

## The Impact of Accounting Variables on Stock Price: Evidence from the Colombo Stock Exchange

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### ABSTRACT

**Introduction** - The measurement of financial statements using accounting variables to determine the share price movement has become one of the main concerns today. The primary objective of the study is to examine the impact of accounting variables on the stock price.

**Design/ Methodology/ Approach** - This research study analyses a 5-year period. The accounting variables identified in the study is EPS, DPS, ROE and PAT. The sample of the study is 150 firms representing 20 sectors using random stratified sampling techniques. The main analysis used in the study are descriptive analysis, correlation analysis, multiple regression analysis based on the hypotheses testing.

**Findings** – The findings of the study are that EPS and DPS has a significant positive relation with share price of CSE listed entities whilst the ROE and PAT has a significant negative relation with share price of CSE listed entities. Under sector analysis number of the sectors show a significant positive relation between accounting variable and share price.

**Conclusion** – It is concluded that share price is affected by accounting variables which represents the firm performance. Share price represents the wealth of the shareholders. Thus, to maximize the shareholders it is required to increase the firm performance.

**Keywords:** *Accounting variables, Share price, EPS, DPS, ROE, PAT and CSE.*