

Value Relevance of Accounting Information on Stock Price of Manufacturing Firms: Empirical Evidence from Sri Lanka

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ABSTRACT

Introduction: Relevance of accounting information acts a main role to meet information needs of users to make their financial decisions. This study attempts to address the value relevance of Accounting Information (Earning per share, Net Asset Value per share) on stock price with special reference to manufacturing sector companies listed in Colombo Stock Exchange in Sri Lanka.

Design/ Methodology/ Approach: This study considers accounting information as independent variable while stock price is considered as dependent variable. Financial details collected from the published annual reports of thirty-five manufacturing companies in ten years from 2012 to 2021 are used for the study. Using GMM model as analysis tool it reveals that there is value relevance of accounting information on stock price.

Findings: Finally, this study concludes that there is value relevance of accounting information on stock price. Which means earnings per share is positively and significantly effects on stock price and net assets value per share has negative effect on stock price of manufacturing sector companies listed in CSE.

Conclusion: The conclusion can summaries as value relevance of accounting information has significant impact on share price and significantly correlated with share price. The result of this study contributes to enhance knowledge of intended users and provide useful information

Keywords: *Accounting Information, Earnings per share, Net Asset Value per share, Relevance, Stock Market Price*