry, joinery and sawmill units of the Company. His major function is to manipulate available resources in such away that the productivity of the enterprise is maximized. He is responsible to the General Manager.

(vi) COMMERCIAL MANAGER:

The main function of the Commercial Manager is to ensure continuous growth and profitability of the

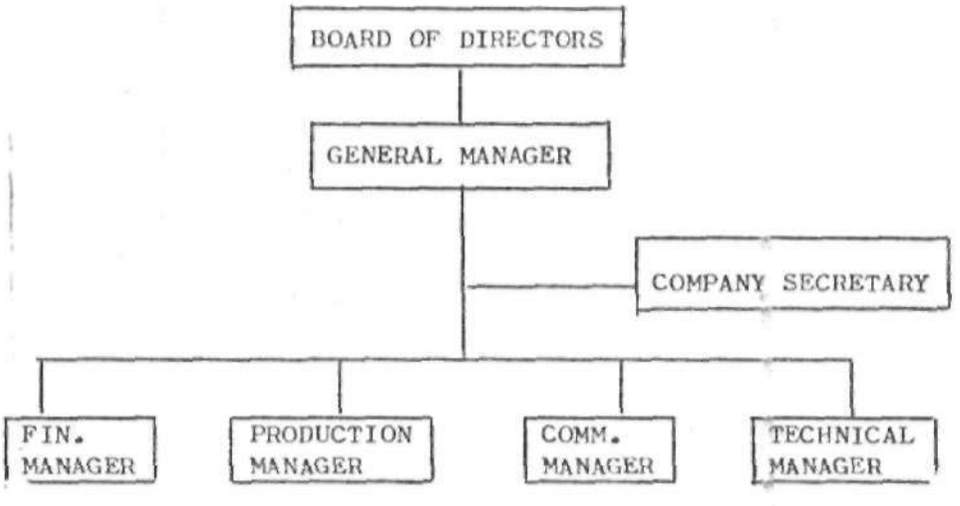
Company. He is mainly concerned with the development, pricing, promoting and distributing goods and services of the Company to groups of consumers so as to earn more profits. The Commercial Manager, like the financial and production Managers, is responsible to the General Manager.

(vii) THE TECHNICAL MANAGER:

The Technical Manager controls two divisions - mechanical and electrical Engineering. He is responsible for the maintenance of the Company's Plants, vehicles and other Machinery used in the production of goods and services. While all the technical staff of the Company are responsible to him, he is responsible to the General Manager.

ORGANIZATIONAL CHART OF NNTC

FIGURE 3:1



Source: Commerilization Committee's Report.

Figure 3:1 shows the organizational chart of NNTC. The Board of Directors is at the apex of the organigram. The financial, production, commercial and technical managers as well as the Company Secretary are responsible to the General Manager, who in turn, is responsible to the Board of Directors.

3.3 REVIEW OF PAST OPERATIONS OF NNTC:

New Nigeria Timber Company used to lay emphasis on logging and saw-milling, and until the ban on exportation of timber in 1976, about 80% of the Company's revenue was derived through exportation of both logs and sawn-timber. The Company was producing at full capacity until 1976, when the Federal Government banned the exportation of timber, so as to conserve timber for building and construction industries. Immediately the exportation of timber was banned, NNTC reverted to internal market. In 1978, the operations of the Company was expanded by the erection of a modern joinery factory at a cost of ₦500,000.00. This was established for the manufacture of semi-finished wood products like household and office furniture, doors and window shutterings and panels for prefabricated houses. The aim was to recover the lost revenue which the ban on exportation of logs and sawn timber would bring about.

It is regrettable that in the past eight years, the NNTC, which should be profit-yielding venture, has not turned out any appreciable dividends. The Company's financial

resources deteriorated so much that in 1982, the entire operation of the Company collapsed forcing it to close down in June, 1982, as the workers were not paid their salaries for a period of six months. Benue State Government injected the sum of N305,000.00 into the Company for the reactivation of the operations of the Company between 1983 and the end of 1986. Regrettably, however, the Company has not justified this huge investment by Benue State Government. This was largely as a result of mismanagement of funds. From May, 1983, when the Company was reactivated, to December, 1987, there were proven cases of mismanagement of the Company's scarce financial resources (AKO, 1987)[1].

The buying and selling of timber in the history of man has been as important as the buying and selling of food stuffs and clothing. Houses (shelter) like food and clothing, is one of the three basic necessities of human existence. Timber is used in building which satisfies one of the fundamental needs of man, just as cotton or wool and foodstuffs form the means of satisfying the other two. Timbers are used as products for general building requirements such as poline and other sizes of timber used in roofing houses. Timbers are also used in making furniture, such as chairs, tables, ward-robes, etc. It is equally used in building bridges, motor bodies and other construction works. Furthermore, timbers are used as means of producing other materials for man's everyday needs. They are crushed into saw dust, which are then mashed together. Such products could be used in making ceiling boards, toilet papers, plywoods and hard papers such as cement paper and other refined

papers like the ones used in producing textbooks, exercise books, news prints etc.

With these many uses to which timbers can be put, there are large opportunities for NNTC. This is to say that the present demand for timber will continue to be on the increase, except a melodramatic change occurs that will be able to change the situation by providing better and cheaper substitutes for timbers. This type of change is, however, not foreseable now or even in the distant future (Adeyoju, 1971). From the foregoing, we can conclude that NNTC is not only a viable industry, but it ought to be making sufficient profits inview of its commercial potentialities in the State. People from all over the State, including Anambra and Imo States, compete for the Company's products. The raw materials - Obeche, Iroko, Mahogany, Boaba, African Walnut, Sapele wood, etc. - are available in large quantities. If the financial resources of the Company is properly managed, it can yield profits which could be reinvested for further growth and development of the Company.

3.4 FINANCIAL MANAGEMENT TECHNIQUES:

Three operational functions are basic to any business undertaking. These are the financing, production and distribution of output. Every business enterprise needs capital with which to operate. The word capital has a number of meanings, two of which pertain to the discussion here: money available for investment or for lending; and the assets of an enterprise which represent the financial resources provided by owners and

creditors. Among the principal assets used in business operation will be found the fixed assets made up of land, buildings and machinery; and the current assets or working capital elements made up of cash, inventory and accounts receivable. Each of these has its own basic requirement or minimum investment which will place certain limitations or restrictions on the probable turnover of capital.

3.4.1 WORKING CAPITAL MANAGEMENT:

The survival and success of business firms depend on the efficient and effective management and control of working capital. Working caital also serve as the life blood of an enterprise. Indeed, in recent years, many of the business failures are attributed to the poor working capital management (Loffel, 1972)[2].

Capital is used to provide assets, and it is the assets themselves which support the operations and the level of volume to be produced and sold, so that the management of capital must for operating purposes, be translated into the management of assets.

Among the principal assets used in a typical business operation will be "fixed assets" group of land, buildings and machinery; and the "current assets" or working capital elements of cash, inventory and accounts receivable. Each of these has its own basic requirement or minimum investment which will place certain limitations or restrictions on the probable return on capital invested.

Basically the ratio of working capital to fixed capital differ from Company to Company. The minimum requirement for financing working capital depends largely upon the nature and regularity of the Company's gross income, the sale operations, the nature of the business function, terms of purchase and sale, and harzards of the business among others. Most manufacturing firms, however, require large sum of working capital in order to make them fully operational and efficient. Generally, the sales volume of a business organization will affect the size and components of working capital. The business system is full of uncertainties and risks, therefore, the receipt of income may vary from time to time, and so, enough working capital must be arranged for such circumstances.

The cost of capital employed in a business venture is perhaps the most important aspect of financial management. The cost of capital will determine the amount of capital used which will also determine all subsequent actions and operating decisions aimed at the generation of profits. Capital, like any other factors of production, has a cost. The cost of capital must be recovered in the same sense that the cost of materials, or the cost of labour and over-head costs must be recovered before any final profit can be said to exist. The cost of capital to the Company is the composite rate of return demanded by the investors. Good operating management will, therefore, evaluate the cost of capital and establish a set of

objectives and profit goals which will dictate a specified rate of return on capital as the basic purpose of being in business. Profits cannot be properly measured without determining the cost of capital employed.

The money that is put into the business to commence operations is considered as the equity capital. With equity capital, the Company will not be loaded down with fixed interest charges and a strict loan repayment schedule. Such requirements, which are characteristics of a loan, may impose an intolerable burden on the business during times of business down-turn and a slacking of trade in the store. Furthermore the presence of substantial equity capital in the financial structure of an enterprise enhances the credit standing, making it possible for the Company to borrow money and at better terms. Shortage of financial resources is one of the main problems of most enterprises. To sort out this problem, they resort to borrowing.

Insufficient money and the wrong kind of money rank with poor management and inability to collect accounts receivable as the leading causes of business collapse and bankruptcy (Loffel, 1977)[3]. Proper working capital management, therefore, involves determining the optimum of capital level to be held.

3.4.2 MANAGEMENT OF INVENTORIES:

Inventory management involves the control of assets being produced to be sold in the normal cause of the firm's

operation. The general categories of inventory include raw material inventory, work-in-progress inventory and finished goods inventory (Martin, et al, 1979)[4]. The importance of inventory managment to the firm depends upon the extent of the inventory investment. The percentage varies from industry to industry, and thus the importance of inventory management and control varies from industry to industry also. In manufacturing industry, however, about 20% - 25% of the total assets are in the form of stock (Hart, 1970). This indicates that improvements in stock control policy will bring major benefits for the Company.

The purpose of carrying inventories is to uncouple the operations of the firm. That is, to make each function of the business independent of each other function, so that delays or short-downs in one area no longer affect the production and sale of the final product. Since production shut downs result in increased costs, and since delays in delivery can loose customers, the management and control of inventory is an important duty of the financial manager.

Investment in inventory involves a basic trade-off between risk and return. The risk is that if the level of inventory is too low, the various functions of business are not effectively uncoupled and delays in production and consumer delivery can result. On the other hand reduced inventory investment saves money. As the size of inventory increases, the storage and handling costs in addition to

the required return on capital invested in the inventory will rise. As the inventory a firm holds is increased, the risk of running out of inventory is lessoned, but the inventory expenses are increased.

Furthermore, increases in the value of inventories are included in the firms operating profits. These changes can be measured on either a LIFO (Last-in-first-out) or a FIFO (First-in-first-out) basis. Lifo gives smaller profits in periods of rising prices and smaller losses when prices fall. It does makes for a more stable tax base over the business cycle than does FIFO. LIFO also makes for a continuously smaller tax base under conditions of sustained inflation, automatically excluding inflation gains from the tax. Moreover, the treatment of inventory profits and losses is an application of taxing unrealized capital gains, just as depreciation is a case of allowing for unrealized capital losses (Musgrave and Musgravem 1976)[6].

When properly managed, inventory allows each stage of the production and distribution system to operate economically by insulating it from different or varying rates of activity at other stages. Take for example, finished goods inventory acts as a cushion between production and sales. Even if the rate of sales is predictable and steady it may be uneconomical to produce continually at just that rate, and, if demand is eratic, it would be nonsense to keep changing the rate of

production. The entire production process usually needs insulating from irregularities in the arrival of supplies. This is the main function of pre-production or raw-materials inventory. In times of inflation, there may be speculative role of inventory as well.

The importance of effective inventory management is directly related to the size of the investment in inventory. Since on the average, approximately 25% of manufacturing firms assets are tied up in inventory, effective management of these assets is essential to the goal of shareholder wealth maximization (Martin et al, 1979)[7].

3.4.3 MANAGEMENT OF CASH-FLOW:

The demand for cash by any economic unit can be segmented into three categories: the transation motive, the precautionary motive and the speculative motive.

Cash is the initial point of all business operations. The funds are employed to pay wages and salaries, to purchase raw materials and power, to pay for advertising, to meet rentals, and to pay generally for all things required in the operation of the business. We can, therefore conclude that the major reason for holding cash in any manufacturing industry is for transactionary purposes.

Apart from the take-off stage of manufacturing industries when cash is needed for the initial take-off of the business, cash balance will also be needed for the following reasons (Martin et al, 1979)[8].

(i) to pay cash dividends on preferred and common stockshares;

(ii) to meet interest requirements on debts;

(iii) to pay principal borrowed from the creditors;

(iv) to pay tax bills

(v) acquire fixed assets at various intervals;

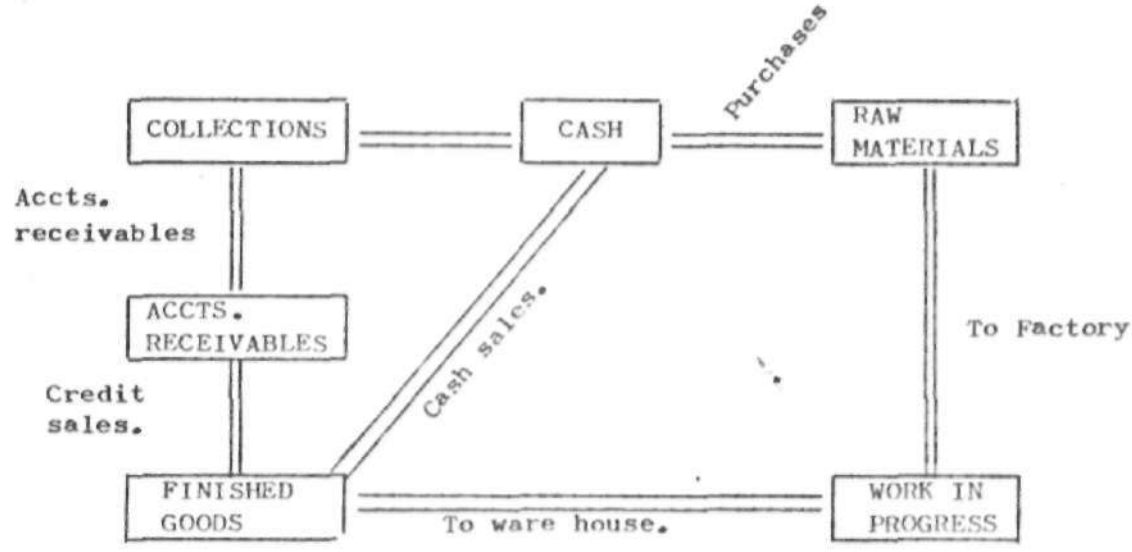
(vi) purchase inventories on regular basis to ensure a steady flow of finished goods;

(vii) buy the firm's own shares in the financial markets as an alternative to paying cash dividends.

Cash-flow is the life blood of a firm; without proper management of cash-flow, the firm will die (Adikwu, 1983)[9]. One important way of introducing the concept of cash-flow is a set of diagram which virtually portrarys what is taking place in the manufacturing enterprise.

CASH-FLOW FOR A MANUFACTURING FIRM

FIGURE 3:2



Source: Management in Nigeria - Journal of Nigerian Institute of Nigeria Vol. 19, No.5, May, 1983, PP.40.

Figure 3:2 shows cash flow for a manufacturing firm. Each of the boxes in the diagram is a resenvior with optimal level of each reservior being, say half full. The competing pipes in the diagram carry the appropriate flows from one reservior to another and, of-course, represent the cash flow cycle of a firm.

Tracing through the figure above, one can see the cash being used to purchase raw materials inventory. Raw materials inventory flows to work-in-progress inventory, which in turn flows to the finished goods inventory. The reservior of finished goods is depleted by cash sales or credit sales: in the later case, a flow results to the accounts receivable reservior. Cash sales and collection of accounts receivable result in an inflow of funds to the cash pod, thus freeing funds for the purchase of additional raw materials inventory, and the cycle begins again.

The cash flow cycle just illustrated is a continual process. Each of the reserviors depicted will always be at the optimal level, all things being equal. If, however, one of the reserviors in the operating cycle begins to fill up over the optimal level, the ultimate effect is the lowering of cash balances for the firm. Take for example, if by trying to boost sales a firm's marketing Department libralises the terms of sale, this will cause an increase in the

level of accounts receivable reservior which in turn will result in a slow down of cash flow. Eventually, the slow down of cash flow can affect the production process because a reduced level of cash is available for raw materials purchases. On the other hand, if credit terms are tightened, this will cause a decrease in the level of accounts receivable reservior which in turn will result in an increase in cash-flow. This increase in cash-flow can affect the production process because an increased level of cash is now available for raw materials purchases. However, the policy of tightening credit may also cause sales to decline as customers seek goods from firms with more libral credit policies. This means cash balances could rise above the optimal level reflecting business opportunities foregone as a result of production curtailment stemming from the more stringent credit policy and the resultant drop in sales. Cash flow process, therefore, has to be properly planned so as to put cash to effective use within the business. This will lead to maximization of the share holder's wealth.

CASH BUDGET:

The cash budget is one of the chief tools available to management for determining likely financial requirements in the short to intermediate term (Franks and Broyles, 1979)[10]. It is a summary statement of the firm's expected cash inflows and outflows over a projected time period. It gives

the necessary information on the timing and magnitude of expected cash flows and cash balance over the projected period. In its fundamentals, the cash budget is simply an out line of expected cash receipts and cash expenditures over a given length of time. The short period is defined as being one year or less, while the long period is greater than one year.

If well prepared, a cash budget will place at the managements finger tips the cash needs and cash resources well a head of time. This fore knowledge will put management in good position to:

(i) take care of seasonal financial needs;

(ii) take advantage of money-conserving situations such as cash-discounts, volume buying, and the like;

(iii) Pin point funds generated by the business, or that will be generated, that could possibly be used for expansion purposes and, in general, enable management to make most efficient use of cash flow;

(iv) help develop a workable borrowing programme, as well as program a sound repayment schedule of outstanding loans, based on the estimated cash flow (Loffel, 1977)[11].

Cash budgets are generally used for the purposes of short-term financing and cash planning. There are, however, a lot of uncertainties in cash budgets. The sales forecast is usually the least reliable set of data in the budget.

A part from the forecast being inaccurate, it may also incorporate a systematic bias.

A second source of uncertainty is the promptness with which debtors pay their bills. When business condition are unfavourable for the Company, they are likely to be adverse for customers as well. Thus, customers (debtors) may be delaying payments at the very time that the cash is most needed by the firm. Other cash receipts may also have critical effects; for example, the projected sales of assets may not happen when expected. All these will affect the realization of the ultimate aims of cash budget. Undoubtedly, it is difficult to predict cash flows accurately and further that there is no perfect matching between the inflows and the outflows of cash. All these notwithstanding, projection of cash flows, revenues and expenses assist the corporate financial manager in maintaining corporate liquidity which is crucial for the growth and development of any manufacturing firm.

It is important that the right amount of cash be provided for operating the business. If there is not enough cash, then it may be necessary to curtail operations or the firm might be forced to go on borrowing at very expensive rate. On the other hand if there is too much cash then the firm is paying for money that it is not using. For this reason, financial managers usually prepare cash budgets to ensure that the right amount of cash is available at all times. The financial manager must plan his cash and credit sources so that the normal operations of the firm

are not disrupted by a shortage of cash and that opportunities for capital expenditures are not lost because of invailability of cash to finance them.

3.4.4 MANAGEMENT OF ACCOUNTS RECEIVABLE:

All firms - particularly manufacturing firms - by their very nature are involved in selling goods and services (Martin et al, 1979)[12]. While some of these sales will be for cash, others will involve the use of credit. With the current economic recession, firms have resorted to encouraging credit extention so as to increase their sales volume. Whenever a sale is made on credit, it increases the firm's accounts receivable. The importance of accounts receivable management, however, depends upon the degree to which the firm sells on credit.

The turnover of capital funds tied up in accounts receivable will also be found to contain certain basic limitations. Naturally, very little business is transacted on the basis of immediate cash payment and a planned volume of sales will in most instances, depend entirely on the use of credit as part of the normal terms and conditions of sale. However, since cash flows from credit sales cannot be invested, control of accounts receivables take an added importance. Efficient collection determines both profitability and liquidity of the firm.

3.4.5 MANAGEMENT OF PROFIT:

Traditionally, a manufacturing industry is an economic unit, and consequently its objectives have been thought of as being economic. In a competitive and dynamic society, the main measure of business efficiency is the profit made by the firm. The inability of some firms to make sufficient profit often leads to their gradual elimination. Profit is the residual share of income accruing to the entrepreneur after all payments for capital, land, labour including management.

There is need for corporate profit because business enterprises incures substantial costs and must earn income at least sufficient to meet these costs and make adequate returns on their investments. A part from meeting the aspirations of share holders, profit also constitute a buffer to absorb the shock of unexpected losses such as fire, accidents, theft, seizure, confiscation, bad debts and uncollectables. Sufficient profits, however, cannot be made without proper management of profits.

The management of profits involves the simultaneous management of the three interrelated factors of volume, cost and price. The management of volume is essentially the management of the rate of production. Although many factors will dictate frequent and unexpected changes in the short-term volumes and mix of production the long-term management of profitable production will depend almost entirely on the proper management of assets (Symonds, 1978)[13]. Profitable production management will rest

largely on the use of capital invested in machines and equipment. The use of capital provides certain level of operating capacity, and the cost of maintaining such capacity is reflected in the cost of capital employed and in the supporting costs of supervision, maintenance, insurance, taxes etc. If this capacity is not used effectively, such costs will not be fully recovered and production will be less than profitable. In short, the profit management of physical volume can be translated into the management of capacity.

Operations at 50% capacity would likely provide only a sufficient volume of production and sales to recover the total of the fixed and variable costs, resulting in zero profit or break-even performance. It will also be seen however, that operations above the break-even level provide an immediate profit and that the profit leverage increases rapidly as the utilization of rated capacity approaches 100%. The rate of incremental profit or marginal contribution is a function of the rate of variable costs. The management of volume will also depend on the second factor of profit management - the analysis and management of costs.

COST MANAGEMENT:

Cost management is generally regarded as the control of costs or the ability of management to hold costs within the limits established by the operating budget. The attitudes of management toward cost control is the basis for profit planning and profit management. Fixed costs like rent, salaries and wages, insurance, taxes etc. tend to

Continue at predictably constant levels until changed by further management decisions. These costs are distinct from the variable costs of production. Variable costs consist of cost elements which vary in direct proportion to the volume of goods produced or the volume of goods sold. In a manufacturing industry, these costs would typically include direct materials, direct labour etc. In marketing area, direct costs are normally confined to such items as sales commission costs which vary directly with the naira volume of goods sold. Direct costs are set in motion by the external forces of the market which determines the volume of goods to be produced and the volume of goods to be sold for a given period of time. Such costs are not budgeted and controlled at a pre-determined spending level; but are properly planned and measured on the basis of units of production or as a function of the naira volume of sales.

Any action taken by management in controlling variable costs have an effect on the break-even point. Control must be exercised to ensure that the cummulative effect of such decisions does not affect the desired profit margin.

Pricing decisions are, however, quite frequently based on competitive action, analysis, or prediction on internal costs. Reference to cost information will be essential in guaging the profitability of following such competitive prices or in evaluating the consequences of pricing above or below the market.

Proper management of volume, costs and pricing will give enough return on invested capital which will also result in the maximization of profits.

3.4.6 MANAGEMENT OF DIVIDENDS:

Share-holders invest when they expect to receive an adequate return on their capital. This return is received by them in the form of dividends and capital gains on their ordinary shares. The prime objective of financial management is to produce income that can be distributed to the firm's owners. When net profits at the end of the operating period are known, management is faced with a decision regarding their distribution. The articles of association of a Company usually empower the directors to declare dividends.

The Board has two main choices: one is to pay dividends to the share holders; the other is to keep the profits in the business by increasing the surplus accounts (and simultaneously increasing the Company's assets). The latter known as "ploughing back earnings" provides a source of funds which may add to liquidity or accommodate expansion of working capital.

An increasing dividend per share trend would attract fresh investments because investors would be very optimistic of enhanced returns in the future. The higher the net dividend per share, the better for an investors; so also, the higher the dividend yield the better for the investor. This shows that any Company

that declares higher dividend per share attracts investors, particularly, if the trend is an increasing one. A Company which distributes a large part of its profit in dividends will show a greater dividend per share than the one which retains most of its earnings as unappropriated profit.

Prudent investors should in addition to looking out for a Company that pays a generous dividends per share, not neglect the one that retains a reasonable level of earnings in the business as unappropriated profit (Aiafo, 1981)[14]. It is possible to have a Company which pays a low dividend per share, not because it is financially unhealthy but because the management is ploughing back the profit into the business. A foresighted Board of Directors may be building up a profitable Company with the retained earnings whereas the distribution of dividends at a higher rate may not only be draining the firms financial resources but also indicate the neglect of such things as working capital and replacement of assets.

It is better and easier to make use of the funds that a firm already possesses than to obtain more finance from external sources. Retained earnings is one of the internal sources of working capital to firms. Since unappropriated profits increases working capital, it is one of the most satisfactory sources of liquid funds. The extent to which companies can be self-financing is extremely important. It is a function of profitability, of the desires of the

Companies to invest and grow, and of the willingness and ability of financial institutions to provide external finance (Samuels and Wilkes, 1980)[15].

If, however, a dividend is maintained at too low a level, the future prospects of obtaining permanent capital will be jeopadized. Payment of dividends must be above the critical dividend level. Take for example, if commercial banks, pay 20% interest on savings account-which is a risk-free investment - the Board of Directors should approve the payment of dividends not less than 30%. This is so because investment in the ordinary share of Companies are far more risky and legally more involving than investments in savings accounts. After the payment of dividends above the critical minimum Dividend level as explained above, the rest profit should be retained in the Company as retained earnings or unappropriated profit. The utilization of retained earnings by the Company will help to reduce the total cost of external loans and of capital employed. This will go along way to enhance Company's working capital, the profit, the growth and development of the Company.

FOOT NOTES:

1. Ako, A.O. (1987), Report of Commerialization Committee on the New Nigerian Timber Company Limited, Okura-Lafia, August.

2. Loffel, E.W. (1977), Financing Your Business, John Wiley and Sons, INC, New York, PP. 1-40.

3. Loffel, E.W. (1979), Ibid.

4. Martin, J.D., Authur, J.K. Petty, J.W., and Scott, D.E. (1979), Basic Financial Management, Prentice Hall, Engle Wood Cliffs, New Jessey, P.230.

5. Hart, J.D. (1970), Introduction to Business in a dynamic Society, Collier-Macmillian, Canada.

6. Musgrave, R.A. and Musgrave, P.B. (1976), Public Finance in Theory and Practice, Second Edition, Mcgrahill Kogakusha Ltd., PP. 307.

7. Martin, J.D., Arthur, J.K., Petty, J.W., and Scott, D.E. (1979), Basic Financial Management, Op.Cit PP. 233.

8. Martin, J.D., Arthur, J.K. Petty, J.W. and Scott, D.E. (1979), Op. cit., PP. 233.

9. Adikwu, M.A. (1983), "Problems of using ratio analysis" in Management in Nigeria, Journal of Nigerian Institute of Management, Vol.19, No.5, May, PP.39-42.

10. Franks, J.R. and Broyles, J.E. (1979), Modern Managerial Finance, John Wiley and Sons, Chichester; PP.13-15.

11. Loffel, E.W. (1977), Op.cit. PP.18.

12. Martin, J.D. Arthur, J.K., Petty, J.W. and Scott, D.E. (1979), Op. Cit.

13. Symonds, C.W. (1978), Basic Financial Management, Revised Edition, AMACOM (A Division of American Management Association), New York, PP. 111-113.

14. Aiafo, A.M. (1981), "Dividend Management" in Management in Nigeria, Journal of Nigerian Institute of Management, VOL. 14, No. 6, June, PP. 38-43.

15. Samuels, J.M. and Wilkes, F.M. (1980), Management of Company Finance, 3rd Edition, Thomas Nelson House, Mayfield Road, Walton-on-Thames, Surney, PP. 17.

CHAPTER IV

4.0 ANALYSIS OF DATA.

4.1.1 INTRODUCTION:

In this chapter we present the methodology - ratio analysis - which will be used to analyze the data. We also present the highlights from the results of data collected from NNTC, Okura Lafia. It is based upon information gathered from the balance sheets, profit and loss accounts of the Company between 1985-1989; as well as the Company's financial reports and sources of funds. Some of the information were also gathered from the report of the Company's commercialization Committee which was set up by Benue State Government some time in 1987. In addition, we conducted oral interviews with some of the Company's officials and the officials of the Union of National Wood workers, NNTC branch. This analysis will show how inefficient management of financial resources impede the growth and development of NNTC. The analysis will also show other forces which hamper the growth of NNTC.

4.2.1 METHODOLOGY:

This study will employ ratio analysis to analyze the data obtained so as to evaluate the performance of NNTC, Okura Lafia. Financial ratios show the relationship between two accounting figures expressed mathematically to

enable a qualitative and some quantitative judgement about the firm's financial position and performance.

There are a number of standard ratios devised to measure efficiency in financial management. The magnitude of these ratios indicate the degree of efficiency with which the financial manager had directed the venture towards the profit maximization geal of the firm.

How efficient and how prudent a finacial manager has been able to use the resources of a corporation can only be effectively assessed at the end of the business year, when the corporation's balance sheet and profit and loss statements are presented. In the balance sheet and profit and loss statements are figures which relate to profits, costs, sales, current assets, current liabilities and cash. From these figures, certain financial ratios can be obtained, which will throw light as to how the fincial manager was being able to steer the corporation towards the goal of profit maximization. Management, usually, have an eye to seven functional considerations as identified by Onoh (1983)[1]. These considerations are, whether:

(i) invested capital has been efficiently employed;

(ii) the corporation was able to a large extent, to carry out its day-to-day operations from its own funds.

(iii) the investment made yielded adequate return to the investor;

(iv) the corporation was facing any financial problem;

(v) the Company was liquid enough to meet current obligations;

(vi) the corporation over-invested in fixed assets, or over-depended on its creditors; and

(vii) Creditors had more say in the corporation than the owner(s) of the business.

The financial ratios used for answering the questions posed above are:

(i) LIQUIDITY RATIOS:

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

$$\text{Acid test ratio} = \frac{\text{Current assets - Inventories}}{\text{Current liabilities.}}$$

These ratios measure the firm's ability to meet current obligations. It is a measure of its cash solvency. Essentially, these ratios compare short-term obligations with the short-term resources available to meet them.

The current ratio determines the soundness of a business by relating current assets to current liabilities. It is held that a Company is in sound financial condition if current assets are at least twice current liabilities (Loffel, 1977)[2].

Expressed in another way, the current ratio should be 2:1. That is, two assets naira should stand behind every liability naira.

On the other hand, the acid test ratio indicates a firm's "quick" liquid position regarding its ability to cover current debt. It provides the basis for answering the question - Is the firm liquid? In other words, does the firm have sufficient cash and near cash assets to pay its bills on time? The generally accepted minimum standard is a 1:1 relationship. However, if the ratio is much higher than 1:0, this may indicate that the firm has excess working capital that is not being put to profitable use (Hart, 1970)[3].

(ii) ACTIVITY RATIOS:

$$\text{Total assets turnover} = \frac{\text{Sales}}{\text{Total tangible assets}}$$

$$\text{Capital employed turnover} = \frac{\text{Sales}}{\text{Capital employed}}$$

Activity ratios reflect the demonstrated ability of the firm to operate efficiently. That is, to use its invested capital efficiently enough to generate a rate of earnings which is satisfactory to the owners of the industry or which is (or is not) good enough to attract additional investment capital for future operations. These ratios-total assets turnover and capital employed turnover - are employed to

evaluate the efficiency with which a firm manages and utilizes its assets. These are sometimes called turnover ratios because they indicate the speed with which assets are being converted or turned into sales. They involve establishing a relationship between sales and various assets.

(iii) DEBT OR LEVERAGE RATIOS:

$$\text{Debt - equity ratio} = \frac{\text{Total debt}}{\text{Total assets}}$$

$$\text{Debt - total capital ratio} = \frac{\text{Total debt}}{\text{Permanent Capital + Current liabilities.}}$$

The debt or leverage ratios demonstrates the firm's ability to meet all debts in the event that all debts would be called at one time, and at the same time, it indicates the degree of flexibility available to increase debt still further if this should become necessary to sustain or expand the firm's operations. These ratios provide the basis for answering two questions. How has the firm financed its assets? And can the firm afford the level of fixed charges associated with its use of non-owner-supplied funds? The debt or leverage ratio measures the extent to which the total assets of the firm have been financed using borrowed funds.

(iv) PROFITABILITY RATIOS:

$$\text{Gross Profit Margin ratio} = \frac{\text{Gross Profit}}{\text{Sales}}$$

$$\text{Net profit Margin ratio} = \frac{\text{Net profit}}{\text{Sales}}$$

The overall operational efficiency of any firm can be evaluated by the use of profitability ratios. Ratios of profitability in relation to sales can be used to access the ability of the firm's management to control the various expenses involved in generating sales.

Profitability ratios are calculated to measure the operating efficiency of the firm by evaluating the profitability in relation to sales or to total investment. These ratios indicate the average speed between cost of goods sold and sales revenue as well as the firm's ability to produce at relatively lower cost. This is a sign of good management which could have been supplemented with higher sales prices or lower cost of goods sold. The net profit/net worth ratio is probably the most important ratio to the financial manager. It depicts the efficiency with which the invested capital had been employed.

4.2.2 SOME LIMITATIONS OF RATIO ANALYSIS:

Accounting practices differ widely among firms and can lead to differences in computed ratios. Take for

example, the use of last-in-first-out (LIFO) in inventory valuation can, in periods of rising prices lower the firm's inventory account and increase its inventory turnover ratio viz-a-vis that of the firm which utilizes First-in-first-out (FIFO). Still, another source of differences in accounting practices among firms relates to the choice of a method of depreciating its assets.

Furthermore, many firms experience seasonality in their operations. Thus, balance sheet entries and their corresponding ratios will vary with the time of the year when the statements are prepared. To avoid this problem, an average account balance should be used (for several months or quarters during the year) rather than the year end total. For example, an average of month-end inventory balances might be used to compute a firm's inventory turnover ratio when the firm is subject to significant seasonality in its sales (and correspondingly in its investment in inventories).

Another important point is that changing values of money may render the inter-pretation of ratios invalid. Since prices keep changing, companison may turn out to be meaningless.

There is also the often weak standards of comparison for the ratios that are calculated. Often times, comparable industry data are not available. Or, if they are available, the calculated numbers may be based on small, unrepresentative samples.

In addition to the above, ratio analysis can mislead management to wrong conclusions (Oshagbemi, 1983)[4]. In general, single ratios are not of much use, they could be deceptive as they fail to reveal the trend in an enterprise.

Despite these problems, ratio analysis can be a meaningful and useful tool for financial analyst. Financial ratios can serve many, useful purposes. If properly used by management, they can improve operating efficiency and therefore, company's profits. Ratios enable masses of data to be summarized and simplified. If ratio analysis is used properly in an organization, it can be a great asset in assessing important factors such as liquidity and profitability. However, it should be noted that no one single ratio gives sufficient information by which to judge the overall financial position and performance of an industry. Rather, reasonable and valid judgements are made only from an analysis of a group of ratios.

4.3 ACTIVITY RATIOS:

TABLE 4:1

TYPES OF RATIO	YEAR				
	1985	1986	1987	1988	1989
Total Assets Turnover	1,052,526 / 845,703 = 1.244	943,105 / 926,383 = 1.018	322,792 / 2,218,485 = 0.145	208,253 / 1,959,099 = 0.106	554,385 / 4,539,386 = 0.122
Capital employed turnover	1,052,526 / 329,129 = 3.197	559,226 / 582,210 = 0.960	322,792 / 760,683 = 0.424	208,253 / 310,427 = 0.670	554,385 / 3,086,227 = 0.179

Source: Audited Accounts.

From table 4:1 above it is shown that the ratio of total assets turnover for 1987 and 1989 are 0.145; 0.122 respectively. This shows that throughout this period, the total assets were not turned into sales even once. This means that the Company did not use its invested capital efficiently to generate a satisfactory rate of earnings. For the years 1985 and 1986, the total assets turnover ratio were 1.24 and 1.01 respectively. By all standards, this turnover is equally too low to attract additional investment capital for future operations. Similarly the figures for capital employed turnover ratio was less than one between 1986 and 1989. This indicates that the total sales for each of the years was far below the total capital employed for the same period. This indicates the inefficiency with which the assets of the company was utilized to generate sales.

From the two activity ratios calculated - total assets turnover and capital employed turnover - we have seen that the rate of return on capital invested was too low to be considered as an attractive investment. The inplication of this is that NNTC earned rate of return on investment which did not even compensate fully for time value of money and risk premium for business and financial risks, let alone compensation for inflation. It also means that the opportunity cost of the funds invested was not covered.

4.4 GROSS WORKING CAPITAL - TOTAL ASSETS RATIO:

TABLE 4:2

YEAR ENDED DEC. 31	Ratio of Gross W/Capital to total assets	%
1985	$\frac{376,477}{845,703} = 0.445$	45%
1986	$\frac{376,160}{935,386} = 0.402$	40%
1987	$\frac{188,317}{2,218,485} = 0.084$	8%
1988	$\frac{154,249}{1,959,099} = 0.078$	8%
1989	$\frac{362,115}{4,539,617} = 0.079$	8%

Source: Audited Accounts.

From table 4:2 it was shown that in 1985 and 1986, the percentage of working capital to total assets was 44% and 40% respectively. Normally, it is accepted that in most

manufacturing organizations, the ratio of working capital to total assets has to be much higher than the average, that is, 50% (Hart, 1970)[5]. If we still go further to consider the gross working capital to total assets ratio for 1987 through 1989, we will have the following figures: 8%, 8%, 8% respectively. By and large, the money invested in working capital in any of the five years - 1985 to 1989 - cannot generate the desired profit. For such viable, promising and feasible project like NNTC the most appropriate thing to do is to invest a large sum in working capital so as to earn profits.

Most manufacturing firms required large sums of working capital in order to make them operational and efficient. The survival and success of any business firm depends on the efficient and effective management of working capital (Loffel, 1977)[6]. On the whole, the amount of capital invested in working capital is grossly inadequate to enable the Company generate profits. Poor working capital management is the major cause of the Company's failures. It is no wonder, therefore, that NNTC cannot make profits for quite some years.

4.5 LIQUIDITY RATIOS:

TABLE 4:3

TYPE OF RATIO	YEARS				
	1985	1986	1987	1988	1989
CURRENT RATIO.	376,477 / 536,204 = 0.702	376,160 / 379,346 = 0.991	188,317 / 1,458,524 = 0.129	158,249 / 1,648,672 = 0.095	362,115 / 1,453,340 = 0.249
ACID TEST RATIO.	376,477 - 164,380 / 536,204 = 0.395	376,160 - 177,096 / 379,349 = 0.524	188,317 - 70,000 / 1,458,524 = 0.081	158,249 - 40,000 / 1,648,672 = 0.071	362,115 - 68,702 / 1,453,340 = 0.201

Source: Audited Accounts.

Table 4:3 above shows that current ratio for the five years period was not up to one (1) for each period. The generally accepted standard of liquidity ratio is 2:1 (Hart, 1970)[7]. This is to say that for every one naira liability, there must be two naira assets to back it up. Take for example in 1988, one naira liability is backed up by 0.095 naira assets. This indicates that the Company is not liquid enough to efficiently cater for its liabilities.

Similarly, the acid test ratio indicates the Company's "quik" liquid position regarding its ability to cover current debt. In table 4:3, the figures for acid test ratio for 1985-1989 are 0.395; 0.524; 0.081; 0.071 and 0.201 respectively. But the generally accepted minimum standard for acid test ratio is a 1:1 relationship (Hart, 1970)[8]. If the

relationship is less than one (1), as is the case with NNTC for the period under study, it means that the firm does not have sufficient cash and near cash assets to pay its bills on time. This state of affairs will affect the purchase of raw materials, maintenance and repair of machines and vehicles and will generally hamper the operations of the Company.

Cash flow is the life blood of a firm (Adikwu, 1983)[9]. Without a proper management of cash flow, the firm will die. Cash flow process has to be properly planned and managed so as to put cash to effective use. This will lead to maximization of the shareholder's wealth. Maintenance of corporate liquidity is crucial for the growth and development of any manufacturing firm. If there is no enough cash to meet its day-to-day obligations, the firm might be forced to go on borrowing at very expensive rate. This will be an additional burden to the firm and will drastically reduce its chances of survival. This is exactly the situation in NNTC.

4.6 DEBT OR LEVERAGE RATIOS:

TABLE 4:4

TYPE OF RATIOS	YEARS				
	1985	1986	1987	1988	1989
Debt - Equity ratio.	$\frac{536,204}{144,700}$ = 3.705	$\frac{379,349}{144,700}$ = 2.621	$\frac{1,458,524}{144,700}$ = 10.079	$\frac{1,648,672}{144,700}$ = 11.393	$\frac{1,453,340}{144,700}$ = 10.043
Debt - total capital ratio.	$\frac{536,204}{680,904}$ = 0.789	$\frac{379,349}{524,049}$ = 0.723	$\frac{1,458,524}{1,603,224}$ = 0.909	$\frac{1,648,672}{1,793,272}$ = 0.919	$\frac{1,453,340}{1,598,040}$ = 0.909

Source: Audited Accounts.

Table 4:4 shows both the debt - equity ratio and debt - total capital ratio. In 1988 and 1989, the debt - equity ratio were 11.393 and 10.043 respectively. This indicates that for every 1% contribution by the owners of the Company, the creditors contributed 11.393% and 10.043% respectively for the two years. This implies that creditors have a greater equity in the Company's assets than the owners of the Company. Naturally, too heavy liabilities makes a business very valnerable in case of business reverses and besides, it severely restricts the management flexibility in decision making. NNTC is, however, fortunate because Benue State Government has been granting it interest free loan for the past few years without which it would have since been liquidated.

The debt - total capital ratio indicates that for the five year period the ratio for each year is less than one (1).

This means that the major source of financing the Company is through excessive borrowing. This situation is very unhealthy for the Company because if total borrowing out weigh the total financial contributions of the firm's owners; the firm will not be able to meet all debts in the event that all debts would be called at one time. Furthermore, the Company cannot increase debt still further although this may be very necessary to sustain and expand the Company's operations.

Another problem with relying on too much debt to finance the operations of the Company is the issue of payment of interest charges. Debt requires contractually set interest and principal payments between 1987 and 1989 are as follows: N1,193,692 for 1987; N1,379,753 for 1988 and N1,190,871 for 1989. These payments affected the Company's performances seriously because the Company needed this money seriously for development, but have no option than to pay their creditors according to the already agreed contract.

A very high debt-equity ratio as indicated in table 4:4 portrays a lot of riskiness in the firm. Obviously inability to settle its debts may lead to its liquidation, hence terminating its business life.

4.7 PROFITABILITY RATIOS:

NNTC did not make any profit within the five year period - 1985 to 1989. We can not, therefore, compute any meaningful profitability ratios. In economic theory, we employ the

profit maximization principle as the basic promise. NNTC violates this profit maximization principle which is the guiding rule for business decision makers. The result of this is that efficiency in production and optimum allocation of scarce resources were not achieved. In a competitive and dynamic society the main measure of business efficiency is the profit made by the firm. However, sufficient profits cannot be made without proper and efficient management of the scarce financial resources made available to the Company. The inability of NNTC to make profits on continuous basis can lead to its extinction.

TABLE 4:5

LOSS OF REVENUE BETWEEN 1985-1989:

YEAR	AMOUNT OF LOSS	% OF LOSS OF THE TOTAL CAPITAL EMPLOYED
1985	₦ 235,808	$\frac{235,808}{329,129} = 71.64$
1986	₦ 55,739	$\frac{55,739}{582,210} = 9.57$
1987	₦ 262,018	$\frac{262,018}{760,683} = 34.44$
1988	₦ 181,621	$\frac{181,621}{310,472} = 58.49$
1989	₦ 108,021	$\frac{108,021}{3,086,227} = 3.5$
TOTAL	₦ 843,207	$\frac{843,207}{5,068,721} = 16.63$

Source: Audited Accounts.

Table 4:5 reveals that in 1985, 71.64% of the total capital employed was lost in the business. Similarly, in 1988, 58.49% of the total capital employed was lost during the year. These figures show that more than half of the total assets invested in the business for these two years were lost. This indicates gross inefficiency on the part of management in running the business. No rational investor will continue to pump in his hard earned money into this type of firm. If a business firm losses more than half of its total capital invested into the business for one year, that business does not deserve to exist.

For the five year period the percentage of gross loss to total capital employed is 16.63%. For each of the five years the Company did not break-even. The impact of this on the Company is the continuous deterioration of the financial conditions of the Company. This has affected the operations of the Company. Indeed, the financial situation of the Company has been in a crisis situation for the past five years. The only solution to this problem is prudent and efficient management of the available resources.

4.8 MANAGEMENT OF ACCOUNTS RECEIVABLE:

Appendix III shows the detailed list of the Company's debtors totalling ₦99,510.14 as at August 19, 1987. With the current economic recession firms have resorted to encouraging credit extention so as to increase their sales volume. Management must, however, show keen interest and serious

concern over the collection of accounts receivable else provision for bad and doubtful debts may be provided for unexpectedly.

TABLE 4:6

BAD AND DOUBTFUL DEBTS:

YEAR	AMOUNT OF BAD/DOUBTFUL DEBTS
1986	₦4,288
1989	₦16,613
TOTAL	₦21,101

Source: Audited Accounts.

Tables 4:5 and 4:6 indicate respectfully that in 1986 the Company had a total loss of revenue to the tune of ₦55,739 and made provision for bad and doubtful debts to the tune of ₦4,288. Similarly, in 1989, the Company had a total loss of revenue to the tune of ₦108,021 and made provision for bad and doubtful debts to the tune of ₦16,813. The Company would have improved on its performances if efforts were made to collect these debts. Such liquid cash would have been invested for further production.

The turnover of capital funds tied down in accounts receivable will also be found to contain basic limitations. Since cash flows from a sale cannot be invested until the account is collected, proper management of accounts receivable takes an added importance. Efficient collection

determines both profitability and liquidity of the firm. Although liquidity and profitability of NNTC is far below the acceptable standard - see tables 4:3 and 4:5 - the management do not seriously take time to tackle the accounts receivable problems.

4.9 MANAGEMENT OF DIVIDEND:

TABLE 4:7

YEAR ENDED	RATIO OF DIVIDEND TO SHARE HOLDERS FUNDS	PERCENTAGE
1985	$\frac{81,290}{319,054} = 0.254744$	25%
1986	$\frac{81,290}{554,867} = 0.1465048$	15%
1987	$\frac{81,290}{305,000} = 0.2665245$	27%
1988	$\frac{81,290}{393,132} = 0.2067753$	21%
1989	$\frac{81,290}{843,132} = 0.0964143$	10%

Source: Audited Accounts.

Table 4:7 shows the ratio of dividends payable as compared with share holder's funds. The highest ratio was in 1987 where about 27% of the total share-holders funds was paid as dividend. In 1989, however, the ratio of dividend to shareholder's funds was as low as 9%. This state of affairs cannot attract further investment in the Company. Under

normal conditions, payment of dividends must be above the critical minimum level. Commercial Banks pay as much as 20% interest on savings account - which is risk free investment. Any dividend payment that may attract further investment must be over 30%. This is so because investment in the ordinary shares of companies are far more risky and legally more involving than investments in saving accounts. Shareholders invest when they expect to receive an adequate return on their capital. This return is in the form of dividends.

Furthermore, table 4:7 shows that for the five year period, the dividend payable was constant - ₦81,290. This is not very encouraging and will not attract investors. An increasing dividend per share trend would attract fresh investments because investors would be very optimistic of enhanced returns. However, if a dividend is maintained at too low a level - as shown in table 4:7 - the future prospects of obtaining permanent capital will be jeopadized.

4.10 FUNDING/CAPITALIZATION

4.10.1 FUNDING:

Inadequate funding has been one of the major problems hampering the smooth operations of NNTC. This is so because of the following reasons:

(i) Inadequate equity base. The authorized share capital of the Company which is ₦150,000 is woefully inadequate to sustain the scope of operations envisaged for the Company;

(ii) Consequent upon (i) above, the Company does not have enough room to attract sufficient loan capital;

(iii) Government subventions or interest free loans to the Company come in haphazrd and uncorinated manner;

(iv) The Company has not been able to generate retained earnings for the past five years as a result of constant loss which has the negative effect of wipping out the working capital base of the Company with the result that the purchase of spare parts, renewal of equipment, financing of inventory etc. became problematic;

(v) There was lack of financial prudence by past managements of the Company. Previous managements ran the Company as if it were not a commercial venture. Some of them it would appear, thought the Company was another Governments out let for the distribution of the proverbial "national cake".

4.10.2 CAPITALIZATIONS:

NNTC is under capitalized when compared with other similar industries in the country as listed in table 4:8.

TABLE 4:8

	TYPE OF COMPANY	CAPITALIZATION
1.	Swiss Nigeria Industries Limited, Epe.	₦2,840,000
2.	African Timber and Plywood Limited, Sapele	₦2,500,000
3.	Nigeria Hardwood Company Limited, Sapele.	₦459,000
4.	N.N.T.C. Okura Lafia	₦144,700

Source: Report of Commercialization Committee.

RATIO OF NNTC EQUITY CAPITAL TO OTHER COMPANIES:

TABLE 4:9

NAME OF COMPANY	EQUITY RATIO	%
SWISS-Nigeria Ltd., Epe	$\frac{144,700}{2,840,000} = 0.050$	5%
African Timber and Plywood Company, Sapele.	$\frac{144,700}{2,500,000} = 0.057$	6%
Nigeria Hardwood Company Limited, Sapele	$\frac{144,700}{549,000} = 0.26$	26%

Source: Derived from Table 4:8.

Both table 4:8 and 4:9 indicate respectively that NNTC is grossly underfunded - undercapitalized. From table 4:9, it is shown that for every ₦5 that NNTC invests, SWISS Nigeria Limited, Epe will invest ₦100,

similarly, for every ₦6 invested by NNTC, African Timber and Plywood Company, Sapele will invest ₦100. There is a wide gap of these ratios of 5:100 and 6:100. The importance of this gap should be stressed because capital is the major input in the productive process. With the existing 150,000 shares of NNTC, only 144,700 shares at one naira each have been fully paid up. The existing share capital of the Company automatically precludes it from attracting reasonable loans with which to operate meaningfully. If the equity capital of NNTC is reasonable enough - like that of Swiss Nigeria Industry, Limited, Epe - the Company will not be loaded down with fixed interest changes and a loan repayment schedule. Furthermore, the presence of substantial equity capital in the financial structure of an enterprise enhances the credit standing, making it possible for the Company to borrow money at better terms. Insufficient equity capital is one of the major causes of business collapse and bankcrupcy (Loffel, 1977)[10].

4.11 DEBTS:

NNTC was indebted to the tune of ₦1,160,000 by July 31, 1987. (Audu, 1987)[11]. This is made up of:

TABLE 4:10

(i)	Salaries and wages (16 months)	=	₦ 500,000
(ii)	Indebtedness to banks	=	₦ 200,000
(iii)	Sundry creditors including royalties.	=	₦ 460,000
	Total	=	₦1,160,000

Source: Annual Report, Dec., 1987.

Table 4:10 indicates that the Company is indebted to workers to the tune of half a million naira. The non-payment of salaries to workers had created a very unhealthy industrial relations between management and employees. The workers main source of livelihood is in constant jeopardy. As a result of this workers loyalty and productivity fast declined. The leaders of the National Union of Furniture, Fixtures and Wood-workers, NNTC branch Okura Lafia when interviewed, alleged that the relationship between the management and the Union had been sour for a long time and described it as that between "dogs and cats" due mainly to alleged insensitivity of management to workers welfare in matters relating to housing, safety at work, payment of salaries and other entitlements were completely neglected. All these affected the workers moral and therefore, their productivity continue to decline. This has equally contributed in no small measure to the continuous unprofitability of the Company. For the past five years, the Company has been producing at aloss.

Table 4:10 also indicates that the Company is indebted to banks to the tune of N200,000. This amount is far more than the total equity capital of the Company which is only N144,700. This implies that more than half of the total revenue accruing to the Company will be used to off-set the loans and the interest charges on such loans. However, should the return earned fall below the required return to pay the capital and the accrued interest, then the share-holders must make up the difference out of the returns on their own invested funds. As from December 13, 1987 to December 31, 1989, the amount paid to creditors and accrued charges were: N1,193,692 (1987), N1,379,753 (1988), N1,190,871 (1989). If the total sum of N3,764,253 that was paid out within the three years was retained by the Company as retained earnings, that would have improved the Company's capitalization thereby reducing the burden of relying on creditors to finance the Company with its attendant risks.

4.12 GOVERNMENT INTEREST FREE LOAN TO THE COMPANY:

TABLE 4:11

YEAR	TOTAL LOAN	TOTAL CAP. EMPLOYED	% OF LOAN TO CAP. EMP.
1987	N305,000	N760,683	40.09%
1988	N393,132	N310,427	127.28%
1989	N843,132	N3,086,227	27.31%
Total	N1,543,264	N4,157,337	37.12%

Source: Audited Accounts.

Table 4:11 shows that in 1987 about 40% of total capital employed comprises of government loan. In 1988, however, the total capital employed was far less than the total loan received by the Company. While Government granted the loan of ₦393,132 to the Company, only ₦310,427 was invested. This means that part of the loan received was not invested for productive purposes. This is an indication that financial resources made available to the Company was not efficiently utilized by the management of the Company.

For the three year period - 1987 to 1989 - Government released the total sum of ₦1,543,264 to the Company. This loan carries no interest and are payable over an unspecified time.

From this analysis it has been shown that NNTC has become very inefficient, constituting a major drain on government scarce financial resources and a misallocation of these scarce resources within the economy. Consequently, the Company has become a drain pipe into which government has been forced to waste scarce financial resources to the deteriment of the general development of the State. We want to emphasize here that no Company can succeed on government patronage. For any Company to break-even, there must be efficient and prudent financial management, making profits needs extra effort, planning and determination on the part of the financial manager.

4.13 LACK OF ESTABLISHED ACCOUNTING SYSTEM:

There is no properly established accounting system in NNTC Okura Lafia. This might be due to lack of qualified and competent manpower. Subsequently, this gives room to lack of effective control system. This has contributed to financial management problems.

Other forms of control in the management of finances usually found in business organizations like an Internal Audit Unit does not exist in the Company. With poor management, in experienced-dominated board of directors, as well as non-existence of internal audit section coupled with lack of qualified manpower, the accounting information so produced in the Company is rendered highly subjective. It is the external auditors of the Company that prepares final accounts according to the dictates of the management with the sole aim of reporting only those figures that satisfy the management. The external auditors are mainly concerned with their audit fees. There is, therefore, a general appathy on the part of external auditors as to whether activities are carried out in the best interest of the Company or not provided their own interest in claiming their audit fees is met. In this way, financial management in NNTC became valnerable to problems as a result of which it continued to report losses over the past five years.

4.14 MANAGEMENT BY NON-MANAGERS:

Managers are people who take responsibilities for and contribute to the final results of the enterprise (Drucker, 1975)[12]. Managers must have the scope of their jobs sufficiently defined embodying maximum challenge and responsibility for maximum contribution. This makes the managers the most basic, though a very scarce resource of a business enterprise, making it necessary to sometimes identify the objectives of an enterprise as synonymous with those of its managers (Noel and David, 1984)[13].

In NNTC, staff to manage the Company are usually drawn from the Civil Service partly to sustain government control or due to shortage of such staff. This type of appointment usually lead to the appointment of inefficient managers. As a result of the orientation of civil servants, they are not efficient in the management of private business type-enterprises. By training and experience, these managers are not sufficiently exposed to modern tools of financial management that permit balancing the potential uses and sources of financial resources as they are prone to fragmented decision making mostly unrelated to organizational goals. Between 1985 and 1989, three such civil servants were appointed as General Managers of the Company, usually from either the Ministry of Commerce and Industry or from the board members.

From the foregoing, it can be seen that the management of NNTC is bound to fail because management has been identified as one of the critical resources of an enterprise.

Indeed, the manager of an enterprise co-ordinates all other factors of production. Even if financial resources is abundantly available, inefficient management of this resources can still ruin the enterprise.

4.15 POOR MANAGEMENT:

Poor management, especially as it relates to the financial aspect of management is one of the major causes of the Company's problems of financial management and misallocation of financial resources. The poor management might be as a result of excessive turnover of the chief executives or as a result of managerial incompetence of these chief executives. The post of chief executives are usually not advertised in the case of NNTC to attract competent hands to be employed. Rather, a simple selection were usually made from Ministry of Commerce and Industry to fill the management positions so created. Here the professional qualifications and cognate experience are usually subvented.

In addition, in other managerial cadres, qualified and competent hands are not employed. Take for example, in the finance and accounts department where all the practical aspects of financial management are supposed to be carried out, there is no qualified chartered accountants or adequately trained financial expert to perform these functions.

Similarly, the Company's board of directors, which is supposed to formulate and control the execution of the

Company's major financial and other policies are most ineffective and incompetent. Most of the board members are not experienced in the management of industries. Most of them were selected on political basis without due regard for competence and efficiency. Consequently, the board was more of a rubber stamp that was continuously manipulated by the Company's management to the detriment of the overall interests of the Company and the society at large. Some times, directors who should take care of the Company, assist inwrecking the Company for selfish reasons. This is so because they did not contribute to the establishment of the Company. They have nothing to loose whether the Company makes profit or not. Their major concern is their remuneration and other benefits they can derive from the Company. All these go along way to hamper the smooth administration - particularly financial administration, of the Company.

4.16 CURRUPTION:

Another important factor that contributed to the perpetuation of financial management problems in NNTC is curruption. Take for example, in 1982, Benue State Government employed an expatriate general manager - Mr. Harold Blackburne - in continuation of the efforts of the State Government to reactivate the Company. That year, government injected a sum of ₦305,000 to the Company for this reactivation exercise. Despite these efforts,

that administration failed to achieve the expected results. The administration was inefficient and therefore, compounded the problems of the Company. An administrative panel which probed this administration reaffirmed the various allegations of malpractices and an out right mismanagement of financial resources of the Company. The top management team was subsequently removed. That administration left with eleven months salaries of workers unpaid.

Curruption and various degrees of misappropriation has contributed to the prolifiration of overhead costs especially in repairs and maintenance, entertainment and hospitality, medical expenses and purchase of stationaries.

EXPENDITURE ON SOME ITEMS:

TABLE 4:12

TYPE OF EXPENSES	YEAR/% OF TOTAL			
	1985		1986	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Repairs & Maintenance	₦49,857	41.16%	37,683	38.87%
Motor running Expenses	7,204	5.94%	9,989	10.30%
Travelling & Entertainment	41,974	34.46%	29,616	30.55%
Medical	4,640	3.83%	5,125	5.28%
Stationary, Postages & tel.	7,824	6.45%	5,096	5.25%
General Expenses	9,629	7.94%	9,427	9.72%
Total	121,126	100%	96,936	100%

Table 4:12 indicates the Company's expenditure on some purchases and repairs. If we add travelling and entertainment expenses to general expenses we discover that the management

spent on the average 40% of the total expenses on wining, dinning and travelling for the two years under consideration. This type of expenditure is not for productive purposes. Similarly, repairs and maintenance took 41% and 38% in 1985 and 1986 respectively out of the total expenditure under this column. It is possible that a handsome part of this money went into wrong hands. This is so because although the Company has a workshop for repairs and maintenance of its vehicles and plants, they normally send their vehicles to either Enugu, Ankpa or Ayangba for repairs. The chances are that the cost of repairs could be inflated by the officer who handle the negotiation with the sole aim of getting his own "kick back". The question of sending vehicles all the way to Enugu connotes additional expenses because of transportation costs. All these money which could have been utilized for productive purposes were spent on unproductive ventures.

4.17 CONCLUSION:

From all the analysis above, it is evident that financial management in NNTC is engulfuled in a stream of problems resulting into unnecessary losses and inefficiencies. It can be seen that most of these problems are caused and perpetuated by the management since the Company relies on it for the prudent managements of its finances as well as the basis for its major decisions. Financial management in NNTC became what it is today due to poor management,

curruption, absence of effective control system and investing in unproductive ventures. In addition, poor capitalization and excessive borrowing has brought the Company to its present State of affairs.

Whatever is the expected role of any business organization, it must manage its finances very well failure of which may threaten its very existence. From this analysis we have evaluated the ineffectiveness of NNTC in relation to adequacy of funds, to efficiency and to profitability. The effectiveness with which financial resources are managed plays a major role in the degree of success that a firm experiences (Hart, 1977)[14]. The major objective of survival and growth of any enterprise cannot be attained unless profits are made and losses avoided. From our analysis, therefore, the survival of NNTC is seriously threatened. It is an absolute necessity for a business enterprise to produce at the very least profit required to cover its own future risk, the profit required to enable it stay in business and to maintain intact the wealth - producing capacity of its resources (Drucker, 1975)[15].

FOOT NOTES:

1. Onoh, J.K. (1983), "Development in Nigerian Financial Management" - Paper Presented on November 8, 1983 at the Conference organized by the Industrial Training Fund (ITF) at the University of Benin.

2. Loffel, E.W. (1977), Financing your business, John Wiley and Sons, INC, New York, PP. 1-40.

3. Hart, J.D. (1970), Introduction to business in a dynamic society (second Edition), Collier-Macmillan, Canada, PP. 316.

4. Oshagbemi, T.A. (1983), Small business Management in Nigeria, Longman Group Limited, Ikeja - Lagos, PP. 109-110.

5. Hart, J.D. (1970) Op. cit, PP. 316.

6. Loffel, E.W. (1977) op. cit. PP. 1-40.

7. Hart, J.D (1970), Op.cit PP. 316.

8. Hart, J.D. (1970) Ibid PP. 316.

9. Adikwu, M.A. (1983), "Problems of using ratio analysis" in Management in Nigeria, Journal of Nigerian Institute of Management, Vol. 19, No.5 May, PP.39-42.

10. Loffel, Op.cit.

11. Audu, L.Z. (1987), A memo presented to the Hon. Commissioner of Industries, Benue State, by the General Manager, NNTC, Okura Lafia.

12. Drucker, P.F. (1975), The Practice of Management, Heineman, London, PP. 76-89.

13. Noel, M.T. and David, O. (1984), "SMR FORUM: The leadership challenge, a call for the transformational leader" in Saloan Management Review, Massachussetts Institute of technology, Vol. 26, No.1, PP.59.

14. Hart, J.D. (1970), Op.cit, PP. 259.

15. Drucker, P.F. (1971), Op.cit., PP. 64.

CHAPTER V

5.0 MAJOR FINDINGS, CONCLUSION AND RECOMMENDATIONS:

5.1 INTRODUCTION:

In this chapter, a summary of major findings of the study, conclusion and recommendations will be considered.

5.2 SUMMARY OF MAJOR FINDINGS FROM THE STUDY:

We have attempted in this study to evaluate the impact of financial management practices in the development of manufacturing industries with particular reference to financial management practices in New Nigeria Timber Company, Okura Lafia between 1985-1989. The major issues involved in the management of scarce financial resources have been highlighted. The major findings from the study are on invested capital, the liquidity of the Company, profitability and payment of dividends. Others include capitalization, mismanagement of the Company's financial resources, lack of established accounting system and management problems.

5.2.1 INVESTED CAPITAL:

The invested capital was not utilized efficiently enough to generate satisfactory rate of earnings. The unsatisfactory performance of the Company could not allow it to attract additional investment capital for further operations and development of the Company. As a result

of this the Company has to go into excessive borrowing which has its own evil - payment of high interest charges plus the capital. This activities has kept the Company in a vicious cycle. Lack of capital led to excessive borrowing which in turn led to payment of high interest charges including the capital. This payment reduces the Company's capital base.

Table 4:1 shows capital employed turnover of 0.179 in 1989. This indicates that the capital employed was not properly utilized to bring about sufficient earnings to compensate fully for capital invested in the business for that year. The survival, growth and development of any business organization largely rests on the level and effective utilization of the available financial resources. This has been noted to be the life blood of any manufacturing industry. No firm can survive and grow without proper utilization of the available financial resources to it (Loffel, 1977)[1].

5.2.2 THE COMPANY'S LIQUIDITY:

The Company is not liquid enough to cater for its day-to-day obligations. That is, it has no cash facilities to efficiently meet its maturing obligations. The availability of cash or near cash is very crucial to the Company because the day-to-day operations of the Company is solely dependent on cash facilities needed, to meet urgent and operational

needs. Table 4:3 shows a current ratio of 0.095 in 1988. This indicates that the Company has no cash facilities or near cash to back-up its liabilities. It also means insufficient cash flow to purchase enough raw materials for the day-to-day operations of the Company. Cash-flow, however, is a crucial determinant for successful operations of any firm. Insufficient cash-flow is a danger signal to any manufacturing firm.

5.2.3 PROFITABILITY OF THE COMPANY:

The Company is not generating profits from the firms assets. The primary purpose of purchasing an asset is to produce profits. However, NNTC has not been able to meet this all-important goal of the Company. Table 4:5 shows that between 1985-1989 the Company was operating at a loss. In 1985, the Company lost 71.64% out of the total capital employed. This has serious consequences not only on the profitablility but also on the capital base of the Company. The Company is loosing both profits and the capital invested in the business. This has robbed the Company the opportunity of self-financing which is extremely important. Indeed, the extent to which companies can be self-financing is a function of profitablility, of the desire of the Company to invest and grow, and of the willingness and ability of financial institutions to provide finance (Samuels and Wilkes, 1980)[2].

5.2.4 PAYMENT OF DIVIDEND:

The share holders are not receiving sufficient returns on their investment. The objective of the financial manager is to maximize the value of the firm's common stock and the level of returns being received by the investors relative to their investment is a key factor in determining the value (Hart, 1970)[3]. The payment of very low returns in form of dividends is retarding the development of the Company as investors are not attracted to invest in the Company. Table 4:7 shows that the ratio of dividend to share-holders funds for 1989 was 0.0964 which is approximately 10%. This means that the share-holders only earned 10% of their invested capital during the period. This is far below the minimum level of interest on savings account which is a risk-free investment. This type of dividend is not attractive to investors.

5.2.5 POOR CAPITALIZATION:

The Company is not properly funded. The amount of equity capital is not sufficient enough for the Company to carry out its operations successfully. This point can only be fully appreciated if we realize that capital is the major input in the productive process. Insufficient equity capital can lead to business collapse and bankrupcy. Poor capitalization and mismanagement of the available financial resources have been identified as the major causes of business failure. Table 4:8 indicates that while NNTC has N144,700 as its total equity capital, a

similar Company - Swiss - Nigeria industries Limited, Epe - has N2,840,000 as its equity capital. With this poor capitalization of NNTC, the possibility of its getting out of the present financial mess is very remote. The present equity capital of N144,700 could not bring the Company to a modern standard and to enable it compete with other similar companies favourably. There is therefore, need to procure adequate equity capital for the Company.

5.2.6 MISMANAGEMENT OF FUNDS:

Mismanagement of financial resources through curruption and various degrees of misappropriation has contributed to the prolifiration of overhead costs of the Company. This has increased the cost of production and therefore, reduced the Company's chances of making profits. Table 4:12 shows that about 40% of some expenditure on running costs was spent on unproductive ventures like travelling, entertainment and general expenses. This does not augur well for a Company whose sole aim is profit maximization. This aim - profit maximization - cannot be achieved if costs of production is not minimized.

5.2.7 LACK OF ESTABLISHED ACCOUNTING SYSTEM:

Lack of established accounting system is one of the factors which impede efficient financial management of NNTC. We need correctly prepared, timely and well-organized financial records such as accounting records and financial reports to be able to manage the financial

resources properly. Accurate preparation and correct analysis of these tools of financial management will help make money decisions based on facts and sound business practices.

5.2.8 EXCESSIVE TURNOVER OF CHIEF EXECUTIVES:

There is instability in management policies and practices as well as excessive turnover of chief Executives. Both the instability in management policies and excessive turnover of Chief Executives affect policy decisions and the implementation of such policy decisions. This does not facilitate the smooth operations of the Company. Consequently, the achievement of the overall objectives of the Company is affected. There is no proper formulation of the corporate objectives and policies. Also, there is no proper articulation of policy aimed at the attainment of corporate goals, objectives and programmes. Furthermore, there is no proper supervision of management for implementation of corporate goals, objectives and programmes.

5.2.9 LACK OF QUALIFIED MANPOWER:

In all the managerial carders, qualified and competent hands were not employed by the Company. The consequences of this is that their performances is below the required standard. This has serious negative effect on the overall performance of the Company. Take for example, inefficient performance of the financial manager can completely ruin the Company. In addition, poor performance of the sales manager can lead to serious losses depriving the Company

of the much needed profits. Qualified and competent managerial and technical staff is a pre-requisite for any successful business operations.

5.3 CONCLUSION:

The major purpose of financial management is for an efficient administration of resources. An effective financial management should serve as a valuable aid to the process of decision-making and a major contribution to the pace of economic progress.

Financial management involves evaluation of investment, financing and dividend decisons with the objective of maximizing wealth. It is a study of analytical techniques and of the environment in which financial decisions are made. Financial management, therefore, is a function of keeping accurate financial records, preparing reports, managing the cost position, providing the means for the payment of bills. Procuring additional funds in case of cash needs, investing funds in viable projects and obtaining the best mix of financing in relation to the overall development.

The task of financial management is invariably faced with problems - like those of profitability, liquidity and risk factors which influence both internal and external environments. Only sound financial decisons based on analysis, careful planning and control activities, therefore,

can help optimization of value of operations. Optimization of profits and share-holders wealth is one of those guiding objectives of a business enterprise which govern its allocation of resources and other financial decisions.

To improve on financial efficiency and achieve management objectives, responsibilities must be clearly defined, financial duties properly distributed, expenditure properly sanctioned and financial interests fully protected.

5.4 RECOMMENDATIONS:

Based on the findings in the study so far and in the light of the existing practices of financial management in manufacturing industries in Benue State with particular reference to NNTC, the following recommendations for effective and efficient financial management practices in manufacturing industries are necessary for investors and the State Government.

(1) There must be some basic financial management services to the Company. Financial intermediaries lending to the Company should also provide assistance in basic financial management such as book-keeping, maintenance of adequate records, and debt collection. This is necessary because provision of finance to industries without current provision of basic technical and managerial know-how could be ineffective and sometimes even counter-productive. If manufacturing industries are provided with assistance

in basic financial management, it will help them in the efficient management of invested capital, cash-flow and dividend. The efficient management of invested capital, cash-flow and dividend will lead to the realization of the firm's major objective - profit maximization.

(2) In view of the fact that management is the basic resource of business enterprise it is the managers that harmness other factors of production including capital - the Company must embark on recruitment of qualified staff of all categories. Generally, factors of production are very scarce, such scarce resources must be handled with care by qualified and efficient managers so as to enable the factors yield maximum returns. The role of efficient and effective management in the realization of any organization's objectives can hardly be over-emphasized. In this regard, we recommend that a first-class management team capable of inspiring the lower carder staff be recruited to man the various management positions. Furthermore for effective on-the-job training of staff, they must be qualified in the first instance.

(3) In addition to the above, it might be worth while to establish some institutions to provide both financial and technical services for industries within the frame work of intensive in-depth development programmes. This will make the managers and technical staff to be efficient and effective in the management of scarce resources at their dispossal.

(4) The Board of Directors is the apex of the organizational chart. The Board is, therefore, expected to formulate the Company's objectives and policies as well as supervision of management for implementation of organizational goals. In view of the enormous tasks the Board is called upon to play from time to time, it should be composed of qualified, dedicated and experienced people. Board members must also be people of proven ability and intergrity.

(5) Capital has been identified as the major input in productive process (Ojowu, 1987)[4]. The importance attached to capital in the productive process is as a result of the fact that it can be used to purchase or hire other factors of production. For efficient performance of NNTC the capital base must be raised from ₦144,700 to ₦3,000,000. This recommendation is crucial because the existing share capital of the Company automatically precludes it from attracting reasonable loans with which to operate meaningfully. With the share capital (Equity share) of ₦3,000,000 the Company will be relieved of the burden of excessive borrowing with its high interest charges.

(6) For effective and efficient financial management, the Company must maintain a proper system of accounting and effective method of internal check. An internal control system is the whole system of controls financial and other wise established by management in order to carry on the business of the Company in an orderly and efficient

manner, enable adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records. Financial management is a co-operative effort. It is a responsibility of honesty and intergrity. The efficiency of financial operations, however, is judged by the accuracy and completeness of records and their independent examination by the audit system. Establishment of an internal audit unit is a necessity for the proper handling of the scarce financial resources. The audit unit, if properly maintained, and encouraged will reduce the chances of curruption and misappropriation of the Company's. Scarce financial resources. Much of the efficiency of financial management depends on the system of control used both for mobilization as well as utilization of resources.

SUGGESTIONS FOR FURTHER RESEARCH:

As we approach the modern period, the amount of material needed for proper research into the development of industries becomes over whelming, far beyond the capacity of any one person to examine. Invariably, this means that this study is by no means exhaustive; a vast mine of materials remain to be exhumed by other investigators. As investigation proceeds, more and brighter light will be focused on the subjects discussed here as well as on aspects of personnel production and marketing managements more or less ignored in this study.

The following recommendations, therefore, are found to be pertinent:

(i) The researcher of the future should take a critical look at all practical considerations in management, particularly in the area of personnel management, its effect on the development of industries in Benue State;

(ii) Further research should be conducted in the area of production management with focus on the impact of efficient production management in the development of industries in Benue State;

(iii) Also, research should be conducted into the impact of efficient marketing management in the development of industries in Benue State.

It is believed that if such studies are carried out it would be possible to identify those variables that have profound influence on the development of industries in Benue State.

FOOT NOTES:

1. Loffel, E.W. (1977), Financing your Business, John Wiley and Sons, INC, New York, PP. 1-40.

2. Samuels, J.M. and Wilkes, F.M. (1980), Management of Company Finance, 3rd Edition, Thomas Nelson and Sons, Limited, Walton-on-Thames, Nelson House, Mayfield Road, Surney, PP.17.

3. Hart, J.D. (1970), Introduction to business in a Dynamic society, second Edition, Colker-macmillan, Canada, PP. 265-269.

4. Ojowu, O. (1987), "Long term management of Nigeria's Foreign Exchange" in The Nigeria Economy Under(s)FEM, edited by Attah, J., Kwanashie, M. Ojowu, O., Department of Economics, Ahmadu Bello University, Zaria, PP.18.

BIBLIOGRAPHY

Adeyemo, M.A. (1979), "Management" in Management in Nigeria, Journal of Nigerian Institute of Management, Vol. 15, No. 1, January.

Adeyoju, S.A. (1971), "A Synopsis of the Nigerian Timber Company" in Nigerian Forestry Information Bulletin, New Series No. 20, Department of Forestry, University of Ibadan.

Adikwu, M.A. (1983), "Problems of Using Ratio Analysis" in Management in Nigeria, Journal of Nigerian Institue of Mahagement, VOL. 19, No. 5, May.

Aiafo, M.O.A. (1981), "Dividend as an investment decision" in Management in Nigeria, Journal of Nigerian Institute of Management, Vol. 17, No. 2, February.

Ako, A.O. (1987), Report of Commercialization Committee on the New Nigeria Timber Company Limited, Okura-Lafia, August.

Ayagi, A.I. (1988), "Who is the structural adjustment programme (SAP) for and who is the real beneficiary of (s)FEM", A paper presented as the guest speaker on the occasion of launching the book The Nigerian Economy Under (s)FEM, at the Ahmadu Bello University, Zaria, January, 11.

Britchard, E.R. (1977), Operational Financial Management, Prentive Hall.

Brigham, E.F. (1978), Financial Management Theory and Practice, second Edition, The dryden Press, Mensdale, Illinois.

Carnot, S.J.(Jr) et al (1977), The Management Process: cases and readings, Second Edition Macmillam Publishing Company INC., New York.

Connor, P.E. (1974), Dimansions in Moden Management, Moughten Mifflin Company, Boston, U.S.A.

Dejon, W.L. (1975), Principles of Management: tasts and cases. The Benjamin/Cumaing Publishing Company, INC., Califonia.

Drucker, P.F. (1975), The Practice of Management, Meiman, London.

Dunn, J.D. Stephen, S. Kelley, J.R. (1973), Management Essentials: Resource, Macgraw Hill, Inl., New York.

Ebong, I. (1979), "Effective Financial Management" in Management in Nigeria, Journal of Nigerian Institute of Management, Vol. 15, No. 6, June.

Edmonds, S.W. (1978), Basics of Public and Private Management, Lexington Books, D.C. Heat and Company, Lexington, Massachussets.

Ekong, G. (1983), "The Marketing Concept" in Ododuma Business Journal, No. 12, Ododuma and Company, Management Consultants, Uyo.

Ellah, F.J. (1978), "The Manager" in Management in Nigeria, Journal of Nigerian Institute of Management, Vol. 14, No. 5, June.

Enebeli - Cliff, C. (1986), "Financial Management of a Small Business in a recessionary economy" in Business Times, Monday, March 24, Vol. 11, No. 12.

Esemuede, F.E. (1986), "Marketing Management in the Construction Industry" in Business Times, Monday, January 17, Vol.11, No. 7.

Florence, P.S. (1961), Ownership Control and Success of large Companies, Sweet and Marwell, London.

Foster, G. (1978), Financial Statement Analysis, Prentice Hall Inc., Eagle Wood Cliffs, New Jesey.

Franks, J.R. and Broyles, J.E. (1979), Modern Management Finance, John Wiley and Sons, Chichester.

Goodman, R.A. (1968), "A system diagram of the functions of a manager" in Ododuma Business Journal, No. 18, Ododuma and Company Management Consultants, Uyo.

Hart, J.D. (1970), Introduction to Business in a dynamic society, Colliar-Macmillan, Canada.

Horne, C.V.J. (1977), Financial Management and Policy Prentice Hall, Inc., New Jersey.

Hunter, R. (1983), Core business studies: production Mitchell Beasley Publishers, 87-89 Shaftesbury Avenue, London.

International Encyclopedea for the Social Sciences, Vol. 2.

Iornem, D. (1979), "Capital Structure" in Management in Nigeria, Journal of Nigerian Institute of Management, Vol.15, No. 3, March.

Iziengbeaya, D. (1980), "What do managers do?" in Management in Nigeria, Journal of Nigerian Institute of Management, Vol. 16, No. 7, July.

Iyiegbuniwe, W.C. (1986), "Legitimacy of Profit" in Management in Nigeria, Journal of Nigerian Institute of Management, Vol. 22, Nos. 9 and 10, September and October.

Kalu, O. (1986), The Challenge of Industrialization in Nigeria: a Personal in sight, Basic Trust Limited, Ikoyi-Lagos.

Kochav, D., Bohlin, H., Ditullio, K., Roostal, I. and Wahl, N. (1974), "Financing the development of small-scale industries". A study sponsored by International Bank for Reconstruction and Development (IBRD), Bank Staff Working Paper No. 191.

Koutsoyannis, A. (1979), Modern Micro Economics, Second Edition, Macmilliam, London.

Kwanashie, M. (1987), "The Second-tier Foreign Exchange Market (SFEM): Prospects for Nigeria's Economy Recovery" in The Nigerian Economy Under(S)FEM, Edited by Attah, J., Kwanashie, M. and Ojowu, O., Department of Economics, Ahmadu Bello University, Zaria.

Light, H.R. (1957), The Nature of Management, Second Edition, Sir Isaac Pitman and Sons Limited, London.

Loffel, E.W. (1977), Financing Your Business, John Wiley and Sons Inc., New York.

Litterer, J.T. (1978), An Introduction to Management, John Wiley and Sons, Inc., New York.

Maitin, T.P. (1982), "Financial Management in Management in Nigeria Journal of Nigerian Institute of Management, Vol. 18, No. 11, November.

Martin, J.D., Authur, J.K. Petty, J.W. and Scott, D.E. (1979), Basic Financial Management, Prentice Hall, Eagle Wood Cliffs, New Jersey.

Massie, J.L. and Douglas, J. (1973), Managing: A Contemporary Introduction, Second Edition, Prentice Hall, International Inc., London.

Meier, G. and Roberts, S. (1966), Economic Development Theory, History and Policy, John Wiley and Sons, Inc., New York.

Meigs, W.B. and Meigs, R.F. (1981), Accounting: The Basics for business decisions. Mac-Grew Hill, Inc., New York.

Odeleye, A.O. (1979), "Planning" in Management in Nigeria, Journal of Nigerian Institute of Management, Vol. 15, No. 1, January.

Odiorne, C.S. (1979), MBOII: A System of Managerial Leadership for the 1980s, Fearon Pitman Publisher, Inc., Biolmart, Califonia.

Ojowu, O. (1987), "Long term Management of Nigerian Foreign Exchange" in The Nigerian Economy Under (S)FEM, Edited by Attah, J., Kwanashie, M. and Ojowu, O. Department of Economics, Ahmadu Bello University, Zaria.

Olayide, S.O. (1976), Economic Survey of Nigeria (1960-1975), Aromolaran Publishing Company Ltd., Ibadan.

Onah, J.K. (1979), "Management Quotes" in Management in Nigeria, Journal of Nigerian Institute of Management, Vol. 15, No. 2, February.

Onoh, J.K. (1982), Money and Banking in Nigerian, Longman, United Kingdom.

Onoh, J.K. (1983), "Development in Nigerian Financial Management", A paper presented on November 8, at the Conference Organized by the industrial training fund (ITF) at the University of Benin.

Olaniyi, O.O. (1986), "Marketing side of Management Pitfalls" in Business Times, Monday, March 10, Vol.II, No. 10.

Osagie, B.E. (1986), "Organizational Effectives in Industry" in Management in Nigeria, Journal of Nigerian Institute of Management, Vol.22, Nos. 3 and 4, March/April.

Osara, M.A. (1965), Food and Agricultural Organization, A paper presented at the proceeding of the Conference on pulp and paper development in Africa and the near East held in Cairo 8-18 March, Vol.I, Rome, 1966, Sponsored by Food and Agricultural Organization (FAO).

Oshagbemi, T.A. (1983), Small Business Management in Nigeria, Longman Group Ltd., Ikeja - Lagos.

Osuagwu, H.G.O. (1985), "Financial Management of the Political and Economic System: Some Current Problems" in Issues in Public Sector Management in Nigeria, Edited by Isa Hashim, Centre for Management Development (CMD), Ahmadu Bello University, Zaria.

Pandey, I.M. (1979), Financial Management, Vikas Publishing House, New Delhi.

Porterfield, J.T.S. (1965), Investment decisions and Capital Costs, Prentice Hall, London.

Samuels, J.M. and Wilkes, F.M. (1980), Management of Company Finance, Third Edition, Thomas Nelson and Sons, Ltd., Nelson House May Field Road, Walton-on-Thomas, Surney.

Segun, O. (1986), "Marketing Management in Nigeria" in Business Times Monday, November 24, Vol.II, No. 47.

Singh, N.N. (1970), Scientific Management of Small-Scale Industries, Laivani Publishing House, Bombay.

Spiro, H.T. (1977), Finance for the Non-financial Manager, John Wiley and Sons, New York.

Steiner, G.A. and Miner, J.B. (1977), Management Policy and Strategy: Text, Readings and Cases, Mac-Millian, New York.

Sullivan, B.C. and Ikpeze, M. (1980), "Problems of industrial Growth in Nigeria" in Readings in Social Sciences, Edited by Amucheazi, E.C., Fourth Dimension Publishing Company, Ltd. Enugu.

Symonds, C.W. (1978), Basic Financial Management, Revised Edition, AMACOM (A division of American Management Association), New - York.

Terry, G.R. (1960), Principles of Management, Third Edition, Richard, D. Irvin, Inc. Ontario.

Umo, P.N. (1988), "Finance Development and Portfolio Management" in Ododuma Business Journal, No. 24, Ododuma and Company, The Target Management Consultant, Uyo.

Webber, R.A. (1981), To be a Manager: Essentials of Management, Richard D. Irvin, Inc., George Town, Ontario.

Wilkinson, R. (1978), "Leadership" in Management in Nigeria, Journal of Nigerian Institute of Management, Vol. 14, No. 4, May.

Wren, D.A. (1979), The Evolution of Management Thought, Second Edition, John Wiley and Sons, New York.

APPENDIX A.

AHMADU BELLO UNIVERSITY
Department of Economics, Zaria - Nigeria

Vice-Chancellor: Professor A.N. Mohammed

Date: January 5, 1990

TO WHOM IT MAY CONCERN

Mr. M.A. Okoh is a second year Postgraduate Student of this Department. He is in the process of collecting materials for his Thesis and this Department would appreciate any assistance given to him by your establishment to facilitate this process.

Thank you.

(SGD.)
Dr. A. B. Eshiet
Co-ordinator, PG Programme

APPENDIX B.1

NEW NIGERIA TIMBER COMPANY LIMITED,
BALANCE SHEET AS AT DECEMBER 31, 1985

	₦	₦
Fixed assets		
Forest Concession		469,226
		19,630
CURRENT ASSETS:		
Stocks	164,380	
Debtors	185,706	
Bank Balances and Cash	26,421	
	376,477	
CURRENT LIABILITIES:		
Creditors	327,737	
Taxation	17,273	
Bank Overdraft	109,904	
Dividend	81,290	
	536,204	159,727
Net Current Liabilities		329,129
FINANCED BY:		
Share Capital	144,700	
Reserve	174,354	
Share-holder's funds	319,054	
Deferred Taxation	10,075	
	329,129	

B.2

NEW NIGERIA TIMBER COMPANY LIMITED
BALANCE SHEET AS AT DECEMBER 31, 1986

	₦	₦
Fixed Assets		
Forest Concession		559,226
		26,173
CURRENT ASSETS:		
Stocks	177,096	
Debtors	142,445	
Bank Balances & Cash	56,619	
	376,160	
CURRENT LIABILITIES:		
Creditors	198,636	
Taxation	57,769	
Bank Overdraft	41,654	
Dividend	81,290	
	379,349	3,189
Net Current Liabilities		582,210
FINANCED BY:		
Share Capital	144,700	
Reserve	410,162	
Share-holder's funds	554,862	
Deferred Taxation	27,348	
	582,210	

B.3

NEW NIGERIA TIMBER COMPANY LIMITED
BALANCE SHEET AS AT DECEMBER 31, 1987

	₦	₦
Fixed Assets		2,030,168
CURRENT ASSETS:		
Stock and work in progress	70,000	
Debtors and pre-payments	50,017	
Cash & bank Balances	68,300	
	188,317	
CURRENT LIABILITIES:		
Creditors & Accrued Charges	1,193,692	
Bank Overdraft	183,542	
Dividend payable	81,290	
	1,458,524	1,269,485
Net Current Liabilities		760,683
FINANCED BY:		
Share Capital	144,700	
Capital reserve	1,320,967	
Profit & loss account	(2,045,684)	
Share-holders funds	419,983	
Government loan	305,000	
Other loans	35,700	
	760,683	

B.4

NEW NIGERIA TIMBER COMPANY LIMITED
BALANCE SHEET AS AT DECEMBER 31, 1988

	₦	₦
Fixed Assets		1,800,850
CURRENT ASSETS:		
Stock & Work-in-progress	40,000	
Debtors & Pre-payments	53,793	
Cash & Bank Balances	64,456	
	158,249	
CURRENT LIABILITIES:		
Creditors & accrued charges	1,379,753	
Bank overdraft	187,629	
Dividend Payable	81,290	
	1,648,672	1,490,423
Net current liabilities		310,427
FINANCED BY:		
Share capital	144,700	
Capital reserve	2,320,967	
Profit & loss account	(12,564,209)	
Share-holders funds	98,542	
Government loan	393,132	
Other loans	15,837	
	310,427	

B.5

NEW NIGERIA TIMBER COMPANY LIMITED
BALANCE SHEET AS AT DECEMBER 31, 1989

	N	N
Fixed Assets		4,177,502
CURRENT ASSETS:		
Stock & Work-in-progress	68,702	
Debtors & Pre-payments	18,182	
Cash and bank balances	275,231	
	362,115	
CURRENT LIABILITIES:		
Creditors & accrued charges	1,190,871	
Bank overdraft	181,179	
Dividend payable	81,290	
	1,453,340	1,091,225
Net current liabilities		3,086,277
FINANCED BY:		
Share Capital	144,700	
Capital reserve	5,060,721	
Profit & loss account	(2,978,118)	
Share-holders funds	2,227,308	
Government loan	843,132	
Other loans	15,837	
	3,086,227	

APPENDIX C.1

NEW NIGERIA TIMBER COMPANY LIMITED,
PROFIT AND LOSS ACCOUNT FOR THE YEAR
ENDED DECEMBER 31, 1985

	₦
Sales	1,052,526
Loss before taxation	235,808
Taxation	-
Loss after taxation	235,808
Proposed dividend	-
Loss for the year	235,808

C.2

NEW NIGERIA TIMBER COMPANY LIMITED,
PROFIT AND LOSS ACCOUNT FOR THE YEAR
ENDED DECEMBER 31, 1986

	₦
Sales	943,105
Loss before taxation	41,389
Taxation	14,350
Loss after taxation	55,739
Proposed dividend	-
Loss for the year	55,739

APPENDIX C.3

NEW NIGERIA TIMBER COMPANY LIMITED,
PROFIT AND LOSS ACCOUNT FOR THE YEAR
ENDED DECEMBER 31, 1987

	₦	₦
Sales		322,792
COST OF SALES:		
RAW MATERIALS:		
Balance as at 1/1/87	-	
Purchases	20,769	
	20,769	
Balance as at 31/12/87	1,495	
	19,274	
FINISHED GOODS:		
Balance as at 1/1/87	-	
" " " 31/12/87	34,882	
	34,882	
DIRECT COSTS:		
Salaries & Wages	285,745	
Maintenance & spares	131,294	
Petrol, oil & lubricants	45,138	
Depreciation	142,419	
	604,596	588,988
Gross loss		266,196
OTHER INCOME:		
Sundry receipts	3,178	
Rent	1,000	
	4,178	4,178
Net loss		262,018

C.4

NEW NIGERIA TIMBER COMPANY LIMITED,
PROFIT AND LOSS ACCOUNT FOR THE YEAR
ENDED DECEMBER 31, 1988

	₦	₦
Sales		208,253
COST OF SALES:		
RAW MATERIALS:		
Balance as at 1/1/88	1,495	
Purchases	84,935	
	86,434	
Balance as at 31/12/88	40,000	
	46,434	
FINISHED GOODS:		
Balance as at 1/1/88	34,883	
" " " 31/12/88	-	
	34,882	
DIRECT COSTS:		
Salaries & wages	167,284	
Maintenance & spares	42,861	
Petrol, Oil & Lubricants	32,365	
Depreciation	142,419	
	384,929	396,481
Gross loss		188,228
OTHER INCOME:		
Sundry receipts	4,607	
Rent	2,000	
	6,607	6,607
Net loss		181,621

C.5

NEW NIGERIA TIMBER COMPANY LIMITED, PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1989

	₦	₦
Sales		554,358
COST OF SALES:		
RAW MATERIALS:		
Balance as at 1/1/89	40,000	
Purchases	127,829	
	167,829	
Balance as at 31/12/89	66,532	
	101,297	
FINISHED GOODS:		
Balance as at 1/1/89	-	
" " " 31/12/89	2,170	
	2,170	
DIRECT COSTS:		
Salaries & Wages	205,979	
Maintenance & Spares	116,811	
Petrol, Oil & Lubricants	59,072	
Depreciation	181,390	
	563,252	662,379
Gross loss		108,021
OTHER INCOME:		
Sundry Income	-	
Rent	-	-
Net loss		108,021

APPENDIX D

NEW NIGERIA TIMBER COMPANY LIMITED
OKURA-LAFIA

DEBTORS LIST OF BALANCES AS AT 19TH AUGUST, 1987

S/NO.	NAME AND ADDRESS	AMOUNT
1.	Intercontractors Nig. Ltd, P.O.Box 167, Keffi	₦5,464.99
2.	Vocational Training Centre, Box 174, Makurdi	51.80
3.	Lafia Agric. Dev. Project, Lafia	277.71
4.	Q.I.M. Ochadamu Medical Centre, Ochadamu	60.00
5.	Alhaji Musa Enebi, Idah	453.90
6.	Mr. S.E. Okedi, Alloma, Idah	594.06
7.	St. Joseph Trade Centre, Makurdi	1,172.07
8.	M/s.T.A. Hamonds Project, 10, Ademola Street S.W. Ikoyi, P.O. Box 2898, Lagos.	3,913.80
9.	Alhaji Audu Adama, P.O. Box 16, Idah	1,230.72
10.	St. Francis College, P.O. Box 97, Otukpo	91.84
11.	Mr. J.N. Obidike, No.6, Dewhust Street, Asata Enugu	363.65
12.	Mr. E.O. Adikwu, No.4, Ajene Street, Otukpo	125.41
13.	M/s. Prudemco Nig.Ltd., P.O. Box 16, Idah	4,129.53
14.	Hajia Fatuma Abu, Ayangba	93.55
15.	Justice A.P. Anyebe, C/o High Court of Justice, Makurdi.	60.94
16.	Fidelis Anodebe, C/o N.N.T.C., Okura-Olafia	112.00
17.	Cato-way Timber Industry Ltd., P.M.B. 2019 I'Ode	352.82
18.	Mr. J. Amujo, Min. of Agric. & Nat. Res. Ilorin	650.00
19.	Min. of Agric. & Nat. Res. Forestry Div. Dekina	7,252.23
20.	Ejule Bros. Enter Limited, Ayangba	1,149.19
21.	Mr. C.A. Atuluku, Ayangba	120.80
22.	Mr. Sule Ochani, Idah	66.00
23.	Mr. I. Omale C/o Oganonigu Comm. College, Aloko	1,112.12
24.	Mr. Samuel Onyekwelu, No.5, Robinson Close Uwani, Enugu.	266.34
25.	Dekina Local Government Authority, Dekina	9,158.60
26.	Min. of Agric. & Nat. Res. Forestry Div. Ankpa	68.62
27.	Mr. Jacob Okpanachi	158.35
28.	Min. of Work Dekina	51.60
29.	Mr. P.O. Alih, Min. of Commerce & Ind., Makurdi	182.20
30.	Mr. Matthew Tofade, Otukpo.	950.00
		C/F = ₦39,735.38

		B/F = ₦39,735.38
31.	Coastal Shipping Agencies Ltd., P.O.Box 57, Apapa	1,500.00
32.	Mr. Isaac Adoyeya, Otukpo	2,444.73
33.	Mr. J.M. Shaibu (Former Comm. Ministry of Local Government).	150.00
34.	Mr. E.I. Odoma c/o Govt. Day Sec. School, Ojofu Ayangba (former Deputy Governor, Benue State)	2,457.76
35.	Akpa Dakwoji, Ayangba	50.00
36.	Hajiya Inna Abdul Kadiri, Ayangba	144.87
37.	Matthew Lzedima Aku, Nsukka c/o A.A.D.P. Ayangba	597.09
38.	Mr. James Yusufu c/o N.N.T.C. Ltd., Okura	185.00
39.	Mr. Sule Iyaji, L.G.A., Makurdi.	60.00
40.	Alhaji Salifu Yakubu, 82, Ojoku Road, Ankpa	100.00
41.	Okwe Ogbu, Otukpo	494.43
42.	Mrs. Victoria Ogwuji Otukpo	609.15
43.	Mr. D.A. Ogala, Makurdi	60.20
44.	Mr. J.O. Abalaka	334.00
45.	Mrs. Elizabeth A. Ivase, Makurdi.	320.00
46.	Mr. N.S. Ebune, Idah	595.50
47.	Mr. Ogwu Okpanachi (Manager Block Ind.) Dekina Road, Ayangba.	2,532.73
48.	Mal. Sule Abdullai, Idah	65.50
49.	Mr. Peter Abalaka, Perm. Sec. Admin. Governor's Office Makurdi now of Admin. Staff College, Badagry	1,112.43
50.	Janebu Idachaba, Dekina	66.54
51.	Ododo Abutu, Odu Ofomu Dekina	100.00
52.	Mr. S.A. Amana, Okura-Olafia (Former Administrator)	255.44
53.	Mr. Idamu, M.O.H., Makurdi	102.23
54.	Mr. Mvedaga Jibo (former Comm. M.O.W.), Makurdi.	141.50
55.	Mr. Peter Vande Aoka, Makurdi.	2,542.19
56.	Musa Ikani Ogbaloto Dekina	68.00
57.	Dr.(Mrs.) R.A. Abdullahi, Makurdi.	134.95
58.	Uche Uba, Makurdi.	310.00
59.	Mr. Vincent Uji (former Comm. Min. of Trade and Industries, Makurdi)	1,119.28
60.	Director of Budget, Ministry of Finance, Makurdi.	4,423.50
		C/F = ₦63,812.40

		B/F = ₦63,812.40
61.	Mr. J.O. Ochiemi, Sec. Ankpa L.G.A.	446.01
62.	Alhassan Amodu, Idah	400.00
63.	Q.I. Mission Inye	469.78
64.	Alhaji Y. Ahmed - Sheria	250.80
65.	Mr. J.E. Ataguba, Makurdi	1,760.80
66.	Hajia Jummai, Iyale	40.45
67.	Musa Ahmed, Federal Polytechnic, Idah	340.75
68.	State Works Officer, Nig. Police 'C' Dept Makurdi.	1,489.25
69.	Alhaji Y. Ahassan, Idah	266.31
70.	Mr. Adigwa, NITECO., Enugu	511.46
71.	Mr. J.O. Onoja, No.FF5 Kwararafa Qta., Makurdi	100.00
72.	Mr. Shaibu Atiga, Ayangba (late)	59.88
73.	Mr. J.A. Akubo Dekina	274.30
74.	Yakubu Ojonimi Ajaka	94.07
75.	Miss Esther Awodi, L.G.E.D., Okura Saw-mill	25.90
76.	Isaac E. Ochima, Ejula	147.53
77.	Mr. E. Okopi - D.S.P. Dekina	186.50
78.	Mr. S.S. Iyanda, Idah	360.00
79.	Niger Benue River Basin Dev. Authority Bassa	300.00
80.	Moses Coker c/o Emmanuel Osaigbovo Okura-Olafia	112.53
81.	M.I.U. Ogoh, 72, Ankpa Road, Makurdi	245.59
82.	Mr. D. Illah, c/o A.A.D.P., Ayangba	1,286.40
83.	Ufondu Motors, P.O. Box 60, Nnewi Imo State	480.45
84.	Anglican Church, P.O. Box 8, Enugu	2.70
85.	Isaac Adeyeya 43/45 Jerico Road, Box 160, Otukpo	199.63
86.	Mr. A.J. Herriott, A.J. Kay Limited, Kano	131.30
87.	Mr. Matthew Ayinla, Sheria	200.00
88.	A.J. Motors Limited, P.O. Box 1055, Kano	1,313.00
89.	Mr. Eric Iloh c/o Festus Obeta, N.N.T.C. Ltd., Okura	500.00
90.	Mr. Benjamin Anaja, A.A.D.P., Ayangba	174.17
91.	Mr. B.B. Edino Ankpa Local Govt. Educa Office	323.35
92.	M/s. Cementation Cannon Const. Ltd., Makurdi.	38.38
93.	Dr. S.T.O. Attah, A.A.D.P. Ayangba	40.33
94.	A. & A Classical Press Box 28, Ankpa	814.00
95.	Ministry of Health, Makurdi	14,903.00
96.	Mr. P.S. Achimugu(Director) P.O. Box 388, Kaduna.	5,352.45
		C/F = 96,645.47

		B/F = ₦96,645.47
97.	Alhaji Prince Bewa Abu (Ex-Director) Ankpa	1,202.41
98.	Bennet Akuwe, U.A.C. Road/Timber Shed Lafia	221.80
99.	Mr. R.A. Blackburne Former G/Manager NNTC Limited	230.50
100.	Mr. Joseph Odubi, Okura-Olafia	196.40
101.	Barrister J.J. Igbabon c/o Benue Brewery Ltd., Makurdi	200.25
102.	Alh. M.M. Abdul Hejida House Adjacent to Local Govt Secretariat, Ankpa.	803.31
		₦99,510.14