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RESEARCH ARTICLE

Effect of Corporate Charges on Earnings of Oil and Gas Firms in Nigeria

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ABSTRACT

This study investigated the effect of corporate charges on the earnings of oil and gas firms listed on the Nigeria Stock Exchange. Specifically, the study examined the effect of audit fees, and interest expenses, Panel data were extracted from the annual reports and financial statements of the firms and analyzed using descriptive statistics and panel data regression analysis. Findings from the study indicate that the effect of audit fees and insurance expenses on earnings per share of the firms are positive and statistically significant. Findings equally show that the effect of interest expense on earnings per share is negative, but statistically non-significant while the effect of licenses/levies on earnings per share is positive and statistically non-significant. These findings imply that earnings per share of the firms will rise as audit fees while will fall as interest expenses on borrowed funds increase. Based on these findings, the study recommended that a reasonable audit fee should be paid to the external auditors annually during the audit of the accounts and financial statements of the oil and gas firms. This is to maintain auditors' independence, prevent earnings management and boast the real earnings of the oil and gas firms. It was also recommended that each oil and gas firm should determine its optimal capital structure to borrow within the optimal structure. More importantly, the firms should properly negotiate the terms of their debt before any borrowing to bring down interest expenses on borrowed funds. It was further recommended that the firms should pay their licenses/levies as at and when due. This will give them the necessary legal rights to acquire properties, explore, mine, and produce oil and gas without interference from the government or property owners. Finally, it was recommended that the oil and gas firms should pay adequate insurance premiums annually to cover their various risks such as fire, property insurance, motor vehicle, and life of workers among others. Adequate premium will ensure that enough claims are paid by the insurer to the insured to stabilize earnings in the event of the occurrence of the events insured against.

Keywords: *Corporate Charges, Earnings, Oil and Gas Firms, Nigeria*

Introduction

Oil and gas firms are established to make profit and create wealth for the shareholders of the firms. Many business owners believe that there are two ways to achieve an increase in profit, one is to increase production and firm sales while the second is to minimize cost. However, to increase production and firm sales, there must be a corresponding increase in cost because of the increased amount of work needed to achieve an increase in production and sales. Firm managers need to decide how to curtail the increasing costs of the firm (Olagunju, Imeokparia & Afolabi, 2014). Thus, business expenditure decisions represent a fundamental indication for forecasting future earnings and stock returns. These decisions should not be taken lightly because the optimality of this expenditure transforms into the value maximization of the firm. There are three groups of expenses in accounting: cost of goods sold, operating expenses (or corporate charges), and extraordinary expenses. Firm managers will have to decide which categories of costs should be minimized without impacting the firm's ability to contest with its competitors in the market (Uddin & Hoss, 2021). This study is focused on corporate charges and their effect on the earnings of breweries firms in Nigeria.

Johnson (2012) described corporate charges as an ongoing expense of operating a business which is otherwise called overhead expense. These corporate charges are an expense that cannot be conveniently followed or related to a specific cost unit of the firm. They can't be promptly connected with the products or services being offered by the firm. Corporate charges include interest expenses, administrative staff salaries, insurance premiums as well as other fees. Berry (2008) also defined corporate charges as all costs on the income statement of a firm with the exception of direct labour expenses, cost of materials, and direct expenses. Examples of corporate charges include accounting fees, advertising, insurance premium, interest expenses, legal fees, work trouble, lease, fixes, supplies, taxes, telephone charges, travel expenses, and utilities. Sitienei and Memba (2015) stated that corporate charges are treated as overheads because they neither generate any profits for the firms nor straightforwardly identified with a specific function of the organization. Rather, they are incurred to support other functions of the firm. Examples are; employee salaries, office gear and supplies, audit fees, maintenance expenses, travel and entertainment costs, and so on. This study adopted audit fees, interest expenses, licenses, and levies as well as insurance premiums as a measure of corporate charges.

Statement of the Problem

Business expenditure decisions represent a significant factor in forecasting future earnings and return on investment of firms, particularly oil and gas firms. In the light of this, operational expenditure decisions in the sector should be given serious attention because business efficiency lies on the optimality of this expenditure which in turn transforms into value maximization for the firm owners. But the poor return on investment it's caused by a lack of auditing of the firm account and imposing high interest on earnings per share. Lack of corporate social responsibility also results in youths' restiveness, damage to oil and gas installation, and disruption of oil and gas exploration, mining, and production. These eventually leads to the death and extinction in recent times of some oil and gas firms operating in the country. This study was compelled by these developments to investigate the effect of corporate charges on the earnings of oil and gas firms in Nigeria.

Objectives of the Study

The main objective of the study is to analyze the effect of corporate charges on the earnings of oil and gas firms in Nigeria. Specifically, the study seeks to:

i. Determine the effect of audit fees on earnings per share of oil and gas firms in Nigeria.
ii. Ascertain the effect of interest expenses on earnings per share of oil and gas firms in Nigeria.

Statement of the Hypotheses

The following null hypotheses were formulated to provide a solution to the research questions.

i. The audit fee does not significantly affect earnings per share of oil and gas firms in Nigeria.
ii. Interest expenses do not significantly affect earnings per share of oil and gas firms in Nigeria.

2. Review of Related Literature

2.1 Conceptual Review

Corporate Charges

Tuovila (2021) defined corporate charges or overhead are the business expenses not directly attributed to creating a product or service. It is important for budgeting purposes but also for figuring out how much a company should charge for its goods or services to make a profit. Any expense incurred to support the business that is not directly related to a specific product or service is considered indirect. Regardless of how much a company makes, it must pay overhead regularly. or how little the firm sells. Expenses related to overhead appear on a firm's income statement, and they directly affect the overall profitability of the business. To calculate net income, also known as the bottom line, the company must account for overhead expenses. All production-related and overhead expenses are subtracted from the firm's net revenue, also known as the top line, to arrive at net income. Transportation of the product, sale promotion with advertising, warehousing costs, establishment, salaries and wages, utilities, depreciation, transportation plus travel, and so on are all included in these costs.

Khalid and Khan (2017) described corporate charges or ongoing expenses as the costs that business firms incur in their daily operations but are not directly linked with the production process. Overhead expenses can be fixed, i.e., the same amount every time, or variable, i.e., the amount varies depending on the level of activity in the business. A company's rent payment, for example, may be fixed, but shipping and mailing costs may be variable. Depreciation on fixed assets, insurance premiums, and office personnel salaries are all examples of fixed costs. Overhead expenses can also be semi-variable, meaning the firm incurs some of the expense regardless of business activity, while the rest is dependent on it. Many utility costs, for example, are semi-variable, with a base charge and the rest of the charges based on usage. Other examples of corporate charges are rent and utilities, administrative costs, insurance, employee remunerations, audit, and legal expenses, salaries and wages, depreciation, government fees and licenses, and property taxes. This study adopted audit fees, interest expenses, licenses/levies, and insurance premiums as measures of corporate charges. The object is to determine their effect on the earnings of oil and gas firms in Nigeria.

Audit Fees

Asthaana and Boone (2012) defined audit **fees as** the aggregate fees paid to the independent external auditor for audit services related to the annual financial statements of the firm and its consolidated subsidiaries, and for services provided in connection with statutory and regulatory filings or similar engagements. Audit fees also include the aggregate fees paid to a firm’s independent external auditor for review services related to the interim financial statements of the firm and its consolidated subsidiaries, as well as the cost of translation of various continuous disclosure documents of the firm. The audit fee is an important cost item in a brewery's income statement which can affect the firm earnings. Given this, it is important to identify the factors that could influence audit fees.

Several factors can influence the audit fee expenses of a firm. One of the most important factors is the audit size or the firm’s size. In light of this, according to Al-Harshani (2008), as the client size grows, the

external audit firm is expected to perform more audit work to ensure that an adequate amount of compliance and substantive testing is performed. This increase in audit effort is naturally expected to be accompanied by an increase in the number of audit fees. Hales (2003) also stated that in a large corporation, the overall audit consists of synthesis reports and that many domestic and foreign subsidiaries and branches take a long time to complete and have a higher cost than an enterprise that simply produces a single product and sells directly for customers. This will attract higher audit fees. Alanezi and Alfraih (2016) equally asserted that some auditing company provides more non-audit services such as accounting, tax, and finance consulting, these make the auditors less independent and thus reduces the cost of the independent audit fee charged by the firms.

Interest Expenses

Kegan (2021) described interest expense as the cost incurred by an entity for borrowed funds. It represents interest payable on any borrowings; bonds, loans, convertible debt, or lines of credit. It is essentially calculated as the interest rate times the outstanding principal amount of the debt. Khalid and Khan (2017) stated that one of the remarkable aspects of a firm's expenses is the finance charges or the interest expenses. The financial charges are the cost of mark-up on short period loans as well as long period financing, interest payments, bank charges, exchange gain or loss on debts, and so on. It is the amount paid by the particular firm on borrowing money to construct or procure assets, or it is an outflow used for securing the firm's project arrangement. Theoretically, because we paid a mark-up on the credits, the finance charges are very important at a firm's expense. The loans taken for the new business scheme will expand our production capability, expansion in the plant, advancement in technology, research, and development, and bring new machinery into the firm, all of which result in higher value-added.

Kegan (2021) asserted that the amount of interest expense has a direct bearing on profitability, especially for firms with a huge debt load. Heavily indebted firms may have a hard time serving their debt loads during economic downturns. The amount of interest accrued during the period covered by the financial statements is represented by interest expense on the income statement, not the amount of interest paid during that period. While interest expense is tax-deductible for businesses, it is not for individuals. It depends on the individual's jurisdiction as well as the purpose of the loan. The amount of interest paid by a company with debt is determined by the general level of interest rates in the economy. During periods of high inflation, interest expenses will be higher because most businesses will have taken on debt with a higher interest rate. On the other hand, during periods of muted inflation, interest expense will be on the lower side. Albertazzi and Gambacorta (2012) opined that when the interest rate ascends, businesses need to pay more for borrowing thereby raising the interest expense. In other words, their cost of taking loans and advances increases thereby diminishing the firms' profitability. The declining profitability will also cause the market price of the firms' shares to likewise decline.

Earnings Per Share

Asiri and Hameed (2014) described earnings per share as a financial ratio that measures the return on each ordinary share of a firm in the year. It is the amount of net profit for the period attributable to each ordinary share that is outstanding during the period. Kelley and Hora (2008) defined earnings per share as a profitability ratio that provides information to firm investors about the value of a unit of share and the amount they have earned from every kobo share invested in the firm. The main difference between earnings per share and return on equity and return on assets is that earnings per share show nothing about a firm's earnings beyond whether it has been profitable or loss-making during the period whereas both returns on equity and return on assets show how well the firm is using investment in equity and assets to generate revenue for the firm.

Wet (2013) stated that one of the limitations of earnings per share is that it does not take into account the cost of equity. As a result, it does not reflect the full cost of running a business. Firms with heavy debt burdens reflected in high levels of financial gearing have a high cost of equity due to the increased risk. Thus, firms can increase earnings per share simply by increasing their borrowing; however, more borrowing does not necessarily create more value. Also, earnings per share could be ambiguous because of inter-period tradeoffs, moreover, it does not take into account the quality of earnings.

2.2 Theoretical Reviews

Operating expenses decisions of the firms are the responsibility of the firm managers who are entrusted with the management of the firms on behalf of the shareholders. Thus, the firm managers who make day-to-day business decisions concerning the audit fees, interest expenses, licenses/levies as well as insurance premiums are the agents of the shareholders. Given this, the study is anchored on the Agency Theory.

Agency Theory

Agency Theory was developed by Stephen Ross and Marr Mitmick in 1972. Later in 1976 Jensen and Meckling improved the theory. Agency theory is concerning the relationship between the principal (shareholders) and the agent of the principal (firm managers). The theory argued that due to a continuous dilution of equity ownership of large corporations, ownership and control become more separated. This situation allows professional managers to pursue their interests instead of that of shareholders.

Jensen and Meckling (1976) stated that hired managers do not take as much care of their firms as do owners. The primary duty of managers is to manage the firm in such a way that it generates returns to Shareholders thereby increasing the profit figures and cash flow. However, due to the opportunistic behaviour of the managers, the interests and decisions of managers are not always aligned to the shareholders' interests, resulting in agency conflict of agency cost.

Jensen (1986) suggested that the agency problem could be resolved by either increasing the ownership interest of the managers in the firm to align the interest of managers with that of the shareholders or by use of debt to control managers' tendency for excessive extra consumption. In order words, the free cash flow problem can be controlled by increasing the stake of managers in the business or by increasing debt in the capital structure of the firm, thereby reducing the amount of "free" cash available to managers.

2.3 Empirical Reviews

Audit Fee and Firm Earnings

Erasmus and Micah (2021) studied the relationship between audit quality indicators and market price per share of listed deposit money banks in Nigeria. Audit quality indicators were proxied by audit fees, audit tenure, and audit firm size while the market price per share was proxied by Tobin's Q. The population of the fourteen (14) deposit money banks listed on the Nigeria Stock Exchange was targeted, out of which twelve (12) banks were sampled using a judgmental sampling method. Secondary data were collected from audited annual financial reports of listed deposit money banks in Nigeria, evidence from 2006 to 2019. Panel least squares regression was used to analyze the data collected from the sampled banks. Findings show that audit fees have a negative and insignificant impact on Tobin's Q. Result also indicates that audit tenure had a negative and significant impact on Tobin's Q. Result further suggests that audit firm size had a positive and significant impact on Tobin's Q.

Olutokunbo; Yisa and Abdullahi (2020) studied the effect of corporate characteristics, audit fees, and corporate environment on the profitability of Distributive Firms in Nigeria during the period from 2008 and 2018. The influence of corporate socio-economic characteristics on audit fees charged by Distributive Firms listed on the Nigerian Stock Exchange was examined. The population of Distributive Firms listed on the Nigerian Stock Exchange during the period was 69, out of which 23 were sampled using a stratified random sampling technique. Audit fees and corporate socio/economic characteristics were measured by firm size, leverage, firm type, board size, and board independence. Secondary data extracts from the annual reports and accounts of the selected firms were analyzed using panel data regression analysis. Results indicate that the effect of firm size, audit fee, audit firm type, and board independence on firm profitability is positive and statistically significant.

Santo; Cerqueira and Brandão (2015) examined the association between audit fees and non-audit fees with firm performance in the USA. The sample in the study is non-financial firms in S&P 500 covering the period from 2002 to 2014. The final sample, after excluding financial companies, is composed of 416 companies and covers the period from 2002 to 2014, resulting in 5408 observations. Descriptive statistics and correlation analysis were used to analyze the data collected from the sampled firms. Results indicate a significant negative relationship between corporate performance and non-audit fees. This suggests that the increase (decrease) incorporate performance is related to the decrease (increase) in non-audit fees. The results add to the growing body of literature documenting relations between firm performance and remuneration of audit services.

Interest Expenses and Firm Earnings

Bustami and Heikal (2019) adopted an ex-post facto research design that analyzed the factors affecting profitability performance as well as the implications for stock returns on real estate and property sectors firms listed on the Indonesia Stock Exchange from the period of 2007 to 2014. Twenty-three (23) firms were sampled out of the 45 property firms listed in Indonesia during the period. The factors tested are interest rate charges, solvency, total asset turnover, and exchange rate and liquidity. A random-effect model of panel data regression analysis was used to analyze the data collected from the firms. Findings show that factors that affect the firm's stock returns are return on assets, liquidity, solvency, total assets turnover, and exchange rate while interest rate charges do not affect the stock returns of the firms during the period.

Ehiogu and Nnamocha (2018) investigated the effect of interest rates on the profit of insurance companies in Nigeria's insurance industry from 1985 to 2014. Central Bank of Nigeria Statistical Bulletin of 2014, as well as World Bank data website. The data were subjected to a unit root test. Afterward, the ordinary least square regression analysis technique was used to test the hypothesis. Results show that interest rate had a positive and insignificant individual effect on the total profit of the Nigerian insurance industry. The following respective implication of the finding shows that the Interest rate can reduce the returns of its investment.

Odalo; Achoki and Njuguna (2016) adopted a survey research design to study the influence of interest rates on the financial performance of agricultural firms listed on the Nairobi Stock Exchange. The sample comprises 220 staff from finance departments at all the seven (7) listed agricultural firms. Questionnaires were administered to the respondents to gather the primary that used for the study. Primary data was collected using questionnaires while the secondary data was collected using data collection sheets from the firms as well as from the Nairobi Securities Exchange records. Panel data regression and correlation analysis were used to analyze the data collected for the study. Findings reveal that interest rate has a positive and significant relationship with return on assets, return on equity, and earnings per share.

Findings also show the interest rate indicates that interest rate moderates the effect of the financial performance of agricultural firms listed on the Nairobi Securities Exchange.

3. Methodology

This study adopted an *ex-post-facto* researcher design. The source of data for this study is secondary data. Thus, historical financial data were gathered from the annual reports and financial statements of ten (10) oil and gas firms listed on the Nigeria Stock Exchange during the period from 2011 to 2020. The ten (10) oil and gas firms listed on Nigeria Stock Exchange during the period were targeted, out of which five (5) were selected for the study. Disclosure of the required variable is the criteria for the selection. The oil firms selected are MRS Oil Nigeria Plc, and Eterna Oil Nigeria Plc. Forte Oil Nigeria Plc, Conoil Nigeria Plc, and Total Oil Nigeria Plc.

Descriptive Statistics and panel data regression analysis were used to analyze the data collected for the study. Specifically, the regression analysis was used to test the four null hypotheses formulated for the study. In addition, adjusted R-square and F-Statistics were used to test the predictive power of the independent variables on the dependent variable (earnings per share). The independent variables and measures of corporate charges are, audit fee, interest expensed, licenses/levies, and insurance premium while earnings per share are the dependent variable and proxy for firm earnings.

Model Specification
The following model was developed after taking into cognizance the variables of the study:

$EPS = \beta_0 + \beta_1(AUDF) + \beta_2(INTE) + \varepsilon$

Where:
EPS = Earnings Per Share

AUDF = Audit Fee

INTE = Interest Expenses

β = Beta

ε = error margin

4. Data Presentation and Analysis

Data Presentation
The study is focused on the effect of corporate charges on the earnings of oil and gas firms listed on the Nigeria Stock Exchange during the period from 2011 to 2020. The panel data extracted from the annual report and financial statement of the sampled oil and gas firms are presented in Table 4.1 while the raw data were presented in appendix one of the study.

Table 4.1: Panel Data

	OBS	INTE	AUDF	EPS
1	MRS_Oil – 11	5.430926	4.233352	0.383815
2	MRS_Oil – 12	5.543765	4.396443	-0.09151
3	MRS_Oil – 13	5.061385	4.396443	1.39794
4	MRS_Oil – 14	5.196892	4.435064	0.468347
5	MRS_Oil – 15	5.534321	4.477121	0.565848
6	MRS_Oil - 16	5.554404	4.477121	0.761176
7	MRS_Oil - 17	5.558477	4.544068	1.39794
8	MRS_Oil - 18	5.224554	4.544068	0.468347
9	MRS_Oil - 19	5.017021	4.579784	0.565848
10	MRS_Oil - 20	5.848842	4.380211	0.761176
11	Eterna _Oil - 11	5.535136	5.036046	-0.03152
12	Eterna _Oil - 12	5.633195	4.041906	-0.13668
13	Eterna _Oil - 13	5.81593	4.165422	-0.26761
14	Eterna _Oil - 14	5.567909	4.194126	-0.00436
15	Eterna _Oil - 15	5.716296	4.290035	-0.01323
16	Eterna _Oil - 16	6.545725	4.39794	0.068186
17	Eterna _Oil - 17	5.763542	4.39794	0.187521
18	Eterna _Oil - 18	5.920694	4.60206	-0.11351
19	Eterna _Oil - 19	6.168405	4.60206	
20	Eterna _Oil - 20	5.999988	4.60206	-0.10791
21	Forte _Oil - 11	6.17074	4.26529	
22	Forte _Oil - 12	6.261063	4.280351	-0.03152
23	Forte _Oil - 13	6.273767	4.805976	0.635484
24	Forte _Oil - 14	6.624054	4.834732	0.342423
25	Forte _Oil - 15	6.711454	4.827124	0.394452
26	Forte _Oil - 16	6.790267	4.866205	-0.01323
27	Forte _Oil - 17	5.624254	4.595221	-0.31876
28	Forte _Oil - 18	5.821918	4.595221	0.477121
29	Forte _Oil - 19	5.740854	4.536558	0.198657
30	Forte _Oil - 20	5.809472	4.587711	0.152288
31	Con _Oil - 11	6.199009	4.322219	0.635484
32	Con _Oil - 12	6.619443	4.39794	0.012837
33	Con _Oil - 13	6.351739	4.439333	0.645422
34	Con _Oil - 14	6.36228	4.477121	0.079181
35	Con _Oil - 15	6.574242	4.414973	0.522444
36	Con _Oil - 16	6.246202	4.414973	0.611723
37	Con _Oil - 17	6.329336	4.414973	0.356026
38	Con _Oil - 18	6.17758	4.371253	0.4133
39	Con _Oil - 19	6.045281	4.401245	0.453318

40	Con _Oil - 20	5.845428	4.401245	0.318063
41	Total _Oil - 11	5.942007	4.39794	1.108565
42	Total _Oil - 12	5.994564	4.39794	1.138618
43	Total _Oil - 13	6.296969	4.476788	1.196176
44	Total _Oil - 14	6.418502	4.331346	1.192567
45	Total _Oil - 15	6.252999	4.384318	1.076276
46	Total _Oil - 16	5.930369	4.4371	1.639287
47	Total _Oil - 17	6.486262	4.591588	1.37328
48	Total _Oil - 18	6.649426	4.477454	1.370143
49	Total _Oil - 19	6.838414	4.653541	0.826723
50	Total _Oil - 20	6.324619	4.701404	0.783904

Source: E-View Output

4.2 Data Analysis

The panel data extracted from the annual accounts and financial statements of the selected firms were analyzed using descriptive statistics and panel data regression analysis and the results are presented in tables 4.2 to 4.3

Table 4.2: Descriptive Statistics

	EPS	**AUDF**	**INTE**
Mean	0.541432	4.507114	5.954774
Median	0.472734	4.507006	5.835380
Maximum	1.639287	4.866205	6.838414
Minimum	-0.318760	4.041906	5.017021
Std. Dev.	0.560789	0.191208	0.512019
Skewness	0.315157	-0.184955	0.053059
Kurtosis	1.976903	3.067156	2.091092
Jarque-Bera	1.925365	0.188458	1.116500
Probability	0.381867	0.910074	0.572210
Sum	17.32582	144.2277	190.5528
Sum Sq. Dev.	9.749019	1.133372	8.127081
Observations	32	32	32

Source: E-View Output

Table 4.2 presents the descriptive statistics of the variables used in the study, namely, audit fees, interest expenses, licenses/levies, and insurance premiums. The results from the descriptive statistics disclosed that the mean value of the variables are: 0.541432, 4.507114, and 5.954774 while the standard deviations are: 0.56789, 0.191208, and 0.512019 for earnings per share, audit fee, interest expenses, licenses/levies, and insurance premium respectively. These results suggest that audit fees and insurance premiums are volatile while the remaining variables are not.

Table 4.3: Multiple Regression

Dependent Variable: EPS		
Method: Panel Least Squares		
Date: 03/11/22 Time: 02:48		

Sample (adjusted): 2012 2020				
Periods included: 9				
Cross-sections included: 4				
Total panel (unbalanced) observations: 32				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
AUDF	2.068815	0.845204	2.447711	0.0209
INTE	-0.031931	0.238681	-0.133782	0.8945
R-squared	0.608205	Mean dependent var		0.541432
Adjusted R-squared	0.553370	S.D. dependent var		0.560789
S.E. of regression	0.525059	Akaike info criterion		1.665855
Sum squared resid	7.719222	Schwarz criterion		1.849072
Log likelihood	-22.65368	Hannan-Quinn criter.		1.726586
Durbin-Watson stat	0.863379			

Source: E-View Output

Table 4.3 shows that the adjusted coefficient of determination (R^2) of the study is 0.553370. This means that 55% of the variation in earnings per share of the sampled oil and gas firms in Nigeria is predicted by the independent variables consisting of, audit fee, interest expenses, while the remaining 45% is predicted by error margin and other factors not captured in the model of the study. The table also indicates the coefficient of the Durbin-Watson Statistic is 1.726586, which is greater than 1. This result implies that there is no autocorrelation in the model of the study.

Test of Hypotheses

Decision Rule: Level of significance (α) = 0.05. Reject the null hypothesis if the significant value in the regression coefficient is less than the level of significance (0.05), otherwise accept the null hypothesis. In line with this decision rule, the results of the test of hypotheses are hereby presented below:

Hypothesis One

H_0: Audit fee does not significantly affect earnings per share of oil and gas firms in Nigeria.

H_1: Audit fee does significantly affect earnings per share of oil and gas firms in Nigeria.

The regression model in table 4.2.2 shows that the significant value of the audit fee is significant at a 0.05 level of significance (0.05> 0.0209). Given this, we reject the null hypothesis and accept the alternative which states audit fees significantly affect earnings per share of oil and gas firms in Nigeria.

Hypothesis Two

H_0: Interest expenses do not significantly affect earnings per share of oil and gas firms in Nigeria.

H_1: Interest expenses significantly affect earnings per share of oil and gas firms in Nigeria.

The regression table also indicates that the significant value of interest expenses is not significant at a 0.05 level of significance (0.05 < 0.8945). Thus, we accept the null hypothesis which states interest expenses do not significantly affect earnings per share of oil and gas firms in Nigeria.

Discussion of Findings

Audit Fee and Earnings Per Share: Results from the test of hypothesis one suggest that audit fees significantly affect earnings per share of oil and gas firms in Nigeria (0.05> 0.0209). It was also observed that the coefficient of audit fee in the multiple regression model is positive at 2.068815. We can state based on these results that the effect of audit fees on earnings per share of oil and gas firms in Nigeria during the period is positive and statistically significant.

The result is consistent with Olutokunbo; Yisa and Abdullahi (2020) who examined the effect of corporate characteristics, and audit fees on the profitability of Distributive Firms in Nigeria. The study revealed that the effect of firm size, audit fee, audit firm type, and board independence on firm profitability is positive and statistically significant. The study was, however, not consistent with Santo: Cerqueira and Brandão (2015) who examined the association between audit fees and non-audit fees with firm performance in the USA and found that a significant negative relationship between corporate performance and non-audit fees was observed. Nwarogu and Iormbagah (2018) analyzed the effect of indirect costs on the profitability of breweries firms in Nigeria. The results show that audit fee have a negative and insignificant impact on Tobin's Q. Audit tenure had a negative and significant impact on Tobin's Q. Audit firm size had a positive and significant impact on Tobin's Q.

Interest Expenses and Earnings Per Share: Results from a test of hypothesis two also disclose that interest expenses do not significantly affect earnings per share of oil and gas firms in Nigeria (0.05< 0.8945). The results also indicate that the coefficient of interest expenses in the regression model is negative at -0.031931. In the light of these results, we state that the effect of interest expense on earnings per share of oil and gas firms in Nigeria is negative but statistically non-significant.

The result is in line with Bustami and Heikal (2019) who examined the factors affecting the profitability performance of real estate and property sector firms in Indonesia. Findings show that factors that affect the firm's stock returns are ROA, liquidity, solvency, total assets turnover, and exchange rate while interest rate charges do not affect the stock returns during the period. The result, however, disagrees with: Ehiogu and Nnamocha (2018) who studied the effect of interest rates on the profit of insurance firms in Nigeria. Results indicate that interest rate had a positive and insignificant individual effect on the total profit of the Nigerian insurance industry. Odalo; Achoki and Njuguna (2016) analyzed the influence of interest rates on the financial performance of agricultural firms listed on the Nairobi Stock Exchange. Results show that Interest rate has a positive and significant relationship with return on assets, return on equity, and earnings per share. Interest rates moderate the effect on the financial performance of agricultural firms

Summary of Findings

The findings of the study are hereby summarized as follows in line with the major findings:

i. Audit fees positively and significantly affect earnings per share of oil and gas firms in Nigeria.

ii. Interest expenses are negative, but non-significantly affect earnings per share of oil and gas firms in Nigeria.

5. Conclusion

This study investigated the effect of corporate charges on earnings of oil and gas firms listed on the Nigeria Stock Exchange during the period from 2011 to 2020. The study focused on the ten (10) oil and gas firms listed on the Nigeria Stock Exchange during the period, out of which five (5) firms were selected using the purposive sampling technique. Panel data were extracted from the annual reports and financial statements of the selected firms and analyzed using descriptive statistics and panel data regression analysis. Based on the findings of the study, we conclude that the independent variable of the study consisting of audit fees, interest expenses, licenses/levies as well as insurance premiums was significant in predicting the earnings per share of the oil and gas firms during the period. The study also concludes that the effect of audit fees and insurance expenses on earnings per share of the firms are positive and statistically significant. The study further concludes that the effect of interest expense on earnings per share of the firms is negative.

Recommendations

In the light of the findings, discussions, and conclusions of the study, the following are recommended for the firm managers of oil and gas firms operating in Nigeria:

i. A reasonable fee should be paid to the external auditors as an audit fee annually during the audit of the accounts and financial statements of the oil and gas firms. This is to maintain auditors' independence, prevent earnings management and boast the real earnings of the oil and gas firms.

ii. Since the effect of interest expenses on the earnings per share of the firms is negative and non-significant, we recommend that each oil and gas firm should determine its optimal capital structure to borrow within the optimal structure and hence reduce interest expenses. More importantly, the firms should properly negotiate the terms of their debt before any borrowing to bring down interest expenses on borrowed funds.

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