

Comparison between Economic Value Added (EVA) and Accounting Measurements in Predicting Stock Return in Listed Manufacturing Companies in Sri Lanka

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The objective of this research is identifying the best measurement and provides suggestions to predict the stock return in Sri Lanka considering the listed manufacturing companies of Colombo stock exchange. Economic value added (EVA), Net Profit (NP), and Net Operational Profit after Tax (NOPAT) is independent variables, and stock return is dependent variable in this study. Data collected from using annual reports of 20 manufacturing companies for the period of 2010 to 2016. The findings show that there is a positive relationship between the stock return and all the independent variables. NOPAT is the most important measure in predicting the stock return. Further this study suggested that random effect model should be accepted and then it explain that differences among entities have some influence on the dependent variable. Accounting measures are better in predicting stock return than EVA.

Keywords: Stock return, EVA, Net Profit (NP), Net Operating Profit after Tax (NOPAT)