





















### Researchers Computation Using SPSS, 2022

The position of the lack of multicollinearity is supported by the ANOVA

The purpose of ANOVA is to test whether or not the data fits the model. Since Sig. is 0.00 which is less than 0.05, it showed that the data fits the model.

#### Table 5: Model Summary<sup>b</sup>

R = 0.85<sup>a</sup>

R<sup>2</sup> = 0.72

Adjusted R<sup>2</sup> = 0.71

a. Predictors: (Constant), CADC, CASR, OCFC

b. Dependent Variable: EARQ

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#### Regression Analysis

The R<sup>2</sup> measured the proportion of the variation in the dependent variable (EARQ) accounted for by the independent variables (OCFC, CASR and CADC) included in the model. As shown above, R<sup>2</sup> is 0.72; meaning that 72 % of the variation was explained while 28% was not explained. The model as shown by F-value of 80.86 and Prob(F-Statistic) of 0.0000 was an indication that the model is significant; there is no autocorrelation (Table 4 above).

$$\text{EARQ} = 0.035 + 0.513(\text{OCFC}) - 0.055(\text{CASR}) + 0.344(\text{CADC})$$

	1.132	4.141	-0.997	2.795
				p -value
Intercept		0.035		
	1.132			
OCFC	0.513		0.00	
	4.141			
CASR	-0.055		0.32	
	0.344			
CADC		2.795	0.01	

The effect of OCFC and CADC on EARQ is statistically significant because the p-value is less than 0.05 while the effect of CASR on EARQ is not statistically significant because the p-value is greater than 0.05. The null hypotheses are that all the coefficients are equal to zero. That is,  $H_0: \beta_1 = \beta_2 = \beta_3$ . Therefore, hypotheses 1 and 3 were rejected while hypothesis 2 was accepted.

### **Conclusion**

Manufacturing sector of the economy derives her income/revenue from sales of goods/services invoiced to third party net of return. This is usually stated under the statement of accounting policies adopted in the preparation and presentation of financial statements as stipulated by 'Disclosure of accounting information under statement of accounting standards'. It should be noted that there are two types of sales, namely cash sales and credit sales. Under the cash sales payment is made to the seller by the buyer immediately goods are sold. However, under the credit sales, payment of cash is delayed for a period of time, leading to issues of receivables. Because an entity cannot do without cash as a result of day-to-day running of the entity and other financial obligations both in the short run and long run, the issue of earnings quality is of great importance so as to address the issue of liquidity risk. Therefore, it is very important for an entity to consider the rate and degree at which its sales are being converted to cash and the rate and degree at which creditors are paid.

### **Implications**

- a. The credit policies of the entity must be sound and strong to avert a situation where some receivables become bad.
- b. Management should pay attention to cash inflow and cash outflow to strike balance between the two. This is to avoid a situation where the company will be in a difficult situation when it comes to the issue of cash flow.
- c. The period of credit facilities enjoyed from suppliers should be considered. The entity must synchronize the number of days sales are outstanding and the average payment period.

## Limitation

The study examined only the impact of earnings on the liquidity risk in manufacturing sector of Nigeria economy on short-term. The research did not consider long-term sustainability as it affects manufacturing sector of Nigeria economy.

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