Value Relevance of Accounting Information and Stock Price Reaction of the Listed Companies in Sri Lanka

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ABSTRACT

Introduction: This research study examines the impact of accounting information on stock prices and find out the relationship between value relevance of accounting information (earning per share, dividend per share, net asset value per share, return on equity) and the share price.

Design/Methodology/Approach: The Sample of the study consist with Ninety (90) listed companies from Colombo Stock Exchange and these 90 companies are comprised Finance, Banking, Insurance, Manufacturing and Hotel sector companies. Also, the data was collected over the period of 2011 to 2020 to determine the relationship between the accounting information and share price. Share price is the dependent variable of this study. And mainly used four independent variables. These are Earnings per share, Dividend per share, Net Asset Value per share and Return on Equity. Descriptive Analysis, Correlation Analysis and Regression Analysis methods are used for data analysis. finally, E-Views 11 version software was equipped in this study.

Findings: Based on the result of the study among selected variables for the study Earnings per share, Dividend per share, Net asset value per share were shown a significant positive relationship with share price. Return on equity shown negative relationship with share price. Further, all independent variables (EPS, DPS, NAVPS, ROE) are statistically significant with share price.

Conclusion: The final result emphasizes that the overall model is statistically significant of all independent variables, and findings support for the shareholders, people who are expect in the companies and the study provided the value of the using of accounting information for a company. Therefore, the study recommended that keep up the consistency of the financial stability of an organization.

Keywords: *Accounting information, Earnings per share, Dividend per share, Net asset value per share, returns on equity*