The Journal of ARSYM

A Publication of Students' Research of the Annual Research Symposium in Management

Volume: 3 Issue: I January: 2023

The Journal of ARSYM (JARSYM) is a refereed journal published bi-annually by the Faculty of Business Studies & Finance, Wayamba University of Sri Lanka. The aim of the JARSYM is to disseminate high-quality research findings on a variety of timely topics generated by undergraduate and postgraduate researchers at the Wayamba University of Sri Lanka. Furthermore, it opens up avenues for the undergraduates involved in the industry to share their inventions, state-of-the-art discoveries and novel ideas. The main philosophy behind the JARSYM is to enhance the research culture within the faculty, thereby within Wayamba University. All research articles submitted are double-blind reviewed prior to publishing. Views expressed in the research articles are not the views of the Faculty of Business Studies and Finance, the Wayamba University of Sri Lanka or the Editorial Board.

National Library of Sri Lanka - Cataloging in Publication Data
Journal of ARSYM (JARSYM)
ISSN No: 2756-9373
Bar Code: 9772756 937008

Published by:
Faculty of Business Studies and Finance
Wayamba University of Sri Lanka
Kuliyapitiya, Sri Lanka
Tel: +94 37 228 4216
Web: http://bsf.wyb.ac.lk

Cover Page by:
Dr. R.M.T.N. Rathnayake
Lecturer
Department of Accountancy
Wayamba University of Sri Lanka

Aims and Scope

The Journal of ARSYM (JARSYM) is a refereed bi-annual journal committed to publishing undergraduate research papers of the Faculty of Business Studies and Finance, Wayamba University of Sri Lanka. The JARSYM publishes theoretical and empirical papers spanning all the major research fields in business studies and finance. The aim of the JARSYM is to facilitate and encourage undergraduates by providing a platform to impart and share knowledge in the form of high-quality and unique research papers.

Core Principles

➢ Publication in the Journal of ARSYM is based on the editorial criteria cited and the evaluation of the reviewers (each manuscript will be sent to two reviewers).

➢ Priority is given to novelty, originality, and to the extent of contribution that would make to the particular field.

The journal welcomes and publishes original articles, literature review articles and perspectives and book reviews describing original research in the fields of business studies and finance. The core focus areas of the journal include;

- Accounting
- Banking
- Business strategies and innovations in crisis
- Disaster and crisis management
- E-commerce & business communication
- Economics
- Entrepreneurship and small business
- Finance
- Human resource management and organizational behaviour
- Management information systems
- Marketing management
- Operations management
- Risk management and insurance
- Strategic management

Editor-in-chief,
Journal of ARSYM (JARSYM)

Editorial Board

ISSN: 2756-9373

ISSN: 2756-9373

Panel of Reviewers

Internal Reviewers

Prof. DAM Perera
Wayamba University of Sri Lanka

Prof. HMA Herath
Wayamba University of Sri Lanka

Prof. RA Rathnasiri
Wayamba University of Sri Lanka

Prof. (Mrs.) DAT Kumari
Wayamba University of Sri Lanka

Prof. Kumara Uluwatta
Wayamba University of Sri Lanka

Dr. TK Karandaketiya
Senior Lecturer
Wayamba University of Sri Lanka

Dr. HMSP Herath
Senior Lecturer
Wayamba University of Sri Lanka

Dr. (Mrs.) KAMS Kodisinghe
Senior Lecturer
Wayamba University of Sri Lanka

Dr. (Mrs.) WADKJ Wanigasekara
Senior Lecturer
Wayamba University of Sri Lanka

Dr. UES Kumara
Senior Lecturer
Wayamba University of Sri Lanka

Mr. BM Wijesiri
Senior Lecturer
Wayamba University of Sri Lanka

Mrs. WDNSM Tennakoon
Senior Lecturer
Wayamba University of Sri Lanka

Mrs. UGAC Karunananda
Senior Lecturer
Wayamba University of Sri Lanka

Mrs. AKDN Dilshani
Senior Lecturer
Wayamba University of Sri Lanka

Mrs. UGVDD Gunarathne
Senior Lecturer
Wayamba University of Sri Lanka

Mrs. DHSW Dissanayake
Senior Lecturer
Wayamba University of Sri Lanka

Mrs. HMAK Herath
Senior Lecturer
Wayamba University of Sri Lanka

Mrs. RSL Jayarathne
Senior Lecturer
Wayamba University of Sri Lanka

Mrs. WRPK Chandrarathne
Senior Lecturer
Wayamba University of Sri Lanka

Mrs. DMTD Dissanayake
Senior Lecturer
Wayamba University of Sri Lanka

Mrs. PABH Amarathunga
Senior Lecturer
Wayamba University of Sri Lanka

Mrs. WAN Priyadarshani
Senior Lecturer
Wayamba University of Sri Lanka

Mrs. JAGP Jayasinghe
Senior Lecturer
Wayamba University of Sri Lanka

Mr. HMAJ Herath
Senior Lecturer
Wayamba University of Sri Lanka

Mr. DGL Rasika
Senior Lecturer
Wayamba University of Sri Lanka

Mrs. WDMBK Dissanayake
Senior Lecturer
Wayamba University of Sri Lanka

Mr. AGDLK Gunarathne
Senior Lecturer
Wayamba University of Sri Lanka

Table of Contents

The Journal of ARSYM *ISSN: 2756-9373*
Volume: 3 Issue: I, 2022

Impact of Voluntary Disclosure Level on the Value Relevance of Accounting Information; Evidence from Sri Lanka

Jayalath, J.A.T.S.[1], Priyadarshanie, W.A.N.[2]

[1,2]Department of Accountancy, Faculty of Business Studies & Finance, Wayamba University of Sri Lanka
[1]thirunijayalath@gmail.com, [2]nadeesha@wyb.ac.lk

ABSTRACT

The paper aims to examine the influence of the Voluntary Disclosure Level (VDL) on the value relevance of accounting information. Earnings per Share (EPS), Book Value per Share (BVPS), and Operating Cash Flow per Share (OCFPS) were considered as the accounting variables relative to Market value per share (MVPS) for 3 years following the financial year-end for Sri Lankan companies. Panel Regression was employed to examine the influence of VDL on the value relevance of three accounting variables. Market price per share was considered as the proxy for value relevance. Data were collected from 102 companies listed on the Colombo Stock Exchange for the period of 2019 – 2021. There were 306 firm-year observations. According to the results of the study, BVPS significantly and positively influences the MVPS indicating that BVPS has value implications for investors. Further interaction effect of EPS and INDEX shows a significant positive impact on the MVPS, indicating VDL exhibits substantial influence on the value relevance of earnings which will ultimately help investors make better investment decisions. Regulatory bodies and standard setters may have implications in relation to the laws and regulations governing voluntary disclosures. More importantly, the study highlights implications for policy makers and practitioners on how investors make use of the accounting information and the voluntary information disclosed in annual reports in their decision-making. This study has contributed to the existing literature on voluntary disclosure as it is examined whether voluntary disclosures improve or deteriorate the value relevance of accounting information.

Keywords: Accounting Information, Colombo Stock Exchange, Value Relevance, Voluntary Disclosure Level

1. INTRODUCTION

Increasing stakeholder awareness and the complexity of the business environment drive organizations to be more transparent by providing more information to the relevant parties, not only the Financial Statements but also other non-financial information via corporate reporting practices. Organizations are encouraged to increase the level of transparency toward knowledge-based industries & expanded access to a globalized-environment. One of the most important aspects of financial statement quality in making decisions is value relevance, which is the “ability to account numbers to summarize information underlying market prices” (Jianweiw and Chunjiao, 2007). Accordingly, if accounting data is associated with the company's share price, it is deemed value relevant. The role of accounting numbers in company valuation is of fundamental interest to analysts, investors and researchers alike. When there is a high degree of information asymmetry between investors and the firm, disclosures are turned into a way for managers to show stakeholders the value of their company. According to existing literature, it has been argued that the quality and scope of disclosure practice are essential for the value relevance of accounting information. Barako (2007) defined voluntary disclosure as "voluntary dissemination of financial and non-financial information through annual reports over and above the mandatory obligations." The existing literature on voluntary disclosure offers numerous potential business motivations to encourage a larger number of voluntary disclosures. For instance, Lundhlm and Myers (2002) investigated whether greater disclosure information is reflected in MVPS, and Hassan et al. (2009) empirically tested the association between voluntary disclosure of Egyptian listed companies and company value. Since previous researchers have looked at the impact of VDL on the value relevance of only EPS and BVPS, this study aims to expand on these findings.

However, empirical research on the value relevance of EPS, BVPS, and OCFPS was influenced by voluntary disclosure in Sri Lanka after the adoption of new accounting standards, which focused on fair value measuring, was minimal. Thereby, this study aims to investigate this contextual gap, which is not well-researched previously, particularly in Sri Lanka. Thereby, the objective of this research is to determine the impact of accounting information demonstrated by EPS, BVPS, and OCFPS on MVPS, which tells the value relevance and examines the impact of voluntary disclosures on the above relationship.

2. LITERATURE REVIEW

2.1 Theoretical Background

The study employs the signalling theory, which addresses problems of information asymmetry in markets and explains how this asymmetry can be reduced if the party with more information shares it with others. Simply, according to the signalling theory, company executives will be motivated to share superior firm information with users of financial statement data who are seeking to drive up stock prices. This theory assumes that the companies have information which is not with investors. Apart from the signalling theory study emphasize the findings with the support of Agency theory which raises concerns regarding the relationship between the principal (shareholders) and the agents (managers). Since managers represent shareholders as their representatives, the theory explores the separation of ownership and control. As both parties attempt to behave in their own best interests, conflicts of interest may develop between managers and shareholders, which may ultimately result in higher agency costs. The cost of drafting, overseeing, and bonding a group of contracts among agents with competing interests is included in the agency's costs. Since voluntary disclosures provide investors with more information, increasing the level of voluntary disclosure can lower this agency cost (Morris, 1987). As a result, managers may boost business openness and help shareholders make better decisions. In other words, agency theory tries to explain managers' disclosure incentives (Morris, 1987).

The existing literature on voluntary disclosure offers numerous potential business motivations to encourage larger voluntary disclosures. For instance, Lundhlm and Myers (2002) investigated whether greater disclosure information is reflected in MVPS, and Hassan et al. (2009) empirically tested the association between voluntary disclosure of Egyptian listed companies and company value. Since previous research has looked at the relationship between information disclosure requirements and share price (Gelb and Zarowin, 2002; Lang et al., 2003) and the impact of Voluntary disclosure level (VDL) on the value relevance of EPS and BVPS (Hassan, 2004; Anandarajan and Hasan, 2010), this study aims to expand on these findings.

Based on valuation theory, the pricing model accurately reflects the relevant information at the time of valuation, including culture and market conditions (Damodaran, 2007). In order to make the pricing model effective, accurate estimates of market prices can be generated (Shamki, 2013). Empirical research on value correlation is rooted in the theoretical framework of equity valuation models (Vishnani and Shah, 2008). Ohlson (1995) and Felthman and Ohlson (1995) pointed out that the value of a company can be expressed as a linear function of book value, earnings and other relevant information about value. Under the conditions of incomplete information and uncertainty, agency problems can be (Eisenhardt, 1989) occurred. This can play an important role in the firm's Valuation. This leads to information asymmetry that negatively affects the relevance of the value of the accounting information (Holthausen and Watts, 2001), which creates agency problems. Healy and Palepu (2001) claim that the asymmetry of information and the dispute of the distributor increased the demand for financial reporting and disclosures. The release of time of information can reduce the possibility of demand to reduce asymmetric information and increase the relationship between the value of accounting information, and as a result, the cost of litigation can be minimized (Debreceny et al., 2002). Managers attempt to avoid any lawsuit; therefore, they try to clarify any misunderstanding by disclosing more information on a timely basis (Al Arussiet al., 2009). This will improve the value relevance of the accounting information. Apart from signalling, agency, and valuation theory, market efficiency theory also supports the finding by showing that stock prices reflect all relevant information and hence beating the market or achieving above-average returns on a consistent basis is unachievable.

2.2 Empirical Findings

Accounting studies began to focus on the value relevance of accounting information more than four decades ago. If an accounting figure has a considerable and strong projected relationship with stock prices or stock market indicators like price-to-earnings or price-to-book ratios, then it is value-relevant (Amir, 1993). In 1967, Benson worked on publicly available corporate accounting data and stock prices, claiming that investors used publicly available accounting reports to assess their expectations of firms. He also claims that changes in investor expectations resulting from disclosed accounting data should be reflected in the company's stock price. Earnings per share (EPS) and book value per share (BVPS) have been identified as the two most important accounting measures that have a significant positive association with a firm's market value, proxied by share prices, according to a large body of literature. BVPS has been found to have greater incremental explanatory power than EPS. Over a 40 years period, Qystein and Frode (2007) analyzed the value relevance of financial reporting, highlighting the value relevance of Norwegian financial reporting. On the Vietnamese stock market, Dung (2010) tested the value relevance of financial statement information. The results demonstrated that accounting information had statistically significant value relevance, however, it was lower than in other established and emerging economies.

According to a study conducted by several researchers, the value relevance of earnings increased after the implementation of the International Financial Reporting Standards (IFRS). For voluntary early adopters of the International Accounting Standards, certain studies have looked at the value relevance of earnings and book values (IASs).

At the Colombo Stock Exchange (CSE) in Sri Lanka, Pathirawasam (2010) evaluated the value relevance of accounting information. The independent variables in his study were earnings per share (EPS), book value per share (BVPS), and return on equity (ROE), whereas the dependent variable was the market price per share (MPS). The study used a sample of 129 enterprises from CSE's six primary sectors. The data was analyzed using cross-sectional and time series cross-sectional regressions. According to the findings, EPS, BVPS, and ROE have a favourable impact on stock market value. Few prior research simultaneously looked at the value significance of earnings, book values, and cash flows. In order to understand stock prices, Kwon (2009) looked at the relative and incremental value relevance of earnings, book values, and cash flows. They employed the Ohlson (1995) and Feltham and Ohlson-based valuation model (1995). The findings indicate that book value is the information with the greatest value relevance and that across all samples, cash flows exhibit more value relevance characteristics than earnings. Additionally, book value and cash flow relevance as a combined measure is more relevant than book value and profits relevance. However, Mostafa's findings conflict with this outcome (2016). The study looked at the value significance of Egyptian book values, cash flows, and earnings. The results show that earnings are valuable information. Earnings, as opposed to book value, have more information content.

In the last decade, researchers have turned their attention to the potential impact of the additional disclosure provided in annual reports on financial markets. In reality, numerous research on this subject has been conducted using the efficient market hypothesis (Fama, 1970) and various accounting theories, particularly the signal theory. There is not much research looking at how voluntary disclosure affects stock valuation, according to a study of the literature on the subject. However, some research has produced some intriguing results. For instance, Lundhlm and Myers (2002) investigated whether greater disclosure of the information was reflected in the price of stocks at the time. As a result of their findings, current stock returns are more indicative of upcoming earnings news for companies that disclose substantially more information. Lundhlm and Myers propose that the company's disclosure actions expose pertinent and reliable information that is not included in current earnings and that current share prices reflect this information. Banghøj and Plenborg (2008) studied whether the level of voluntary disclosure affected the correlation between the current and future returns of Danish companies from 1996 to 2000. It is speculated that companies with high levels of value-related voluntary disclosures have a stronger correlation between equity returns and future earnings than companies with low levels of value-related disclosures. Inconsistent with their conjectures and the findings of Lundhlm and Myers (2002), the results of this study show that although the level of disclosure has increased during their research period, voluntary disclosure did not strengthen the relationship between equity returns and future earnings. Their research raises the question of whether the voluntarily disclosed information includes information related to the value of future earnings or whether market participants cannot incorporate the voluntarily disclosed information into their stock valuations. Hassan et al. (2009) empirically tested the association between voluntary disclosure of Egyptian listed companies and company value. The survey sample included 272 Egyptian companies that went public during 1995-2002. The author used univariate and multivariate statistical tools to analyze and found evidence that voluntary disclosure was related to value, even though statistical tests did not confirm the significance of the obtained value. The author points out that the latter supports the view that there is a complex interaction between various factors in determining the correlation between voluntary disclosure and company value. They found a positive but negligible link between voluntary disclosure and the value of the firm. They believe that this result, to some extent, confirms the traditional view that disclosure of more information can add value to the company.

3. METHODOLOGY

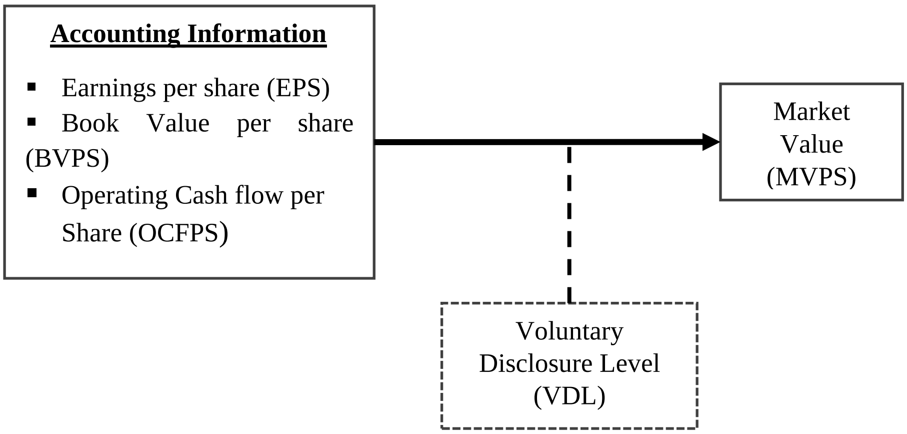

Figure 01: Conceptual Framework

The following regression models can be developed in accordance with the conceptual framework:

$$\boldsymbol{Model\ 01}:\ MVPS = \alpha + \beta_1 EPS + \beta_2 BVPS + \beta_3 OCPS + \varepsilon$$

$\boldsymbol{Model}\ \mathbf{02}$:

$$MVPS = \alpha + \beta_1 EPS + \beta_2 BVPS + \beta_3 OCFPS + \beta_4 INDEX + \beta_5 INDEX * EPS + \beta_6 INDEX * BVPS + \beta_7 INDEX * OCFPS + \varepsilon$$

Table 01. Operationalization of Variables

Variable	Abb.	Definition	Variable Measurement	Method of analysis	Previous Researcher
		Dependent Variable			
Market Value per Share	MVPS	The price that can be obtain if it is sold at the share market on a specific date	The prices were taken directly from share market.	Regression	(Harris, T. S., Lang .M, and Moller, H.P., 1994)
		Independent Variables			
Book Value per Share	BVPS	Book value per share determines the value belongs to each shareholder	$BVPS = \frac{Total\ Equity}{Total\ No.of\ Shares}$	multi variate regressions	(Easton, P. E., and Harris, T.S., 1992)
Earnings per Share	EPS	The earning for each ordinary share	$EPS = \frac{Net\ Income}{Total\ No.of\ Shares}$	Use of R^2 in accounting research	(Junjie Wang, Gang Fu, & Chao Luo, 2013)
Operating cash flow per Share	OCFPS	Measures the operating cash flows attributable to each share of common stock	$OCFPS = \frac{Net\ Operating\ Cash\ flow}{Total\ No.of\ shares}$	Return model along with regression analysis and price model	(Dwi Martani, Mulyono, Rafhifiani Khairurzka, 2009)
		Moderating Variable			
Voluntary Disclosure Index	Index	Measures the impact of voluntary disclosure level determined by each accounting variable on value relevance.	$Index = \frac{\sum Score}{Total\ No.of\ information\ considered}$ Disclosure Index for each of the independent variable considered in the Model 01. 1. $Index * EPS$ 2. $Index * BVPS$ 3. $Index * OCFPS$	Disclosure Index	(Cooke and Wallace, 1989)

The conceptual framework, models, and existing literature are used to construct the following hypotheses, which are consistent with the research objectives.

H1: There is an impact of EPS on MVPS

H2: There is an impact of BVPS on MVPS

H3: There is an impact of OCFPS on MVPS

H4: There is an impact of VDL on the relationship between EPS and MVPS

H5: There is an impact of VDL on the relationship between BVPS and MVPS

H6: There is an impact of VDL on the relationship between OCFPS and MVPS

Table 01 shows the operationalization of selected variables. This study concentrated on quantitative research methodologies and the study's research philosophy is positivism. Archival research was chosen as the best fit for this study because it allows for the collection of a large amount of data via the study of secondary data sources mostly the annual reports and as the study establishes causal links between variables, the nature of the research deemed to be explanatory, while analyses are presented by using the descriptive approach.

Panel regression was used to analyze the data after performing the residual diagnostic tests such as normality, correlation, the VIF test, and autocorrelation.

3. RESULTS AND DISCUSSION

Descriptive statistics and regression analysis were performed to achieve research objectives. According to the results of descriptive statistics, the mean value of VDL indicates that the average sample companies have disclosed 54.85% of voluntary disclosures, which is a moderate level of disclosure. The voluntary disclosure index ranges from the highest value of 89% to the lowest 21%, indicating that there is a greater variation among the disclosure levels of the company.

Table 02. Descriptive Statistics

	BVPS	EPS	FD_BVPS	FD_EPS	FD_OCFPS	INDEX	MVPS	OCFPS
Mean	214.11	10.27	106.69	5.5710	6.575	0.5485	176.21	10.12
Median	31.300	1.247	16.694	0.5517	0.193	0.5616	28	0.4505
Maximum	3429.6	266.3	2630.9	156.72	691.668	0.890	4048.2	901.63
Minimum	-0.944	-242	-0.413	-106.2	-390.56	0.219	0.3	-559.0
Std. Dev.	492.91	37.13	295.99	20.365	55.735	0.159	416.36	76.774

Source: EViews Output, 2022

The mean value of VDL indicates that the average sample companies have disclosed 54.85% of voluntary disclosure requirements, which is a moderate level of disclosure. The voluntary disclosure index ranges from the highest value of 89% to the lowest, 21%, indicating that there is a greater variation among the disclosure levels of the company.

After performing Hausman Test, the fixed effect model was identified as the best model for data analysis.

Table 03 indicates that independent variables explain 87.7 % of the variation of the market price, and BVPS has a significant positive impact on the market price of share. This will course to accept *H2* by rejecting *H1 & H3* to satisfy the first objective.

Table 03. Fixed Effect Model Statistics for Model 01

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	50.990	41.286	1.235	0.218
BVPS	0.617	0.197	3.119	0.002
EPS	-0.691	0.451	-1.530	0.127
OCFPS	0.020	0.179	0.111	0.911
R-squared	0.877	Adj: R^2		0.814

Source: (EViews Output, 2022)

The findings indicate that for companies listed on the CSE between 2019 and 2021, earnings per share and market value per share do not significantly and favourably influence the explanation of stock price. As a result of that *H1* is rejected. However, numerous international research that shows why earnings are not a value relevant variable for decision making bolster the aforementioned conclusion (Arora & Bhimani, 2016; Kwon, 2009; Modi & Pathak, 2014; Saeedi & Ebrahimi, 2010) and also the value relevance of accounting data and non-financial disclosures have led to the conclusion that cash flow is not crucial to the value of companies listed on the CSE. This outcome is consistent with Ndakudening's (2015) research, which showed that operating cash flow had no direct bearing on stock return and stock price. According to the outcome of the analysis, BVPS, is a variable that is value relevant. This finding is consistent with the majority of Malaysian and worldwide studies that have found that BVPS is a significant value relevant variable that reflects investors' trust in BVPS when making decisions (Ali et al., 2018; Barth et al., 2018; Gan et al., 2016; Jamaluddin et al., 2009; Kadri et al., 2009; Kargin, 2013; Kwong, 2010; Nejad et al., 2018; Sharma et al., 2012; Tahat, 2017; Tanaka, 2015; Zubdeh, 2016).

Table 04. Fixed Effect Model Statistics for Model 02

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-176.851	248.422	-0.711	0.477
BVPS	0.796	0.558	1.425	0.155
EPS	-6.381	2.131	-2.994	0.003
INDEX_BVPS	-0.466	0.973	-0.479	0.632
INDEX_EPS	12.240	4.530	2.701	0.007
INDEX_OCFPS	-6.005	3.582	-1.676	0.095
INDEX	412.805	442.536	0.932	0.352
OCFPS	4.223	2.524	1.672	0.095
R-squared	0.884	Adj R^2		0.820

Source: (EViews Output, 2022)

According to Table 04, EPS significantly impacts ($p < 0.01$) on the market price of shares. However, the relationship is negative. The interaction effect of EPS and INDEX implied a significant positive influence of voluntary disclosures on the value relevance of EPS, which represents the earnings of the company. The response to earnings increased in the presence of voluntary disclosures. This finding support achieving *H4* but reject *H5* and *H6* by accomplishing the second objective.

Researchers Chisti et al. (2016), Talamati and Pangemanan (2015), Shehzad and Ismail (2014), Hunjra et al. (2014), Hemadivya and Devi (2013), Malhotra and Tandon (2013), Seetharaman and Rudolph (2011), and Sharma (2011) have found that the variable EPS is beneficial and significantly affects stock prices. Those who conducted research on the question of "does the voluntary disclosure level affect the value relevance of accounting information" in relation to KSE-listed firms in 2007 came to the same conclusion as this study (M. M. Alfaraih & F. S. Alanezi, 2012) found that earnings and book values are important factors in the valuation of KSE-listed firms in the 2007 period. Additionally, the findings indicate that the intermediate variable that mediates the relationship between earnings and market value is important. The test findings demonstrate that the relationship between earnings and stock price can be moderated by the value of $INDEX * EPS$. Significant results are also shown by the test findings. The response to voluntary disclosure of earnings increased in the presence of the voluntary disclosure level's influence. It demonstrates the connection between voluntary information disclosure and market value.

4. CONCLUSIONS AND IMPLICATIONS

The objective of the study was to examine the value relevance of accounting information and examine whether the value relevance of accounting information increases or deteriorates due to voluntary disclosures. Accordingly, BVPS is significantly and positively influences the MVPS, indicating that BVPS has value implications for investors. This backs up the findings in the literature that Siyanbola. et al. (2015), Qu W. and Oliver (2012), Kargin (2013), Suadiye, G. (2012), Vijitha and Nimalathasan (2014), Shreyes and Gowda (2018), Alali and Foote (2009) Barth (2018) research studies have reported. When the findings of this study are compared to other research on value relevance, such as (Karim, 2019), they show that listed companies' book values have a high value relevance, which is higher than in many emerging countries and is seen as a significant benefit for stakeholders investing in developing markets. However, the same outcome was discovered when research from earlier researchers like (Karim, 2019) and (Mishari M. Alfaraih, Faisal S. Alanezi, 2011) was compared. Based on the study's findings, it is stated that the book value per share has taken on a more significant role than earnings in recent years. Due to managerial manipulation of results, investors are relying solely on book value per share and giving earnings little to no weight in their decision-making.

However, when the model is incorporated with INDEX and the interaction affects EPS show a significant negative impact on the MVPS. The same finding was discovered by Cooray et al. (2020), who concluded that the result was caused by macroeconomic factors such as political instability and significant depreciation of the rupee against major currencies within the Sri Lankan context. And this outcome is also in line with Hassan's (2004). Further interaction effect of EPS and INDEX shows a significant positive impact on the MVPS, indicating VDL exhibits substantial influence on the value relevance of earnings which will ultimately help investors make better investment decisions. Regulatory bodies and standard setters may have implications in relation to the

 ISSN: 2756-9373

laws and regulations governing voluntary disclosures. More importantly, study highlights implications for policy makers and practitioners on how investors make use of the accounting information and the voluntary information disclosed in annual reports in their decision-making.

REFERENCES

Barth, M. E., Li, K., & McClure, C. G. (2017). Evolution in Value Relevance of Accounting Information. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.2933197

Cooray, T., Senaratne, S., Gunarathne, A., Herath, R. and Samudrage, D., 2020. Does Integrated Reporting Enhance the Value Relevance of Information? Evidence from Sri Lanka. *Sustainability*, *12*(19), p.8183.

Hassan, O. A., Romilly, P., Giorgioni, G., & Power, D. (2009). The value relevance of disclosure: Evidence from the emerging capital market of Egypt. *The International Journal of Accounting*, *44*(1), 79–102. https://doi.org/10.1016/j.intacc.2008.12.005

Jianwei, Liu, and Liu Chunjiao. (2007). Value Relevance of Accounting Information in Different Stock Market Segments: The Case of Chinese A-, B, and H-Shares. *Journal of International Accounting Research*, *6*(1).

Lundholm, R., & Myers, L. A. (2002). Bringing the Future Forward: The Effect of Disclosure on the Returns-Earnings Relation. *Journal of Accounting Research*, *40*(3), 809–839. https://doi.org/10.1111/1475-679x.00072

Jianwei L., & Chunjiao L. (2007). Value Relevance of Accounting Information in Different Stock Market Segments: The Case of Chinese A-, B, and H-Shares. *Journal of International Accounting Research, 6*. 55-81. 10.2308/jiar.2007.6.2.55.

Barako, Dulacha. (2007). Determinants of voluntary disclosures in Kenyan companies annual reports. *African Journal of Business Management*. *1*. 113-128.

Morris, R. D. (1987). Signalling, Agency Theory and Accounting Policy Choice. *Accounting and Business Research*, *18*(69), 47–56.

Gelb, D., & Zarowin, P. (2002). Corporate Disclosure Policy and the Informativeness of Stock Prices. *Review of Accounting Studies*. *7*. 33-52.

Lang, M.H, Lins, K.V., & Miller, D. (2003). ADRs, analysts, and accuracy: does cross listing in the U.S. improve a firm’s information environment and increase market value? *Journal of Accounting Research*, *41*(2) (May), 317-345.

Hassan, M.S. (2004) The information quality of derivative disclosures in corporate annual reports of Australian firms in the extractive industries, *Tesis PhD*. Queensland University of Technology, Australia.

Anandarajan, As., & Hasan, I. (2010). Value relevance of earnings: Evidence from Middle Eastern and North African Countries. *Advances in Accounting. 26*. 270-279.

Damodaran A. (2007), Valuation Approaches and Metrics: A Survey of the Theory and Evidence, *Foundations and Trends® in Finance, 1*(8), 693-784. http://dx.doi.org/10.1561/0500000013

Vishnani, S. & Shah, K. (2008) Value Relevance of Published Financial Statements with Special Emphasis on Impact of Cash Flow Reporting. *International Research Journal of Finance and Economics, 17*, 84-90.

Feltham, G. A., & Ohlson, J. A. (1995). Valuation and clean surplus accounting for operating and financial activities. *Contemporary Accounting Research, 11*(2), 689–732. https://doi.org/10.1111/j.1911-3846.1995.tb00462.

Ohlson, J. A. (1995). Earnings, book values, and dividends in security valuation. *Contemporary Accounting Research, 11*(2), 661–687. https://doi.org/10.1111/j.1911-3846.1995.tb00461.

Eisenhardt, K. (1989) Agency Theory: An assessment and review. *Academy of Management Review, 14*, 57-74

Holthausen, RW & Watts, Ross. (2001). The Relevance of the Value-relevance Literature for Financial Accounting Standard Setting. *Journal of Accounting and Economics. 31*. 3-75.

Healy, P., & Palepu K. (2001). Information Asymmetry, Corporate Disclosure, and the Capital Markets: A Review of the Empirical Disclosure Literature. *Journal of Accounting and Economics*, *31*, 405-440.

Debreceny, R., Gray, G., & Rahman, A. (2002). The Determinants of Internet Financial Reporting. *Journal of Accounting and Public Policy. 21*. 371-394.

Al Arussi A.S., Selamat M.H., & Hanefah M.M., (2009). Determinants of financial and environmental disclosures through the internet by Malaysian companies. *Asian Review of Accounting, 17*(1), 59–76.

Dung, N. V. (2016). Value-relevance of financial statement information: A flexible application of modern theories to the Vietnamese stock market.

Pathirawasam C., 2010. Value Relevance of AccountingInformation: Evidence from Sri Lanka, *International Journal of Research in Commerce and Management (IJRCM), 1*(8), 13-20.

Kwon, G.J. (2009). The value relevance of book values, earnings and cash flows: Evidence from Korea. *International Journal of Business and Management*, *4*(10), 28–42.

Fama, E. F. (1970). Efficient Capital Markets: A Review of Theory and Empirical Work. *Journal of Finance, 25*, 383–417.

Banghøj, J., & Plenborg, T. (2008). Value relevance of voluntary disclosure in the annual report. *Accounting & Finance*, *48*(2), 159–180.