DEFERRED TAX ACCOUNTING AND FINANCIAL PERFORMANCE: THE LISTED AGRICULTURAL FIRMS PERSPECTIVE IN NIGERIA

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ABSTRACT

The study examined the effect of deferred tax accounting on financial performance of listed agricultural firms in Nigeria. The study employed ex post facto research design using data from 4 quoted agricultural firms. The data span across 7 years ranging from 2011-2017 and were analyzed using simple linear regression. Findings from the study revealed that deferred tax accounting has a positive and significant relationship with the profitability of the listed firms. Further findings revealed that deferred tax has no statistical significant effect on both the cash flow and earnings per share of the listed agricultural firms in Nigeria Hence, based on the results obtained from this study it is recommended that; Firms in Nigeria should make tax planning as part of the firm's strategic financial planning by employing effective accounting for deferred tax due the complexity of current accounting standard for deferred tax. Also the firms should effectively utilize all-inclusive tax planning strategies available in order to further influence their financial performance positively. Finally the study recommends that due to the complexity of accounting for deferred tax by firms in Nigeria, accounting standard developers should come up with a clear and precise rule for deferred tax accounting that will enable uniformity and seamless accounting for deferred tax by all firms.

Keywords: Cash-flow from Operations, Deferred Tax Liability, Earnings per share, Profit after tax

1.0 INTRODUCTION

In accounting theory, there is no doubt about the importance of deferred tax when making tax plans, the purpose of which is to correct the influence of due income tax on the financial performance of firms (Citron, 2014). As stated in Ogundajo and Onakoya (2016), the concept and content of deferred tax has a certain history, development and experience in Nigeria but it cannot be said that in its practical application, it is a self-evident and seamless part of current financial reporting practice. Ogundayo and Onakoya (2016) in their work further stated that even though deferred tax appeared in Nigerian firms accounting reports for the first time in the early 1990s, it became more widely known to the public accounting audience when Nigeria keyed into the use of International Financial Reporting Standards (IFRSs), propagated by the International Accounting Standard Board (IASB). Since that time, all accounting entities that are obliged to draw up

financial statements in compliance with the IFRS Standards also have to account for deferred tax. This was the dawn of accounting methodology for deferred tax in Nigeria.

In terms of the methodology for deferred tax calculation, the balance sheet liability method is used by the agricultural firms in Nigeria in line with IAS No.12. According to Gatsi, Gadzo and Kportorgbi (2013), the liability method of accounting for deferred tax expresses the procedure where the deferred tax in relation to the profit or loss recorded in the statement of financial position will be applied in later accounting periods using the income tax rate applicable in future periods in a period when the tax liability is applied. Herbohn, Tutticci and Khor (2010) assert that in line with IAS 12: INCOME TAX ACCOUNTING, the balance sheet approach means that the liability method is based on temporary differences, by which the differences between the tax base of the asset (or liabilities) and the amount of assets (or liabilities) are recognized in the balance sheet. While using the International Financial Reporting Standard rule, as pointed out by Chludek (2011), the temporary differences of deferred tax may include both time differences applied in the final financial statements and differences that have not passed through the statement of comprehensive income. The creation of this source credited on the deferred tax expenditure in the current period will cause the limitation of the distribution of the parts of profit that were not subject to due income tax to funds created from the profit among shareholders (Akinyomi & Tasie, 2011).

Against this backdrop the theories and practice of applying deferred tax accounting in a firm's tax plan cannot be overemphasized thus, calls for more studies on the topic of deferred tax and its effect on the financial performance of firms especially from the Nigerian perspective. Previous researches done on deferred tax have focused more on discrepancies in reporting and disclosures of deferred tax than exploring its' effect on firms financial performance. Studies such as Murdoch, Krause and Guy (2015) used time series data from Compustat firms in North America and found out that deferred income tax expense enhances the ability of current income tax expense to predict future tax payments for approximately 40% of firms across all three forecast horizons. Another empirical study by Bauman and Shaw (2016) conducted on the approaches of American Accounting Law to International Financial Reporting Standards among publicly traded US firms found that classifying all deferred taxes as noncurrent (non-due) may adversely affect the usefulness of the financial statements for equity investors. Also, Žárová (2016) studied deferred tax disclosure, including an evaluation of deferred tax items recognized in the balance sheet of fifteen selected companies listed on the Prague Stock Exchange (PSE). Similarly, Purina (2016), in her analysis, compared the approaches and impacts of the influence of national legislations on deferred tax on several Czech and Russian firms. These researchers have focused on developed economy; we therefore intend to carry out our own study to reflect the Nigerian listed firms' perspective, to see if results gotten from an emerging economy will conform to that of developed economies.

Thus, the study specific objectives includes to;

i. Examine the effect of deferred tax on the profit after tax of listed agricultural firms in Nigeria.
ii. Ascertain the effect of deferred tax on the cash flow of listed agricultural firms in Nigeria.
iii. Determine the effect of deferred tax on the earnings per share of listed agricultural firms in Nigeria.

2.0 REVIEW OF RELATED LITERATURE

2.1 Conceptual Framework

Deferred taxes are constructs of financial reporting (Savak & Radojko, 2013). According to Poterba, Rao and Seidman, (2007) the purpose for deferred tax accounting is to account for future tax effects that will arise as a result of different recognition and measurement principles of accounting standards against tax law. Therefore, deferred tax represents future tax consequences of items and business transactions that have been recognized differently in the financial statement than in the tax report. Specifically, deferred taxes reflect the taxes that would be payable or receivable if the entity's assets and liabilities were recovered / settled at their present carrying amount (Hanlon, 2005). Ogbodo, Egbunike and Abiahu (2017) posit that deferred taxes arise when a revenue or expense item is reported on the income tax return in a year that is different from the year the item appears on the financial statements.

Deferred tax accounting is an outcome of the matching principle, aiming at recognizing the tax consequences of an item reported in the current financial statements in an accounting period as against a future measurement and recognition on the same item (Ogbodo, Egbunike & Abiahu, 2017). According to Graham and Leary (2011), an example of such measurement and recognition is to take the total tax expense which reflects the tax expenses divided by the tax benefits that are attributable to pre-tax book income but that are not reflected in current tax expense of the period thus accounting for deferred tax. Through the expense on deferred income tax, the actual expense on the income tax that corresponds with accounting expenditures and revenues can be recognized (Uwaigbe, 2016).

2.1.1 Deferred Tax Liability

Accounting for deferred tax under IAS 12: Income Tax Accounting uses the liability method of deferred tax accounting whereas a detailed accounting for income tax is yet to be captured by an IFRS standard (Halim, Veysel & Baykut, 2015). Therefore accounting for deferred tax gives due recognition of the IAS 12 whereby, deferred tax liabilities account for the amounts of income taxes payable or recoverable in future periods that arise from temporary book-tax differences, i.e., differences between the book value of an asset or a liability and its tax base that will result in taxable amounts when the book value of the asset or liability is recovered. According to Haskins and Simko (2011), deferred tax liabilities arise generally from financially recorded income that has not yet been taxed, for example in the case of accelerated tax depreciation, where taxable income is deferred to the future by tax depreciation rates that exceed book depreciation rates. On the other hand, deferred tax assets arise generally as a result of earlier expensing for financial accounting than for tax purposes (Chang, Herbohn & Tuttici, 2009). Therefore, deferred tax items represent book-tax differences that arise automatically due to differences in tax law versus accounting principles, as well as book-tax differences that inform about choices made for book purposes.

Savka and Radojko (2013) further reiterated that deferred tax liability is recognized only for temporary differences that will result in taxable amounts in future accounting periods. For instance, a temporary difference is created between the reported amount and the tax basis of an installment sale receivable if, for tax purposes, some or all of the gain on the installment sale will be included in the determination of taxable income in future years because amounts received upon recovery of that receivable will be taxable, as such, a deferred tax liability will be recognized in the current year for the related taxes payable in future years. Also the case of temporary book-tax differences

in provisions that reflect fixed differences in tax law versus accounting principles arises under IAS 37- Provisions, Contingent Liabilities and Contingent Assets, since provisions are recognized IAS 37 for liabilities of uncertain timing or amount, whereas these liabilities are generally not relevant for tax purposes until payable amounts are actually fixed.

Ogundajo and Onakoya (2016) established in their study on the deferred tax disclosure that deferred tax is provided for using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes mostly by manufacturing firms in Nigeria, of which the agricultural firms that are listed on the Nigerian stock exchange market are part of this sector. Furthermore, these agricultural firms account for deferred tax assets and liabilities by calculating them in respect of temporary differences using the balance sheet liability method. A review of the statement of financial position of the listed agricultural firms in Nigeria shows that deferred tax assets are recorded only to the extent that it is probable that taxable profit will be available against which the deferred tax asset will be realized or if it can be offset against existing deferred tax liabilities and the carrying amount of deferred tax liability of these firms is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered which in most case it is not feasible. Citron (2011) further explained that deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Also, deferred tax liabilities are offset if only a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.1.2 Deferred Tax and Firms Financial Performance

Olaoye and Bamisaye (2018) stated that financial performance of firms refers to the application of organized methods of science in calculating and arriving at profitability, liquidity and returns to shareholders of firms. The study of financial performance has attracted concern from scholars around the globe in diverse aspects of business (Johnson, 2010). Financial performance theories and studies has also attracted the interest of business dealers and practitioners in all organizations around the world because it has been a typical indicator of a firm's high performance as it reflects firm's management efficiency and effective utilization of available resources (Miller & Skinner, 1988). Thus, financial performance has been defined as the end result of activity, and the appropriate measure selected to assess corporate performance which is considered to depend on the type of organization to be evaluated and the objectives to be achieved through such evaluation (Gordon & Joos, 2004).

As stated in Weber (2009), critics of deferred tax liability view argue that, for one thing, the major part of deferred taxes is not expected to be realized in the near future as a consequence of business operation. Therefore periodically recurring business activities and single reversing temporary differences are offset by newly created temporary differences in the same business year. In such deferring circumstances, there ought to be reversal of the aggregate temporary differences and the

associated tax cash flow indefinitely (Burgstahler, Elliot & Hanlon, 2002). Furthermore, uncertainty does not only exist concerning the timing of the associated tax cash flows, but also concerning the reliability of implied tax payments and tax benefits, since realization of these cash flows depends on the firm's development and future operations. Particularly, if large parts of temporary differences reverse due to ceasing recurring operating activities, the firm will most likely face adverse financial gains, with the consequence that accruing tax liabilities cannot be paid because of poor financial performance.

Empirical evidence on whether financial statement users take deferred tax information into account is rather inconclusive. Using similar data, Amir Kirschenheiter and Willard (1997) and Barth, Beaver and Landsman (1998) provide evidence consistent with the liability view and the market discounting deferred tax components according to their expected time and likelihood of reversal that deferred tax liability consequently affects the firm financial performance. Burgstahler, Elliot and Hanlon (2002) in their study report that deferred tax adjustments as a consequence of a change in the corporate tax rate were reflected in share prices at the same rate as recurring earnings, despite their different implications for future cash flows. Consequently, by their studies, it shows that investors did not expect the income effects due to tax rate change-induced by deferred tax adjustments. This suggests that investors are either not familiar with deferred tax accounting rules, the concept of deferred taxes or that they ignore deferred taxes altogether (Plumlee, 2003).

2.1.3 Concept of tax incentive

Wilson (2010) as cited in Oko, Onodi and Tapang (2018), had a general definition of tax incentives which is an eye opener to this research work. Theye defined tax incentives as "a deliberate reduction in the liability granted by government in order to encourage particular economic unit (e.g. corporate bodies) to act in some desirable way (e.g invest more, consume more, import less. Pollute less, etc)". Any tax is amendable to being modified to create a tax incentive. The reduction in liability could be in the manner of a reduction in tax rate, reduction in tax base, outright tax exemption, tax deferment, and so on (Oko, 2014).

Also in the view of Ihe (2012), tax incentive is the economic arrangement and strategy where the government approves some companies or individuals to pay less or no tax for certain economic reasons that will encourage development.

2.1.4 Need for tax incentives in the agricultural sector in Nigeria

According to Uboh (2014) as cited in Oko, Onodi and Tapang (2018), the contributions of the agricultural subsector to the Gross Domestic Product (GDP) of Nigeria cannot be over emphasized. This is perhaps a major reason for the clamour for incentives for the subsector. According to the Central Bank of Nigeria (CBN), the agricultural sector is central to Nigeria's economy; accounting for 40 per cent of the Gross Domestic Product (GDP) and providing employment for over 60 per cent of the labour force (CBN, 2013). This is supported by the conclusion of Izuchukwu (2011) that the Nigerian economy is essentially agriculture in terms of national output and employment generation, being the largest sectarian contributor to Gross Domestic Production (GDP) with an average of 38% in the last 8 years; with crops accounting for 80%, forestry 3% and fishery 4%. It provides employment for about 65% of the adult labor force and the food and fiber needs of a large and increasing population. The agro-industrial enterprises depend on the sector for raw materials whilst 88% of the non-oil exports earning come from the sector. To drive the increased

contribnution from the sector, Government continues on regular basis to announce additional incentives in the annual budget speech to boost investment in the sector.

2.2 Theoretical framework

2.2.1 The Ability to Pay Theory

The Ability-to-Pay approach as propounded by Adams smith (1776) states that taxes are based on taxpayers' ability to pay; there is no quid pro quo. Taxes paid are seen as a sacrifice by taxpayers (individuals and firms) who raise the issues of what the sacrifice of each taxpayer should be and how it should be measured. The total loss of utility as a result of taxation should be equal for all taxpayers' equal proportional sacrifice. According to Visvanathan (1998) the instantaneous loss of utility as measured by the derivative of the utility function which is a result of taxation should be consistent and if not so then the need for adjustment for tax equal utility is needed. This therefore will entail that firms who engage in tax payment have the legal backing to sort out tax discrepancies via deferred tax computation in order to achieve the status of equal tax utilization by doing away with arbitrary tax inconsistencies anchored on the ability to pay theory (Ball & Shivakumar, 2005).

2.2.2 Benefit Theory:

According to this theory, the state should levy taxes on individuals according to the benefit conferred on them. The more benefits a person derives from the activities of the state, the more he should pay to the government. This principle has been subjected to severe criticism on the following grounds:

Firstly, if the state maintains a certain connection between the benefits conferred and the benefits derived. It will be against the basic principle of the tax. A tax, as we know, is compulsory contribution made to the public authority's to meet the expenses of the government and the provisions of general benefit. There is no direct quid pro quo in the case of a tax.

Secondly, most of the expenditure incurred by the slate is for the general benefit of its citizens, it is not possible to estimate the benefit enjoyed by a particular individual every year.

Thirdly, if we apply this principle in practice, then the poor will have to pay the heaviest taxes, because they benefit more from the services of the state. If we get more from the poor by way of taxes, it is against the principle of justice?

2.2.3 The Theory of Performance:

The theory of performance explains the basic frameworks that underpins performance and its improvement in organisations. Performance is defined as the ability to produce valued results. The performance of an aorganization can be enhance throgh the employment of considerable amount of time and effort, leveraging on personal factors and evnvironmental situations surronding the organization (Emeni, et al., 2018). Incentives from deffered taxes provides a justification for improvement in firm performance.

2.3 Empirical Review

Several studies have been conducted on the effect of deferred tax and firms' financial performance using data from both developed and developing economies. Some of these studies are reviewed below:

James, Poterba, Rao and Jeri (2011) carried out a study on deferred tax positions and incentives for corporate behavior around corporate tax changes from one tax regime to another. They compiled disaggregated deferred tax position data for a sample of large U.S. firms between 1993 and 2004 to explore how these positions might affect firm behavior before and after a pre-announced change in the statutory corporate tax rate. Their results suggest that the heterogeneous deferred tax positions of large U.S. corporations create substantial variation in the short-run effects of tax rate changes on reported earnings. They recommended that there should be recognition of these divergent incentives is important for understanding the political economy of corporate tax reform.

Olaoye and Bamisaye (2018) examined the effect of deferred tax and financial performance of firms in Nigeria by analyzing the effect of both deferred tax asset and deferred tax liability on firms performance measured in terms of profit after tax, earnings per share, return on asset and return on equity. They used panel based estimation techniques including pooled OLS panel estimator, fixed effect OLS estimator and random GLS estimator for analyzing their data gotten from 10 listed firms on the Nigerian stock exchange market. They found out that deferred tax asset and deferred tax liability exert negative impact on performance of firms sampled in the study.

3.0 METHODOLOGY

This study basically seeks to investigate the effect of deferred tax accounting on financial performance of listed agricultural firms in Nigeria. The study adopts ex post facto research design and employed Simple ordinary least square (OLS) regression in analyzing the data collected from the annual financial statement of 4 out of 5 listed agricultural firms (Okomu Oil PLC, SMART PLC, PRESCO PLC & Livestock Feeds PLC) on the Nigerian stock exchange market from 2011-2017 a period 7 years.

Model Specification

This study formulates the following model to be used by the researcher in the investigation.

$$PAT_{it} = \alpha + \beta_1 DTAX_{it} + U_{it}$$

$$CFO_{it} = \alpha + \beta_1 DTAX_{it} + U_{it}$$

$$EPS_{it} = \alpha + \beta_1 DTAX_{it} + U_{it}$$

Where;

α = Constant

PAT = Profit after Tax (Log of Profit after tax)

CFO = CFO (Log Cash flow from Operation)

EPS = Earnings per share (Reported Earnings per share of the firm at a time)

DTAX = Deferred Tax (Log of Deferred tax liability of the firm at a time)

it= Cross-sectional ($_i$) at time ($_t$)

U = Error term used in the model.

β_1 = Beta coefficient of the independent variable.

Decision Rule: Accept the null hypothesis if the calculated value is greater than the significant level of 0.05.

4.0 DATA PRESENTATION AND ANALYSIS

Data Validity Test

In order to ensure that the results are robust, the Durbin Watson was computed as shown in the table below. The Durbin Watson for the three models specified stood between, 1.213 & 2.274 which is not above the standard of 2 indicating the absence of auto-correlation. Gujaratti and Sageetha (2007) suggest that a Dublin Watson value of more than 2 almost certainly indicates a serious auto-correlation problem. In this study, the DW values are less than 2; this substantiates the absence of auto-correlation problem among the explanatory variable thus enabled us to go ahead with the regression analysis.

Table 1: Data Validity Test

Descriptive Statistics

	N	Minimum	Maximum	Mean		Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
DTAX	28	6.21	8.17	7.0829	.11791	.62395
LOGPAT	28	6.12	8.86	6.9414	.10205	.54002
CFO	28	6.26	7.74	6.8508	.07539	.39894
EPS	28	.12	21.80	2.7246	.85103	4.50320
Valid N (listwise)	28					

Table1 presents the descriptive statistics of all the variables. N represents the number of observations and therefore the number of observations for the study is 28.

Deferred Tax (DTAX) reflects a mean of 7.0829 and a standard deviation of 0.62395, it has a minimum value of 6.21 and a maximum value of 8.17. Profit after tax (PAT) reflects a mean of 6.9414 and a standard deviation of 0.54002, it has a minimum value of 6.12 and a maximum value of 8.86. Cash Flow from Operations (CFO) reflects a mean and deviation of 6.8508 and 0.39894 respectively. It also shows a minimum and maximum value of 6.26 and 7.74. Earnings per share (EPS) reflects a mean of 2.7246 and a standard deviation of 4.50320, it has a minimum value of 0.12 and a maximum value of 21.80. This various means and deviation shown by the variables shows the level of variation amongst the variables.

Regression of the Estimated Model Summary

This section of the chapter presents the results produced by the model summaries for further analysis. Thus:

Table 2: Regression

Model Summary[1]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df 1	df 2	Sig. F Change	
1	.384[a]	.147	.114	.50820	.147	4.487	1	26	.044	2.274

a. Predictors: (Constant), DTAX

b. Dependent Variable:LOG PAT

Table 2, presents the regression result between DTAX and Profit after tax (PAT). From the model summary table above, the following information can be distilled. The R value of 0.384 shows that, there is a weak but positive relationship between DTAX and PROF at 38.4%. Also, the R^2 value stood at 0.147.The R^2 otherwise known as the coefficient of determination shows the percentage of the total variation of the dependent variable (PROF) that can be explained by the independent or explanatory variable (DTAX). Thus the R^2 value of 0.147 indicates that 14.7% of the variation in PROF of the listed firms can be explained by a variation in the independent variable (DTAX) while the remaining 85.3% (i.e. 100-R^2) could be accounted by other variables not included in this model.

The adjusted R^2 of 0.114 indicates that if the entire population is considered for this study, this result will deviate from it by only 0.033 (i.e. 0.147 – 0.114). This result shows that there is a deviation of the sample examined and the total population by 3.3%. The table further shows the significant change of 0.044 with is a proof that the model is statistically with a variation of change at 14.7% which indicates the level at which the independent variable is as a whole contributing to the variance in the dependent variable.

Table 3: Coefficients

Coefficients[1]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.590	1.114		4.119	.000		
	DTAX	.332	.157	.384	2.118	.044	1.000	1.000

a. Dependent Variable: LOGPAT

The regression result as presented in Table 3 above to determine the relationship between DTAX and Profit after tax (PAT) shows that when the independent variable is held stationary; the Profit after tax (PAT) variable is estimated at 4.590. This simply implies that when all variables are held constant, there will be a decrease in the Profit after tax (PAT) of listed firms up to the tune of 4.590 units occasioned by factors not incorporated in this study. Thus, a unit increase in DTAX will lead to an increase in PROF by 0.384 units.

Ho₁: *Deferred Tax accounting has no significant effect on the profitability of listed agricultural firms in Nigeria.*

Given the stated null hypothesis above for model 1 and considering the outcome of the regression result carried out in line with the decision rule earlier stated. The study accepts the alternative hypothesis and rejects the null hypothesis since the calculated significant level of 0.044 is less than the accepted significant level of 0.05.

Table 4: Model Summary

Model Summary[2]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df 1	df 2	Sig. F Change	
1	.164[a]	.027	-.011	.40106	.027	.715	1	26	.406	1.213

a. Predictors: (Constant), DTAX

b. Dependent Variable: CFO

Table 4, presents the regression result between DTAX and CFO. From the model summary table above, the following information can be distilled. The R value of 0.164 shows that, there is a very weak but positive relationship between DTAX and CFO at 16.4%. Also the R^2 value stood at 0.027.The R^2 otherwise known as the coefficient of determination shows the percentage of the total variation of the dependent variable (CFO) that can be explained by the independent or explanatory variable (DTAX). Thus the R^2 value of 0.027 indicates that 2.7% of the variation in CFO of the listed firms can be explained by a variation in the independent variable (DTAX) while the remaining 97.3% (i.e. 100-R^2) could be accounted by other variables not included in this model.

The adjusted R^2 of -0.011 indicates that if the entire population is considered for this study, this result will deviate from it by only 0.038 (i.e. 0.027 – -0.011). This result shows that there is a deviation of the sample examined and the total population by 3.8%. The table further shows the significant change of 0.406 with is a proof that the model is not statistically significant with a variation of change at 0.27% which indicates the level at which the independent variable is as a whole contributing to the variance in the dependent variable.

Table 5: Coefficients

Coefficients[2]								
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6.110	.879		6.948	.000		
	DTAX	.105	.124	.164	.846	.406	1.000	1.000
a. Dependent Variable: CFO								

The regression result as presented in Table 5 above to determine the relationship between DTAX and CFO shows that when the independent variable is held stationary; the CFO variable is estimated at 6.110. This simply implies that when all variables are held constant, there will be an increase in the *CFO* of listed firms up to the tune of 6.110 units occasioned by factors not incorporated in this study. Thus, a unit increase in DTAX will lead to an increase in CFO by 0.164 units.

Ho₂: *Deferred Tax Accounting has no significant effect on the cash flow of listed agricultural firms in Nigeria.*

Given the stated null hypothesis above for model 2 and considering the outcome of the regression result carried out in line with the decision rule earlier stated. The study accepts the null hypothesis and rejects the alternative since the calculated significant level of 0.406 is above the accepted significant level of 0.05.

Table 6: Model Summary

Model Summary[3]										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.279[a]	.078	.043	4.40626	.078	2.201	1	26	.150	1.700
a. Predictors: (Constant), DTAX										
b. Dependent Variable: EPS										

Table 6, presents the regression result between DTAX and EPS. From the model summary table above, the following information can be distilled. The R value of 0.279 shows a very weak but

positive relationship between DTAX and EPS at 27.9%. Also the R^2 value stood at 0.078.The R^2 otherwise known as the coefficient of determination shows the percentage of the total variation of the dependent variable (EPS) that can be explained by the independent or explanatory variable (DTAX). Thus the R^2 value of 0.078 indicates that 7.8% of the variation in EPS of the listed firms can be explained by a variation in the independent variable (DTAX) while the remaining 92.2% (i.e. 100-R^2) could be accounted by other variables not included in this model.
The adjusted R^2 of 0.043 indicates that if the entire population is considered for this study, this result will deviate from it by only 0.035 (i.e. 0.078 – 0.043). This result shows that there is a deviation of the sample examined and the total population by 3.5%. The table further shows the significant change of 0.150 with is a proof that the model is not statistically significant with a variation of change at 0.078% which indicates the level at which the independent variable is as a whole contributing to the variance in the dependent variable.

Table 7: Coefficients

Coefficients[3]								
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	17.006	9.662		1.760	.090		
	DTAX	-2.016	1.359	-.279	-1.484	.150	1.000	1.000
a. Dependent Variable: EPS								

The regression result as presented in Table 7 above to determine the relationship between DTAX and EPS shows that when the independent variable is held stationary; the EPS variable is estimated at 17.006. This simply implies that when all variables are held constant, there will be an increase in the *EPS* of listed firms up to the tune of 17.006 units occasioned by factors not incorporated in this study. Thus, a unit increase in DTAX will lead to a decrease in EPS by 0.279 units.

Ho3: *Deferred Tax Accounting has no significant effect on the earnings per share of listed agricultural firms in Nigeria.*

Given the stated null hypothesis above for model 3 and considering the outcome of the regression result carried out in line with the decision rule earlier stated. The study accepts the null hypothesis and rejects the alternative since the calculated significant level of 0.150 is above the accepted significant level of 0.05.

5.0 Conclusion and Recommendations

Based on the findings of this study from the test of the three research hypotheses earlier formulated in the study, the researchers have therefore come to the conclusion that deferred tax accounting of listed agricultural firms has a significant effect on the profitability of the firms while it has no significant effect on both the cash flow and earnings per share of listed agricultural firms in Nigeria.

Thus**,** in consonance with this study's findings, it is recommended that: Firms in Nigeria should make tax planning as part of the firm's strategic financial planning by employing effective accounting for deferred tax due the complexity of current accounting standard for deferred tax. Also the firms should effectively utilize all-inclusive tax planning strategies available in order to further influence their financial performance positively. Finally the study recommends that due to the complexity of accounting for deferred tax by firms in Nigeria, accounting standard developers should come up with a clear and precise rule for deferred tax accounting that will enable uniformity and seamless accounting for deferred tax by all firms.

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