ISSN No:-2456-2165

Cost Control Measures and Profitability of Vitafoam Nigeria Plc

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Abstract:- Manufacturing companies in Nigeria are faced with the contemporary issues of controlling costs due to the exchange rate volatility leading to a continuous rise in inflation and its attendant impact on the cost of operations. The 2021 Annual Reports and Accounts of Vitafoam Nigeria Plc. revealed that the company's profit is squeezed and on a downward trajectory due to the cost of raw materials. This paper carried out a Financial analysis of the annual report and accounts of Vitafoam Nigeria Plc for 5 years (2017-2021) using Vertical, Horizontal, and Ratio analyses. All findings using the three analytical tools revealed that the company has maintained a positive operating profit and steady growth until 2021 when despite growth in Revenue, profit indicators did not grow in the expected proportion as was the case in preceding years. This was basically due to the impact of the cost of sales driven by the unavailability and volatility of foreign exchange and its attendant impact on the cost of raw materials and other production inputs. Distribution and Administrative costs remained stable and even in a downward slide in 2021 relative to preceding years. It is therefore recommended that the management of Vitafoam Nigeria Plc. aside from working to increase sales revenue, must tackle the issues of cost, especially in sourcing foreign currency to finance their inputs. They may have to explore the option of creating a market internationally for their products or diversifying to export other local contents to create room for foreign exchange inflows to finance the purchase of raw materials which is usually imported directly or through authorized distributors.

Keywords:- *Vertical Analyses, Horizontal Analyses, Ratio Analyses, Gross Profit, Operating Profit, Return on Asset, Cost of Sales.*

I. INTRODUCTION

Vitafoam Nigeria PLC is a leading manufacturing company in Nigeria and has the largest foam manufacturing and distribution network in West Africa (Vitafoam Nigeria Plc, 2021). They are actively listed in the Nigerian Stock Exchange with a total asset base of N29.6 Billion, a Sales turnover of N35.4 billion, and an Operating profit of N7.9 billion for the financial year 2021. Like any other manufacturing company, the company engages in a production process of converting raw materials into finished products for use by consumers. Over the years, they have appeared stable and consistent in growth based on their spread and market penetration despite the apparent difficulty that has led to the very high cost of production experienced by manufacturing companies doing business in Nigeria. The Chairman of the Group, Makanjuola in his statement on the 2021 audited financial reports of Vitafoam Nig Plc clearly spelt out that the profit margin was squeezed by the rising cost of operations mostly from the high cost of materials. In turn, this was caused by supply chain volatility occasioned by the impact of the pandemic and the forex sourcing challenge. Unfortunately, high costs cannot be entirely passed on to the final consumers already burdened by inflation and declining purchasing power. Therefore, the company must develop ways to remain profitable amid the increasingly rising production costs (Vitafoam Nigeria Plc, 2021). The main aim of every investment or venture is the benefit thereof in the form of a valuable return or gain. The business invests by way of incurring some cost with the expectation that they will have a return that is more than the value of their investment; the excess of returns over what has been invested is called profit. The sustainability and profitability of any business are influenced to a large extent by the Political, Economic, Sociological, Technological, Legal, and Environmental factors around them. In Nigeria, these extraneous factors have been quite unstable leading to inflation and a general rise in the prices of goods and services which has made it quite difficult for businesses to plan and make forecasts. Cost control should therefore be a key concern of management as it is very important in ensuring the company's expenses are kept at the minimum while ensuring quality standards are not compromised. It is difficult to compete in today's marketplace, especially for manufacturing companies in Nigeria, the continuous rise in the cost of doing business makes it even more difficult and challenging. Cost control is therefore one of the best ways to keep businesses intact and profitable. An investigation by Odinaka (2022) revealed that a survey of 11 manufacturing companies spread across Nigeria that had to shut down operations revealed that chief among their reason for shutting down is the cost of manufacturing especially the cost of raw materials due to the volatility and unavailability of foreign currency and Energy problems. Manufacturing companies are therefore left with no other option but to ensure cost is effectively controlled despite the harsh and ever-changing business environment.

Similar studies have been conducted in the past which revealed inconsistencies in findings due to differences in variables, domain, and methodology used. Also, the sharp

ISSN No:-2456-2165

and consistent rise in the dollar rate from 2015 till date as reflected in the Central Bank of Nigeria(2022) report shows that the interbank exchange rate rose from N305.90/USD in November 2017 to N381.00/USD in the same period of 2021; the rate in the BDC for corresponding period is N362.41/USD and N481.21/USD. Several reasons were ad used for this rise and chief amongst them according to the National Bureau of Statistics (2022) is an increase in the cost of importation due to the persistent currency depreciation. This trend is disturbing and further justifies this research as it has impacted significantly the cost of doing business, especially for manufacturers of consumer goods like Vitafoam Nigeria Plc. These reasons have made it impossible to generalize the findings and have created a gap for this study in order to provide solutions in line with the times. This study will therefore analyze the Annual reports and accounts of Vitafoam Nigeria Plc. For 5 years to ascertain the major cost drivers and propose appropriate measures to control them to maximize profit.

II. LITERATURE REVIEW

This study conceptualizes cost control as a company's strategy to regulate the cost of operating its business. It involves ensuring all costs are within target. This however is a herculean task because of the unpredictability of the business environment.

In related studies by Ali- Momoh, Egbekun, Omoolorun, Omole, & Aruna, (2022), cost control was explained as the process of keeping expenses at the level that was meant for them to be at or at the level that was anticipated for them using substantial budgetary and budgetary management systems. Akeem (2017) viewed cost control as a process of establishing a standard and maintaining performance according to the standard. It is more concerned with an element of marginal costs which involves the determination of unit cost and measurement, to ensure that costs are kept within acceptable limits. Additionally, Govindarajan & Anthony (1998) Cost control is cost management or cost containment which has to do with a broad set of cost accounting methods and management techniques having the goal of improving business cost efficiency by reducing costs or at least restricting their rate of growth. To further explain this concept, Olalekan & Tajudeen, (2015), explained that cost control involves the management measures implemented to ensure that cost proceeds in accordance with the management plan, and its importance cannot be over-emphasized as a survival technique for manufacturing companies because they ensure proper monitoring of cost against budget and correct any financial impropriety of the company. All perspectives see cost control as a measure that must be employed by business entities for survival and growth.

Cost control has a strong relationship with profitability hence the need for this study. In the context of this study, therefore, profitability is explained as the difference between the revenue generated and expenses incurred during business operations. What an entity does with its profit is a business decision that it should ordinarily aim at generating more profit and continuing in business as a going concern. This explanation aligns with the view of studies by Istan, Husainah, Murniyanto, Suganda, Siswanti & Fahlevi (2021), who explained that profitability measures the effectiveness of management Performance. They argued that the level of profit is an important factor in the company's growth and sustainability. The size of the company's profit can be found through the analysis of the company's financial statements using applicable financial analysis tools. Profitability in manufacturing companies in Nigeria depends on the ability of the companies to grow their earnings and tame their cost profile through cost control techniques. Also, studies by Godwin, Amos & Sunday (2019) pointed out that many manufacturing companies seem not to understand costs and the impact they have on profitability. Inah &Adanma (2015) further buttressed the view of this study by explaining that profitability is not synonymous with efficiency, but the efficacy the of profit maximization objective largely depends on the efficiency and effectiveness of cost control. Brinker (2002) simply explained profitability as the difference between the revenue generated and the costs incurred to produce the same revenue during a given accounting period; to him, corporate firms should aim at increasing sales revenue and reducing costs incurred so that they achieve the desired levels of profitability. All definitions and explanations of profit and profitability are centered around a company taming its cost and strongly align with the perspective of this study.

Over time, several independent opinions and perspectives have been presented to support or explain phenomena and happenings, these views even though not supported by empirical facts are critical and need to be considered in the research process because of the experience/exposure of the proponents. Rajibkumar (2019) compiled five relevant theories of profit explaining that each one of them has some elements of truth and no single one can explain the existence of profit in all cases.

The Frictional theory of profit propounds that disturbances sometimes happen in an economy because of changes in demand and cost conditions which cause disequilibrium conditions. It is this fluctuation that brings forth profit or losses to an entity. The Monopoly theory of profit believes that monopoly firms will continue to enjoy super-normal profit because of strong barriers to the entry of new firms as a result of sole control over some production inputs, expertise, economies of scale, patent right, government policy on import, etc. The Innovation theory of money on the other explains that profit arises because of successful innovation. A company is said to be innovative when it churns out strategies to either reduce its cost or increase the demand for its goods and services thereby increasing profit. Innovation could be in the form of introducing new technology, exploitation of new sources of inputs, restructuring the company, introducing of new marketing strategy, redesigning and repackaging the product, etc. Innovation is only said to be successful if it can reduce cost or bring about profit increase. The Risk and uncertainty theory of Profit explains that uncertainties give rise to profit or losses. Companies that can make correct future projections are the ones that make a profit, those with wrong forecasts on the other hand are the ones that will suffer losses. Finally, the Managerial Efficiency theory of Profit explains that companies with better managerial skills and production efficiency are rewarded with higher returns while firms with average efficiency get average returns. All of these theories have captured succinctly and explain factors that to a large extent influence cost and profitability, their relevance to this study be overemphasized.

Ali- Momoh, et al (2022) examined the effect of cost control and financial performance of selected quoted manufacturing firms in Nigeria. Secondary data from 10 selected firms were sourced from the audited annual financial reports of sampled firms from 2011 to 2020. Data were analyzed using a panel regression model. The findings of the study revealed an insignificant negative effect on the administrative financial performance of the sampled firms while selling and distribution costs showed an insignificant positive effect on financial performance. The study concluded that cost control has both positive and negative effects on the financial performance of manufacturing firms in Nigeria. Istan, M. et al. (2021) analyzed the effect of production and operational cost, capital structure, and company growth on profitability using primary data sourced from a manufacturing company. The study concludedthat Capital structure has a significant effect on profitability. Company growth and production cost have no significant effect on profitability, but Operational cost has a significant effect. Similarly, Ajala, O. A. (2021) examined the impact of cost control on the financial performance of pharmaceutical firms in Nigeria from 2010 to 2019. Secondary data were used in this study and Panel regression analysis was employed in the analysis. Findings revealed that cost control a has significant influence on the financial performance of pharmaceutical firms in Nigeria. Studies abroad carried out by Abdulwahid (2021) on 102 industrial sector companies listed in the Saudi stock exchange of cost stickiness on firm profitability using pooled OLS, fixed and random effects, and Generalized Method of Moments (GMM) to analyze data revealed a negative and significant correlation between profitability and cost stickiness, indicating firms' inability to control the selling, general and administrative costs (SG&A), ultimately leading to lower profits. Studies on the effect of cost control strategy on profitability in a multinational company carried out by Zhiqi & Jingxian (2020) analyzed the financial statements of the Coca-Cola Company. by using the ratio analysis. The study adopted two data analysis methods; horizontal and Ratio analysis and has concluded that for the years under review, Coca-Cola strengthened its profitability through a cost control strategy. Mamidu & Akinola (2019) studied the effect of cost management on the performance of manufacturing companies in Nigeria. Secondary data sourced from the financial reports of the firms was used to analyze the situation. The data were tested using the Ordinary Least Square Linear Regression model. The study concluded that cost management has a significant influence on profitability. In another study by Mutya (2018) on the effect of cost control on the organizational performance of Mount Elgon Millers Limited using quantitative and qualitative approaches. Primary and secondary data were sourced from a population of 80 and a sample size of 67. Findings revealed that there exists a strong relationship between cost control and organization performance. Earlier studies by Siyanbola & Raji. (2013) on the impact of cost control on manufacturing companies' profitability considered budget as the basic tool for achieving effective cost control using the Pearson correlation model to analyze, they confirmed the positive impact of cost control on the industries' profitability. Effiong & Oti (2012) also established the degree of influence of cost elements on the productivity of manufacturing companies using primary data. Findings showed that raw materials, labor, and overhead costs are the key cost driver of manufacturing firms as such closer attention should be paid to cost reduction, cost management, and cost control in order to remain profitable. All works of literature reviewed are related to this study as they are within the same context except for the difference in approach, domain, scope, methodology, and the variables of the study. Inconsideration of the current challenges of cost control faced by Vitafoam Nigeria Plc as captured by the Chairman of the Group in his statement in the 2021 Annual report and accounts of the company stating that profit margin was squeezed by the rising cost of operations mostly from the high cost of raw material, (Vitafoam Nigeria Plc, 2021). This study has therefore focused on Vitafoam Nigeria Plc. and analyses data from 2017 to 2021 to establish areas of cost issues and how specific solutions can be proffered based on the peculiar challenge of the company. This study aligns with the methodology and approach of the study by Zhiqi & Jingxian (2020) except for the introduction of vertical analyses as an additional tool to further analyze data.

III. METHODOLOGY

This is a desk research using quantitative phenomena and sourcing data from secondary sources i.e. the Annual Financial Report of Vitafoam Nigeria Plc. a listed company in the Nigerian stock, this was extracted from the company's website. Publications in the dailies and financial magazines were also reviewed and relevant information was adopted as secondary sources of data. Data was also spooled from scholastic articles published in academic sites like google scholar, refseek.com, springer.com, etc. to gain a robust perspective of the problem of study. Well-organized accounting provides a systematic and chronological record of business transactions and other events and also complete effects of business transactions in the form of annual reports. The Annual report is a legal and regulatory obligation for companies and thus a potential subject of economic financial analysis (Aishowishin, 2021). Financial reports will be uninformative and useless to their users if they cannot be interpreted for use and application in decision-making and solving the problems of an organization. They can therefore be interpreted and usefully applied to satisfy the needs of the users using financial analysis as a monitoring tool for managing finances. This study will focus on the income statement of Vitafoam

ISSN No:-2456-2165

Nigeria Plc. as it is the basis of the evaluation of cost and profitability (Aishowishin, 2021). Key cost (cost of sales, distribution cost, and administrative expenses) and Profit (Gross profit, Operating Profit, and Return on Asset) measurements will be analyzed for a period of five years from 2017 to 2021.

IV. DATA ANALYSIS AND DISCUSSION OF FINDINGS

One of the most important measures of a company's success is its profitability. Individual figures shown in the income statement of companies make no sense of their own, especially to a layman who might want to depend on the company's financial reports to make crucial investment decisions. Total Sales which is the total revenue generated from the product or services sold in a certain period are used as the bases for assessing profitability hence figures in the financial reports have to be analyzed and presented as a percentage of Revenue to make them sensible and easy to interpret at a glance. These percentages can then be related to figures from previous years. Profits are reported in the income statement, Xiao and Zhang, (2020) used Horizontal and Ratio analysis to analyze the data sourced from the financial report of Coca-Cola. In addition to the Horizontal and ratio analysis, this study has included vertical analyses to enable a more robust look into the relationship between the cost and profitability of Vitafoam Nigeria Plc. Vertical, Horizontal, and Ratio analyses are three techniques used to analyze financial statements. With Vertical Analyses**,** items on the income statement are listed as a percentage of sales (revenue); another name for vertical analyses is common size analysis. Horizontal Analysis also called comparative analysis, looks at at least two points in time or in other words, over a period of time to see how the account changes in value and percentage. Ratio analyses express a relationship between two items in the accounts where one number is divided into another to obtain a percentage, times, or proportion. It makes it easier to spot areas that should be of concern and critical attention to management especially as relatesto its profitability and sustainability.

Table 1 Extract of Key Financial Data of Consolidated Financial Statement of Vitafoam Nigeria Plc

	2021	**2020**	**2019**	**2018**	**2017**
Revenue **(N'000)**	35,404,072	23,443,830	22,283,163	19,534,101	17,695,820
Cost of Sales **(N'000)**	21,726,917	12,430,348	13,520,270	13,677,859	12,606,017
Gross Profit **(N'000)**	13,677,155	11,013,482	8,762,893	5,856,242	5,089,803
Distribution Cost **(N'000)**	1,414,261	1,054,011	974,751	794,192	726,182
Administrative Cost **(N'000)**	4,560,080	4,128,219	3,733,463	3,517,755	3,313,391
Operating Profit **(N'000)**	7,939,367	6,470,228	4,444,510	2,092,098	2,092,098
Profit After Tax **(N'000)**	4,597,046	4,107,506	2,386,708	601,923	(127,690)
TOTAL ASSETS (N'000)	**31,789,672**	**21,635,766**	**13,821,574**	**16,035,957**	**13,410,672**

- *Vertical Analysis*

Table 2 below shows percentage analyses of items in the income statement of Vitafoam Nigeria Plc against the sales revenue for each year to enable an assessment of the cost and profit components for each year. The company steadily grew in its sales revenue over the years with the most significant increase in 2021. The cost of sales across the five years is in the range of 53% to 72% and this implies a gross profit within the range of 28% to 47%. The lowest and highest gross profit margin of 46.98% and 39.32% were reported in 2020 and 2019 respectively. Cost of sales was at its peak i.e. 71.24% in 2017 and lowest i.e. 53.02% in 2020. Distribution and administrative costs have been declining except for 2020 when a marginal increase was reported but with a further decline in 2021, this shows good control over this cost variable. Operating Profit was on a steady increase and rose to its highest in 2020. This trend however did not continue in 2021 as there was a substantial drop from27.5% to 22.42%.

Table 2 Vertical Analysis of Key Indices as a Percentage of Revenue

	2021	**2020**	**2019**	**2018**	**2017**
Revenue (%)	100	100	100	100	100
Cost of Sales (%)	61.36	53.02	60.6	70.01	71.24
Gross Profit (%)	38.63	46.98	39.32	29.98	28.76
Distribution Cost (%)	3.39	4.49	4.37	4.06	4.10
Administrative Cost (%)	12.80	17.61	16.75	18.01	18.72
Operating Profit (%)	22.42	27.5	19.94	10.71	11.82
Profit After Tax (%)	12.98	17.51	10.70	3.07	-

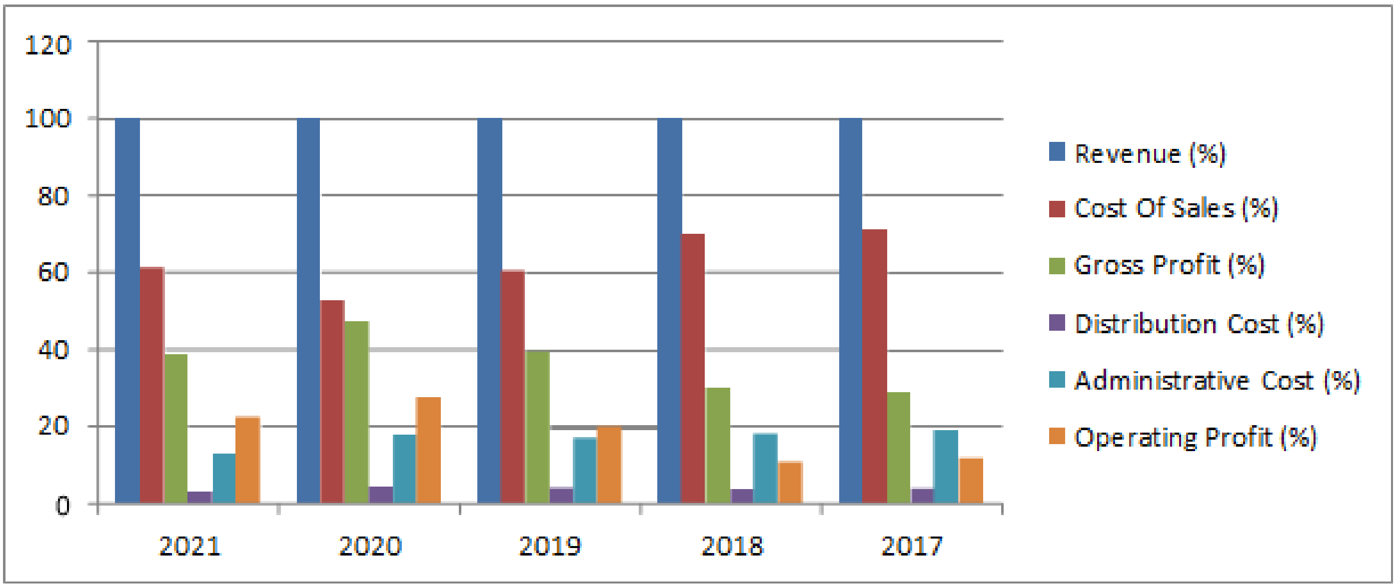

Fig 1 Graphical Picture of the Financial Performance of Vitafoam

Figure 1 above gives a graphical picture of the financial performance of Vitafoam Nigeria Plcusing vertical analyses, relating each variable to sales revenue. The Gross profit bars reflected stable growth from 2017 to 2020; a decline can be seen in 2021 as reflected in the bar. The cost of sales on the other hand was high relative to revenue in 2017, slight decline in 2018 and a continuous decline in 2019 and 2020, this trend was reversed in 2021 which saw the cost of sales increase against the trend. Distribution and Administrative costs have been quite stable as reflected.

➢ *Horizontal Analysis*

This analysis has captured how changes have happened in value and percentages Table 3 below presents details of financial information extracted from the consolidated profit or loss account and comprehensive income of Vitafoam Nigeria Plc. The value of 5 years report has shown trends of changes within this period in monetary terms. There was a steady and consistent increase in cost of sales value from N12.6 billion to N13.6 billion between 2017and 2018 respectively; this increase in cost is in tandem with the increase in Revenue for the period. In 2019 however, despite the increase in sales revenue, the cost of sales of N13.5 billion was reported which was lower (though not significantly) than the cost of sales in the preceding year 2018. In 2020, however, the company reported an increase in sales revenue of N23.4 billion but reported a decline in cost of sales to N12.4 billion against N13.6 billion reported in the preceding year 2019. 2020 saw a sharp increase in revenue from N23.4 billion in 2020 to N35.4 billion in 2021. The increase in sales brought about an increase in the cost of sales to N21.7 billion against N12.4 billion in the preceding year 2020. No significant leap was experienced in Gross profit despite the high sales turnover in 2021; this is expected because of the cost of sales. Distribution and administrative costs were also stable but declinedin 2021 relative to the preceding years. In the past four years from 2017 to 2020, the cost of sales rose steadily with the revenue generated, in 2021 however, the reverse was the case, there was a reversal in the trend as we can see a massive leap and rise in the cost. This shows a shrinking profit due to the high cost of sales. Distribution and administrative costs did not reflect this sharp sensitivity as they remained impressively within the company's trend over the 5years under review. The company appears to be efficient in managing its operational cost but needs to do more on the cost of sales to halt the decline in profit towards a positive trajectory.

Table 3 Extract of the Annual Report and Account of Vitafoam Nigeria Plc 2017-2021

	2021	**2020**	**2019**	**2018**	**2017**
Revenue **(N'000)**	35,404,072	23,443,830	22,283,163	19,534,101	17,695,820
Cost of Sales **(N'000)**	21,726,917	12,430,348	13,520,270	13,677,859	12,606,017
Gross Profit **(N'000)**	13,677,155	11,013,482	8,762,893	5,856,242	5,089,803
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Administrative cost **(N'000)**	4,560,080	4,128,219	3,733,463	3,517,755	3,313,391
Operating Profit (N'000)	7,939,367	6,470,228	4,444,510	2,092,098	2,092,098
Total Assets (N'000)	**31,789,672**	**21,635,766**	**13,821,574**	**16,035,957**	**13,410,672**

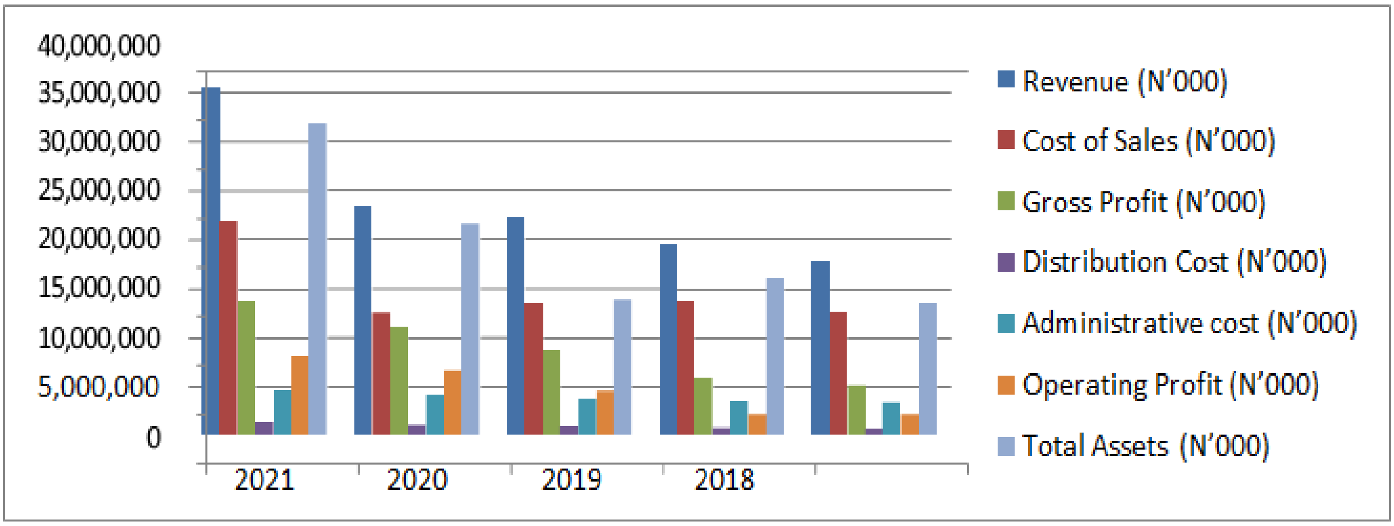

Fig 2 Graphical Representation of the Horizontal Analyses

Figure 2 is a graphical representation of the horizontal analyses of the financials of Vitafoam Nigeria Plc. The Bars in the chart is a clear representation of each cost and profit representation across the years. The graph shows longer bars in 2021 which at a glance will appear as though the performance was better than previous years because of the volume of funds. Involved. A closer look will however show that as much as the revenue Bar is the longest in 2021, the cost of sales bar is also the longest.

➢ *Profitability Ratios*

Table 4 Extract of the Annual Report and Account of Vitafoam Nigeria Plc 2017-2021 (Including Ratio Computation)

	2021	**2020**	**2019**	**2018**	**2017**
Revenue **(N'000)**	35,404,072	23,443,830	22,283,163	19,534,101	17,695,820
Gross Profit **(N'000)**	13,677,155	11,013,482	8,762,893	5,856,242	5,089,803
Gross Ratio (%)	38.63	46.9	39.32	29.87	28.87
Revenue **(N'000)**	35,404,072	23,443,830	22,283,163	19,534,101	17,695,820
Operating Profit **(N'000)**	7,939,367	6,470,228	4,444,510	2,092,098	2,092,098
Operating Ratio (%)	22.42	27.5	19.94	10.71	11.82
Total Assets **(N'000)**	**31,789,672**	**21,635,766**	**13,821,574**	**16,035,957**	**13,410,672**
Return on Assets (%)	14.46	18.98	17.26	3.8%	-

Table 5 Summary of Key Ratios

	2021 N'000	**2020 N'000**	**2019 N'000**	**2018 N'000**	**2017 N'000**
Gross Profit Ratio (%)	38.63	46.9	39.32	29.87	28.87
Operating Ratio (%)	22.42	27.5	19.94	10.71	11.82
Return on Assets ((%))	14.46	18.98	17.26	3.8	-

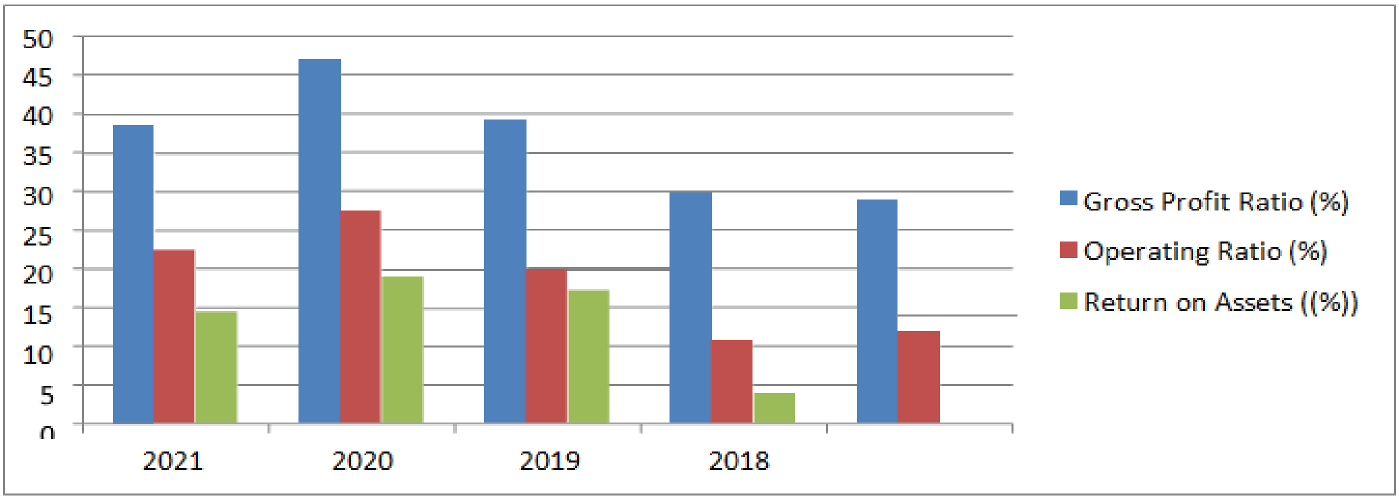

Fig 3 Variables and Key Ratios Considered in Ascertaining Profitability

Tables 4 and 5 show details of variables and key ratios considered in ascertaining profitability. Vitafoam Nigeria Plc based on this analysis using profitability ratios has shown an ability to generate profit relative to revenue. The company's gross profit ratios of 28.87% and 29.87% in 2017 and 2018 were almost all eroded by the Distribution and administrative costs leaving them with an operating ratio not very strong enough for their capacity. 2019 marked an accelerated increase in gross profit margin by 10% from 29.87% in 2018 to 39.32% in 2019; this was a result of increased revenue generated which might have been a result of increased sales or a jack-up in the general price of their products. Despite the increase in revenue, cost of sales, Distribution, and administrative costs during the period reflected a consistent trend relative to preceding years. The company's growth trajectory continued in 2020 despite the outbreak of Covid 19 and the global lockdown. There was an increase in the gross Margin by 6.58% relative to the preceding year; this was due to a marginal increase in sales and for the first time a reduction in the cost of sales even though with a marginal increase in the Distribution and Administrative cost relative 2017, 2018 and 2019. 2021 shows some negative trends. The sharp increase in revenue by 12% was supported by a corresponding increase in the cost of sales resulting in a gross margin of 38.63% I e a decline of 8.27% relative to the previous year. The cost of sales impacted the Operating Profit Margin causing a decline of 4.29% relative to the preceding year. Return on asset is equally on a negative trajectory.

Figure 3 is a graphical representation of Table 5 and displays the result of the ratio analyses as with the other tools. 2020 has the longest bars across all profitability ratios while 2021 shows a declining ratio.

➢ *Findings*

Results of the Vertical, Horizontal, and Ratio analyses show that the major cost proxy of concern is the Cost of sales driven by the cost of raw materials and other inputs. The company was in a steady growth trajectory from 2017 to 2020 despite the Covid 19 and the attendant economic lockdown. In 2021 however, the company witnessed growth but Gross profit, operating profit and Return on asset were all on a negative trajectory. This is clearly because of the high cost of sales as distribution and Administrative costs have been stable and even on a reducing trend over the period as shown in the analyses. The Chairman of the Vitafoam Group explained the reason for the high cost of sales to be a result of the high cost of raw materials due to supply chain volatility occasioned by the impact of the pandemic and forex sourcing (Vitafoam Nigeria Plc, 2021). The company has however explained its current capacity to still remain strong and profitable despite the bleak horizon to be as a result of improved operational efficiency, excellent customer service, a business-friendly funding window, steadfast implementation of strategic initiatives, good quality products, enlarged customer base, boosted technology and stronger distribution network.

V. CONCLUSION AND RECOMMENDATION

Cost control is an issue on the burner of almost every business in Nigeria today. It is obvious from our findings that Vitafoam Nigeria Plc is battling issues of cost and this is reflected in its financial performance. It is equally clear that the strategies put in place by the company will help in boosting sales but will not do much with controlling costs especially as relates to the specific problem of Foreign exchange volatility. This explains why despite the increase in revenue, the cost of sales did not respond in a proportionate way relative to other years. This study, therefore, recommends the following.

- *Company should look at diversifying into the export of its product or sourcing other products it could export to the international market so that it can source foreign exchange to finance its operations and beat the impact of inflation. This is equally encouraged by the CBN to boost the country's foreign inflow thereby enhancing the balance of trade.*
- *Vitafoam should strategically explore setting up subsidiaries in countries where international trade arrangements are good so that they can access the international market from different windows.*

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