

Impact of Earning Quality on Firm's Performance: An Empirical Study of Aitken Spence Travels Pvt Ltd

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ABSTRACT

The firm's performance is a magnitude process that determines the future investment decisions and that firms' persistence in the industry. This study undertaken to identify the significant impact of earning quality on firm's performance of Aitken Spence Travels in Colombo Stock Exchange. Properly managed discretionary accruals always lead to high quality of earnings. Therefore it is essential to identify, what kind of impact that arises on earning quality will leads to the higher performance of the firm. The present study undertaken with the objective of find out the relationship between earning quality and firm's performance of Aitken Spence Travels. This study used the secondary data for the period of 2008-2016, the sample consist a leading travel agency in Colombo stock exchange. The travel agency is Aitken Spence Travels Pvt Ltd. This study used correlation analysis and multiple regression analysis to measure the relationship between variables, individual and overall impact on firm's performance and to test the operationally developed hypotheses. Earning quality determined according to the effect of accruals quality. In this research, discretionary accruals by developing it as an independent variable. And the Firms performance measured by return on asset and return on equality as a depent variable. The findings of this study reveals, there is a significant positive relationship with earning quality and return on quality and also there is a significant positive relationship with earning quality and return on assets. However, the above results provide information to understand the earning quality and how it impact on firms performance level in travel industry in Sri Lanka.

Keywords: *Earning Quality, Return on Asset, Return on Equity, Discretionary accruals, Firm's Performance*

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