IMPACT OF ACCOUNTING INFORMATION ON STOCK PRICE: EVIDENCE FROM COLOMBO STOCK EXCHANGE

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ABSTRACT

Accurate, trustworthy, and relevant accounting information is essential for evaluating financial conditions and business performance, allowing decision-makers to make well-informed decisions. However, there is a scarcity of research which examins the impact of accounting information on stock prices in the Sri Lankan context. This research endeavours to evaluate the value relevance of accounting information which tells the impact of accounting information on stock price, with a particular emphasis on net asset value and earnings. The study also accounts for firm size and financial leverage by examining listed consumer service companies and food, beverage, and tobacco companies in Sri Lanka from 2017 to 2022. The sample encompasses all firms in these industries, although those with unavailable data are excluded. Regression analysis and descriptive statistics were implemented to ascertain the relationships among the chosen variables. Accounting information, including net asset value and firm size, has a substantial positive impact on stock prices, as reported by the findings. Contrary to this, earnings demonstrate an insignificant influence. While the industry factor also has a substantial impact, financial leverage has a substantial negative impact on stock prices. These results offer significant insights for policymakers, investors, and managers, allowing them to enhance accounting information's accuracy, reliability, relevance, and decision-making processes.

Keywords: Accounting Information, Earnings Per Share, Net Assets Value Per Share, Value Relevance, Stock Price

1. INTRODUCTION

Providing accounting information to current and prospective investors is crucial for empowering them to make informed decisions with a sound understanding of the prudent management of their investments (IFRS, 2018). As Khader and Hosni (2023) demonstrated, accounting information's relevance in fulfilling its essential role in the decision-making process is contingent upon its dual attributes of relevance and reliability. Decision-makers are particularly responsive to the effect of relevant information. According to Elshandidy (2014), investors gain greater clarity in recognizing that reliance on accounting information enhances the accuracy of forecasts for both market valuations and stock prices.

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In the evolution of the value relevance of accounting information, most of the value relevance studies have been based on the earnings, returns, book values of the firm, and operating cash flows (Badu and Appiah, 2018; Khader and Hosni, 2023; Mkmu, Safeena and Hassan, 2023). Accordingly, various researchers have published different contradictory opinions about the value and relevance of accounting information. While some argue for a positive impact of earnings on stock price (Idawati and Wahyudi, 2014; Stephen and Okoro, 2014) others contend that it has an insignificant and negative impact on stock price (Islam et al., 2014; Pradhan, Shyam and Dahal, 2016). Further, while some of the researchers argue for a positive impact on net asset value (Menike and Prabath, 2014; Agbodjo, Toumi and Hussainey, 2021), others argue for a negative impact on stock price (Fiador, 2013; Pradhan, Shyam and Dahal, 2016).

Few studies have explored the impact of accounting factors on stock market pricing in Sri Lanka, particularly focusing on firms listed on the Colombo Stock Exchange (CSE) (Shafana, Rimziya and Jariya, 2013; Menike and Prabath, 2014; Mkmu, Safeena and Hassan, 2023). However, these studies did not simultaneously analyse multiple industries, limiting the comparability of available information to users for informed decision-making. As a result, the value relevance of accounting information concerning stock prices remains understudied, particularly for firms in the food, beverage, and tobacco sectors and the consumer services sector in Sri Lanka. In addition, some international studies have investigated the influence of accounting information on stock prices (Agbodjo, Toumi and Hussainey, 2021; Khader and Hosni, 2023). However, most of the existing literature focuses on developed markets. Research on the value relevance of accounting variables in developing markets has received comparatively less attention (Badu and Appiah, 2018). To address this gap, this study examines the impact of accounting information on stock market prices in Sri Lanka's consumer services, food, beverage, and tobacco industries. The study also controls for company size and financial leverage to provide more comprehensive insights.Understanding the value and relevance of accounting information on stock prices is imperative for managing share supply and demand effectively.This study contributes to a new aspect of the existing literature by studying the effect of accounting information on stock price while controlling for both firm size and firm leverage. Further, due to the differences in context, there is a problem of not being able to apply the research results done for the economies of developed countries to the Sri Lankan context. Therefore, it is crucial to highlight such a topic in a country like Sri Lanka, which claims a different business environment from that of a developing country. Further, this study provides practical value to policymakers and existing and prospective investors in developing countries, especially Sri Lanka, to promote sustainable financial growth. This value relevance study aims to provide valuable insight into the management of companies to provide value-relevant accounting information to their stakeholders. Accordingly, this study bears substantial significance for prospective investors, as it aids in verifying their decision-making accuracy and evaluating the performance of companies within the food, beverage, and tobacco sector listed on CSE.

The literature review presents a compilation of insights and conclusions from a thorough analysis of relevant literature. Methodology chapter encompasses the conceptual framework, population, study sample, sample selection, data sources, data collection methods, and the analysis techniques employed to achieve the study's objectives. The study's findings are presented in section four. Section five concludes the study with a discussion of implications.

2. LITERATURE REVIEW

2.1 Value Relevance of Accounting Information

Accounting information is a vital resource for regulators, investors, accounting experts, and anybody else who uses accounting data to make informed investment decisions (Badu and Appiah, 2018). However, Perera and Thrikawala (2010) show that investors are hesitant to invest their money when they do not trust the accounting figures. Therefore, accounting standard setters should work to improve financial reporting quality, leading to more useful financial statements. To help investors make the best possible investment decisions, businesses must provide accounting information that is clear, comparable, and consistent in accordance with International Financial Reporting Standards (IFRS) (Jacob and Madu, 2004). The value relevance of accounting variables can also be changed by economic conditions, especially when companies are not financially stable or when there is a crisis (Davis-Friday and Gordon, 2005). The efficiency of accounting data has been compromised due to the fact that it has not kept pace with the fast-paced evolution of both technology and the economy (Omokhudu and Ibadin, 2015).

2.2 Value Relevance of Earnings on Stock Price

According to Agrawal and Bansal (2021), Earnings per Share (EPS) is an important metric in a firm's financial records as it shows the earnings per individual share. Investors typically assume that a firm with a high EPS has a favorable chance of making substantial income. To learn more about how earnings per share (EPS) and return on assets (ROA) affect stock prices, Idawati and Wahyudi (2014) performed empirical research. The results showed that earnings per share had a positive effect on stock prices. Stephen and Okoro (2014) conducted an in-depth study of the factors that affected the Nigerian stock market between 2001 and 2011. It highlights the fact that EPS and stock price are positively correlated. The effect of EPS on the price movements of 22 scheduled banks' shares was investigated in research by Islam *et al.* (2014a). It showed that EPS had no effect on the stock price. Additionally, according to Pradhan, Shyam, and Dahal (2016), EPS has an insignificant effect on establishing the share price in the market.

2.3 Value Relevance of Net Asset Value on Stock Price

Net asset value (NAV) is an accounting indicator that represents the equity value attributable to each ordinary shareholder (Emamgholipour et al., 2013). Dimitropoulos and Asteriou (2010) argued that book values, when examined in isolation, lack independent value relevance. However, when book value and earnings

are considered simultaneously, they demonstrate value relevance. Khader and Hosni (2023) conducted a value relevance study on Jordanian financial firms and found a significant positive association between net asset value and stock prices. Similar findings were reported by Agbodjo, Toumi, and Hussainey (2021) in their study on Islamic, conventional, and hybrid banks, where net asset value exhibited a significant positive relationship with stock prices. In the Sri Lankan context, Menike and Prabath (2014) evaluated factors influencing share prices and highlighted a significant positive relationship between net asset value and market share price. Conversely, Fiador (2013) emphasised the role of net asset value in explaining share prices but reported a negative influence of net asset value on stock prices. Supporting this view, Pradhan, Shyam, and Dahal (2016) found a substantial negative impact of net asset value on stock prices. Additionally, Gompers, Ishii, and Metrick (2003) identified an insignificant positive correlation between net asset value per share and stock prices.

2.4 Value Relevance of Firm Size on Stock Price

Banz (1981) investigated the effect of firm size by analysing 45 years of U.S. stock data and identified firm size as one of the first empirically established attributes associated with realised stock returns. Similarly, Brown, Kleidon, and Marsh (1983) observed the size effect in the Australian stock market, providing evidence of a positive influence of firm size on stock returns in Australian firms. In the Sri Lankan context, Shafana, Rimziya, and Jariya (2013) explored the relationship between expected stock returns and two prominent firm-level characteristics: firm size and book-to-market equity. Their findings revealed that firm size did not significantly impact expected stock returns. Naz et al. (2011) conducted an empirical study in Pakistan to examine the relationship between firm size and earnings management. The results indicated an insignificant negative association between firm size and earnings management.

2.5 Value Relevance of Firm Leverage on Stock Price

Gitman, Juchau, and Flanagan (2015) emphasized that firm leverage ratios are critical in assessing a company's and its shareholders' exposure to financial risk. Bhunia, Mukhuti, and Roy (2011) described the Debt-to-Equity Ratio (DER) as a leverage measure that reflects the relative proportion of shareholders' equity and debt used to finance a company's assets. This ratio serves as an internal tool with the potential to influence stock prices. Moradi and Paulet (2019) found that DER significantly and positively affects stock prices. However, Kamar (2017), in a study of companies listed on the Indonesian Stock Exchange, reported no relationship between DER and share prices. Similarly, Rusdiyanto et al. (2020) observed an insignificant relationship between DER and stock prices in their analysis of the Indonesian economy. In contrast, Safitri et al. (2020) conducted a study on the banking sector listed in the Info Bank 15 index and identified a significant negative association between DER and stock prices. These findings align with Oladunjoye et al. (2021), who reported a similar significant negative relationship in their study of listed manufacturing companies in the Nigerian stock market.

2.6 Industrial Effect on Stock Price

El Shamy and Kayed (2005) found that there is a significant industrial effect on the share prices of Kuwaiti companies in their study on value relevance of accounting information with special reference to the food and industrial sectors. A study by Badu and Appiah (2018) on the value relevance of accounting information also shows that industry has a big effect on share price. The study looked at the service and industrial sectors of the Ghanaian stock market.

2.7 Value Relevance of Stock Price

Equity investments heavily rely on share market prices, as these prices act as a direction, representing a company's overall stability and financial health (Enow and Brijlal, 2016). Gill, Biger and Mathur (2012) revealed that the share price is a key indicator that directs investors in making their investing decisions. Increases in share price are important to optimize the shareholders' wealth and guide the way for expanded prospects. Awareness of fundamental elements impacting share prices is important to investors, corporations, and governing bodies. This awareness helps corporate leaders make their financial decisions and shape policies concerning dividends and rights issues.

3. METHODOLOGY

This study aims to examine the impact of the value relevance of accounting information on stock prices within the industry sectors of consumer services and food, beverage, and tobacco. For this purpose, the study used a positivist philosophy and a quantitative approach to try to figure out how quantitative data affects the value relevance of accounting information on stock prices. The study utilizes secondary data sourced from published annual reports in the CSE. The data was collected over six years, from 2017 to 2022. According to the Ministry of Industries, since these two related and competitive industries contribute greatly to Sri Lankan domestic production, investors are directed towards these two industries. Therefore, this study simultaneously concerns both industry groups of consumer services and food, beverage, and tobacco companies in Sri Lanka. The population comprises 37 listed entities from the consumer services sector and 47 from the food, beverage, and tobacco sectors. The researcher has selected the entire population as the sample. However, the researcher eliminated forty-four out of eighty-four listed companies in both industries due to data availability. Since borrowings were considered when measuring financial leverage and some companies did not disclose them, those companies were removed from the sample. Furthermore, outlier issues led to the elimination of three companies from both industries. Accordingly, this study's sample consisted of 17 companies from the consumer services sector and 20 from the food, beverage, and tobacco sectors.

Figure 1 depicts the conceptual framework's graphical representation. The framework's formulation stems from a thorough examination of the research problem, integrating insights from both empirical and theoretical literature.

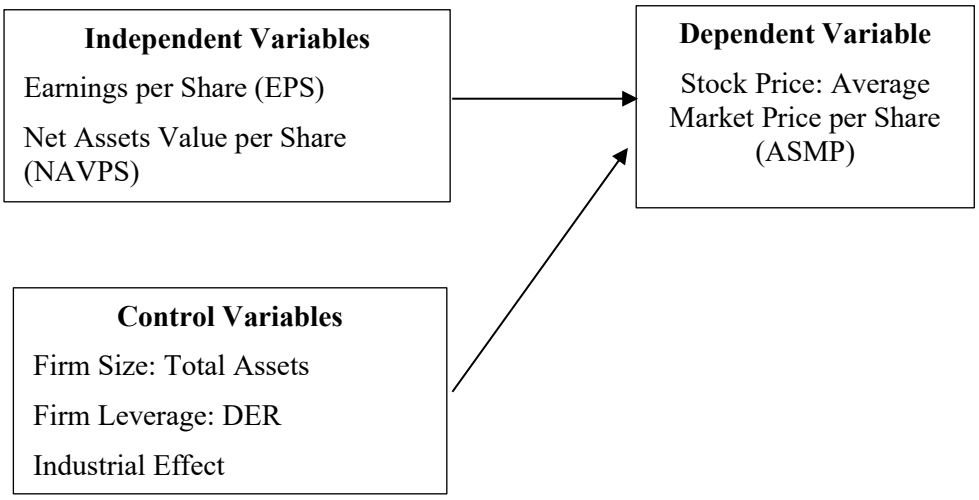


Figure 1: Conceptual Framework

The independent variable of this study is accounting information. Most of the prior value relevance studies have used earnings and book values to indicate the accounting information. Based on what these other studies (Agbodjo, Toumi, and Hussainey, 2021; Badu and Appiah, 2018; Khader and Hosni, 2023; Mkmu, Safeena, and Hassan, 2023) said, the independent variable for this study was chosen.. EPS, which measures the earnings, is calculated by dividing the net profit for the period by the total outstanding ordinary shares (Budianto and Dewi, 2023; Tandon and Malhotra, 2013) and NAVPS, which depicts the book value, is measured by dividing the total equity, after deducting all the liabilities from the total assets, by the total outstanding ordinary shares (Emamgholipour et al., 2013). The dependent variable is a stock price calculated using the average of companies' highest and lowest share prices recorded during the year (Tandon and Malhotra, 2013). In addition, this study used Firm Size (FS) and Firm Leverage (FL) as control variables. FS is a concept that can be measured using metrics like total assets, market capitalization, or a company's annual revenue (Opler et al., 1999). In this study, total assets have been used as the metric for FS, in accordance with the previous studies (Badu and Appiah, 2018; Chandrapala, 2013)

According to Alzubi and Bani-Hani (2021), FL plays a significant role in the valuation of a firm. It depicts the solvency of the firms. Given the volatility of the markets, the debt-to-equity ratio primarily determines a company's ranking. Therefore, the researcher has utilized the FL calculated by dividing all short-term and long-term borrowings by the company's total equity capital (Alzubi and Bani-Hani, 2021).Further, the Industrial Effect (IE) is considered a dummy variable of this study

where "0" represents the food, beverage and tobacco sector and "1" depicts the consumer services industry. This study uses the analytical tools of descriptive statistics and multiple regression analysis to assess the value relevance of accounting information on stock price while controlling for FS and FL. The regression model used to achive the objective of this study is as follows.

$$ASMP_{it} = \alpha + \beta_1 EPS_{it} + \beta_2 NAVPS_{it} + \beta_3 FS_{it} + \beta_4 FL_{it} + \beta_5 IE_{it} + \varepsilon \ldots\ldots\ldots\ldots \quad (1)$$

Where ASMP denotes average share market price, EPS denotes earnings per share, NAVPS denotes net assets value per share, FS denotes firm size, FL denotes firm leverage, IE denotes industrial effect, β denotes a constant value, ε denotes random error, i denotes number of entities and t denotes the period.

4. RESULTS AND DISCUSSION

4.1 Descriptive Statistics

Table 1 highlights the descriptive statistics of the dataset employed in this study. Descriptive statistics elucidate the dataset's fundamental attributes, depicting its central tendency, frequency of occurrence, and dispersion. Accordingly, the table provides the dataset's mean, Standard Deviation (SD), minimum, and maximum values with the categorization of industries.

According to Table 1, the ASMP for both industries ranges from 0.2 to 2.34, with a mean of 1.33 and an SD of 0.46. Consequently, some firms within both sectors exhibit higher or lower share prices than ASMP. Nevertheless, the range of share prices within the Food, Beverage, and Tobacco (FBT) sector is significantly broader than that within the Consumer Services (CS) sector when comparing the industry average with the industries' means. Further, according to Table 1, both industries' EPS ranges span from -43.63 to 54.12, with a mean of 1.52 and an SD of 9.77. It demonstrates that many companies have lost due to the country's pandemic and economic crisis. According to that, the FBT sector's EPS dispersion is higher than the CS sector. This means that when comparing the industry average with the average of industries separately, the EPS of the FBT sector is higher than the EPS of the CS sector due to the pandemic and the economic crisis in Sri Lanka. As mentioned in Table 1, both industries' maximum and minimum NAVPS are 174.04 and -81.55, respectively. The mean of NAVPS for both industries is 38.01 (SD = 40.84). The highest NAVPS value belongs to the CS sector, which has a positive minimum NAVPS. Accordingly, the equity value assigned to each share of the FBT sector is less than that of the CS sector, and it has a negative value as the minimum NAVPS. It indicates that the CS sector has provided the best equity value assigned per share.

Table 1: Descriptive Statistics

Variable	Industry	N	Mean	SD	Minimum	Maximum
Log ASMP	FBT	120	1.45	0.45	0.33	2.34
	CS	102	1.20	0.44	0.20	2.03
	Total	222	1.33	0.46	0.20	2.34
EPS	FBT	120	3.79	12.34	-43.63	54.12
	CS	102	-1.15	4.02	-21.60	9.00
	Total	222	1.52	9.77	-43.63	54.12
NAVPS	FBT	120	40.30	42.61	-81.55	151.54
	CS	102	35.31	38.68	0.88	174.04
	Total	222	38.01	40.84	-81.55	174.04
FS	FBT	120	5536337.61	1844168.15	2360058	11695801
	CS	102	4974074.35	3461793.29	476310	14058014
	Total	222	5278000.44	2717905.68	476310	14058014
FL	FBT	120	0.69	1.23	-3.11	6.61
	CS	102	0.39	0.68	0.01	3.60
	Total	222	0.55	0.99	-3.11	6.61

Source: Survey data

Note- EPS: Earnings per share, NAVPS: Net assets value per share, FS: Firm size, FL: Firm leverage, ASMP: Average share market price, FBT: Food, beverage and Tobacco sector, CS: Consumer services sector

The average FS (total assets in thousands) for both industries is Rs.5,278,000.44, with an SD of Rs.2,717,905.68. This variability is attributed to the two sectors under examination. Specifically, the mean FS for the FBT sector is 5,536,337.61, while for the CS sector, it is Rs.4,974,074.35. Notably, both industry means closely align with the overall industry average. The average FL for both industries is 0.55, and SD is 0.99. Both industries' means closely resemble the overall industry average. The FBT sector owns the maximum DER. It is 6.61. According to El Shamy and Kayed (2005), a higher DER indicates greater risk and potential liquidity issues for the company. Accordingly, there is a greater risk to the potential liquidity of the FBT sector.

4.2 Regression Analysis

To analyse the relevance of accounting information to stock price, the study uses multiple regression analysis to identify the variables whose values are used to predict the value of the dependent variable.

4.2.1 Testing Assumptions in Multiple Regression

The following analysis was performed to check the assumptions of multiple regression. Consequently, this study has fulfilled the following assumptions.

4.2.1.1 Normality

The Kolmogorov-Smirnov and Shapiro-Wilk tests were employed to ascertain if the random errors follow a normal distribution. Table 2 provides a summary of the outcomes of these tests.

Table 2: Test of Normality

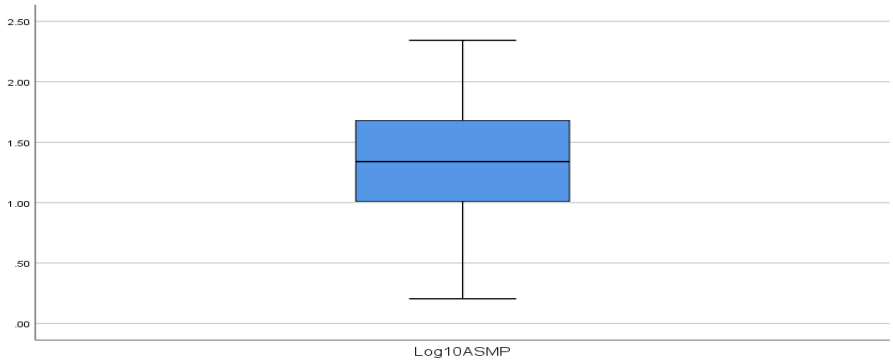
	Kolmogorov-Smirnova			Shapiro-Wilk		
	statistic	df	Sig.	Statistic	df	Sig.
Log ASMP	0.033	222	.200*	0.991	222	0.222

Source: Survey data

As indicated in Table 2, the p-values exceed 0.05. Hence, for this regression model, the assumption that the random errors follow a normal distribution is fulfilled.

4.2.1.2 Outliers

The data set was tested for outliers using a box plot. As demonstrated by Dawson (2011), outliers could indicate contamination within the dataset or suggest a non-normal distribution within the population. Data points falling outside the inner fences but within the outer fences are termed moderate outliers, while those outside the outer fences are categorized as extreme outliers. According to Figure 2, given that no extreme or moderate outliers are observed in the boxplot, the assumption of 'no outliers' is satisfied for this regression model.



Source: Survey data

Figure 2: Boxplot

4.2.1.3 Multicollinearity and VIF

This study examines two independent variables and two control variables, which prompts an assessment for multicollinearity. The variance inflation factor (VIF) was utilised for this evaluation. Typically, VIF values above 10 indicate considerable multicollinearity, while values exceeding 4 warrant closer scrutiny. Table 3 indicates no issues with multicollinearity, as all VIFs are below 10.

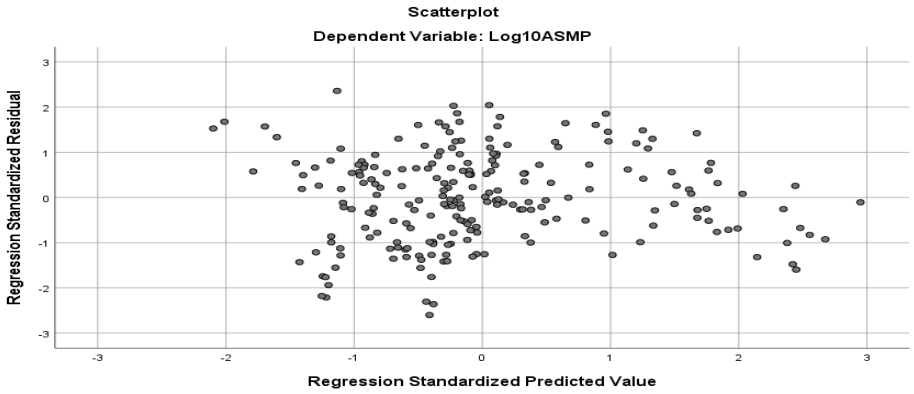
Table 3: Multicollinearity statistics

	Collinearity Statistics	
	Tolerance	VIF
EPS	0.764	1.308
NAVPS	0.818	1.222
FS	0.973	1.028
FL	0.917	1.091
Industry	0.896	1.117

Source: Survey data

4.2.1.4 Homoscedasticity

According to Osborne and Waters (2019), homoscedasticity refers to the consistent variance of errors across all levels of the independent variable. This assumption can be assessed through visual inspection of a plot depicting the standardised residuals (errors) against the regression standardised predicted values. In a homoscedastic scenario, the residuals exhibit a random distribution around the horizontal line that depicts 0, indicating uniform variability. Accordingly, the standardised predicted values and standardised residual values in the dataset exhibit a random distribution round 0, meeting the homoscedasticity assumption for this regression model. (Figure 3).



Source: Survey data

Figure 3:Scatterplot

4.2.1 Results of Multiple Regression Analysis

Table 4 indicates that independent variables, including NAVPS, EPS, FS, and FL, collectively serve as predictors for ASMP (R square = 0.486). It underscores that the value relevance of accounting information contributes to a 48.6% impact on stock price within the CS and FBT industry groups. Table 4 shows that the overall regression model is significant at a 99% confidence level, with a p-value of 0.000 (p=0.000<0.05, F=40.843). This means that the model can statistically predict how accounting variables will affect ASMP. Accordingly, it is concluded that the value relevance of accounting information significantly influences stock price.

Table 4: Results of multiple regression analysis

Variable	β	t value	Sig.
Constant		17.667	0.000
EPS	0.038	0.686	0.493
NAVPS	0.581	10.779	0.000
FS	0.126	2.547	0.012
FL	-0.137	-2.6c85	0.008
IE	-0.228	-4.432	0.000
R^2	0.486	N	222
F Value	40.843	P Value	0.000[b]

Source: Survey data

Table 4 indicates a p-value of 0.493 for EPS, greater than the significance level of 0.05 (p=0.493>0.05). This high p-value indicates that EPS has a statistically

insignificant impact on ASMP. The beta (β) value of 0.03 suggests that for each unit change in EPS, there is a corresponding positive increase in ASMP. However, there is insufficient evidence to conclude that changes in EPS statistically predict changes in the stock price. Accordingly, earnings do not provide a signal to investors regarding their investment. It can be seen that the earnings of many companies have fallen due to the economic and social challenges faced by the Sri Lankan economy. Investors have not considered EPS when making their investment decisions due to the expectations of lesser earnings on investments. Davis-Friday and Gordon (2005) highlight that economic conditions can influence the significance of accounting information, particularly during crises, and are contingent upon the financial health of firms. Further, as indicated in Table 4, the p-value of 0.000 ($p=0.000<0.05$) for NAVPS suggests a strong statistical significance. The beta coefficient of 0.581 indicates that NAVPS significantly and positively affects the stock price at a 95% confidence level. Accordingly, the null hypothesis can be rejected. Accordingly, NAVPS provides a positive signal to investors regarding their investments. Through this, it is explained that the overall net assets value is fundamental for determining the stock price in the Sri Lankan economy, and investors should pay attention to the long-term stability of their investments compared to the short-term stability. According to El Shamy and Kayed (2005), as firms undergo periods of negative earnings, the significance of earnings in determining value decreases, while the importance of book values becomes more pronounced.

The total assets exhibit a significant influence on ASMP. The beta coefficient of 0.126 indicates that a one-unit change in total assets corresponds to an increase of 12.6% in the ASMP. This underscores a statistically significant positive association between FS and ASMP, as evidenced by the p-value of 0.012, which is less than the threshold of 0.05 ($p=0.012<0.05$). Accordingly, investors consider investing in larger companies as a low-risk strategy with potential growth and competitive advantage. Investors believe the firm's operational and financial stability is critical to withstand unanticipated downturns in the Sri Lankan economy. Moreover, the p-value associated with the coefficient for FL is 0.008, less than the significance level of 0.05 ($p=0.008<0.05$). This indicates that the relationship between the FL and ASMP is statistically significant at a 95% confidence level. Further, a beta value of -0.137 indicates that FL significantly negatively impacts the ASMP. It describes that when FL increases by 1%, the stock price decreases by 13.7%. It is evident that investors are more concerned about financial risk. This concern leads to lower investor confidence and lower stock prices.

As the p-value is 0.000 for the industry effect under the confidence level of 95%, there is a statistically significant association between the industry and ASMP ($p=0.000<0.05$). The beta coefficient is -0.228, which suggests that the FBT sector has a higher impact on share price than the CS sector. The pandemic and economic recession in Sri Lanka targeted both sectors, particularly the CS sector, during the period under consideration. Therefore, tourist arrivals decreased during this period. Therefore, the CS sector leads to lower earnings than the FBT sector. Conversely, health guidelines, travel restrictions, and import restrictions affect the FBT sector's

operations. Therefore, earnings in the FBT sector decreased. However, the FBT sector's earnings declined less than the CS sector. Accordingly, the FBT sector has a higher value relevance on stock price than the CS sector. Studies by El Shamy and Kayed (2005) and Badu and Appiah (2018) support this industrial impact. Moreover, this study emphasises that EPS has an insignificant effect on ASMP, whereas NAVPS exerts a significant favourable influence on ASMP.

5. CONCLUSION

Using data from 37 companies over six years, this study looked at how accounting information affects stock price while taking into account firm size and leverage. The study looked at the food, beverage, and tobacco sector and the consumer services sector. According to the outcomes of this study, earnings have an insignificant impact on stock price, which is aligned with (Islam *et al.*, 2014a) and Pradhan, Shyam, and Dahal (2016). Moreover, net asset value has a statistically significant positive impact on the share price. This finding is consistent with the findings of the studies conducted by Khader and Hosni (2023); Agbodjo, Toumi, and Hussainey (2021); Menike and Prabath (2014); Mkmu, Safeena, and Hassan (2023). The findings revealed that FS has a significant positive impact on stock price, which is consistent with the findings of (Brown, Kleidon and Marsh (1983)). Conversely, FL revealed a significant negative impact on the stock price. This is consistent with the studies conducted by Oladunjoye et al. (2021) and Safitri et al. (2020). Further, this study's findings depict a significant IE on ASMP that is aligned with El Shamy and Kayed (2005) and (Badu and Appiah (2018). Accordingly, it describes that the FBT sector significantly influences the ASMP compared to the CS sector in Sri Lanka. This study suggests that investors can use NAVPS, FS, FL, and IE as the determinants influencing stock price in Sri Lankan settings due to their significant impact on stock price. However, as earnings show an insignificant impact on stock price, it cannot be used as a determinant of stock price in the Sri Lankan context. Due to the economic and social decline in Sri Lanka during the study period, the earnings of both industries have decreased, and therefore, the effect of earnings on share price has become insignificant.

This study serves as a valuable tool for companies in formulating strategic decisions to retain and attract current and prospective investors. Furthermore, potential and existing investors can gain insights that will help them make well-informed decisions regarding their investments through the results of this study. Moreover, government authorities and policymakers responsible for formulating policies can align their strategies with the study's results to ensure the accuracy and reliability of financial reporting. The study's findings highlight the significance of implementing effective standards to enhance the quality of financial information, enabling more precise decision-making within the Sri Lankan context.The results of this study pose a challenge to previous studies that have demonstrated conflicting findings. Further, this study contributed to enhancing the number of value-relevant investigations from the perspective of emerging markets: This study has contributed to the literature by

adding a new perspective on value relevance studies through the use of FL as a control variable.

This study solely focuses on the independent variables of EPS and NAVPS concerning stock price. However, numerous financial and non-financial factors likely influence stock prices. Therefore, future research is recommended to explore the impact of various variables on market price per share. Moreover, the data utilised for this study was exclusively sourced from published annual reports of public companies listed on CSE. Challenges in procuring data concerning non-listed companies within these industries necessitate the limitation of this study to the dataset derived from companies listed on the CSE. Therefore, future researchers are suggested to use more sample data, both published and unpublished, to identify the value relevance of accounting information.

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