

**STOCK MARKET REACTION ON THE RELEASE OF  
ANNUAL FINANCIAL STATEMENTS OF  
COMPANIES LISTED IN COLOMBO STOCK EXCHANGE  
IN SRI LANKA**

By



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## ABSTRACT

This study investigates the stock market reaction on the release of annual financial statements of listed companies in Colombo Stock Exchange for the period of 2014 to 2018. The annual financial statements announcement data and Daily closing share prices were extracted from thirty listed companies in CSE for this study and the sample belong to all the business sectors (20). The Standard Event Study Methodology is used to examine the stock market response to annual financial statements announcement for the event period of twenty-one days which is ten days prior to announcement date, ten days after the announcement date and the announcement date. Event study method, Paired sample t – test were applied to analysis collected data in relation to computing the abnormal return, excess return, cumulative average abnormal return and hypothesis testing surrounding the announcement day. The positive abnormal return indicate that there is impact on share prices that means the share prices have been increased surrounding the event date. The results indicate that the company's annual financial statements announcements are responded to investor decisions and to create a market value. The findings shows that Average Abnormal Returns are positive and Cumulative Average Abnormal Returns are negative on the announcement day but not significant at 5% level. The positive reactions of investors could be attributed to the favorable information in annual financial reports.

**Keywords:** Event Study, Abnormal Return, Cumulative Abnormal Return

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