ACCOUNTING VARIABLES AND SHARE PRICES OF LISTED COMPANIES IN COLOMBO STOCK EXCHANGE

BY

SUTHAKARAN RISHANTHAN

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DEPARTMENT OF COMMERCE

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ABSTRACT

The main objective of the study was to identify the relationship between Accounting variables and the Share Price and to examine combine impact of accounting variables on Share Price of listed companies in Colombo Stock Exchange, Sri Lanka for a period of seven years (2012-2018).

This study relied on secondary data extracted from the annual reports of the listed companies in Colombo Stock Exchange. Out of 298 listed companies, 40 listed companies were selected from eight sectors. Altogether 280 annual reports were observed for the stated period. The data collected for this study were analyzed using Correlation and fixed effect (panel data regression) with the help of Stata 15 software.

The results of this study confirmed that Earning Per Share, Net Asset Per Share, Dividend Per Share and Capital Employed Per Share are positively related with the share price. Further, variation in share price could be explained by encompassed all independent variables in fixed effects. The Hausman test confirmed the results of the fixed effect regression analysis. It was concluded that accounting variables influence the share prices of listed companies in Sri Lanka.

Key word: Earning Per Share, Net Asset Per Share, Dividend Per Share, Capital Employed Per Share, Share Price and Colombo Stock Exchange
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