

Value Relevance of Integrated Reporting Practices in Sri Lankan Listed Companies

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Abstract

This study investigates the value relevance of summary accounting information of listed companies in the Colombo Stock Exchange (CSE) under a voluntary setting. Due to lack of evidence in the Sri Lankan context on integrated reporting practice (IR), as well as inconclusive and mixed evidence in the international context, this analysis is important for the Sri Lankan IR adopted firm to develop their IR practices and also non-adopted firms of IR to move towards IR practices because of the objective of this study is to investigate value relevance of integrated reporting practice in Sri Lankan context. To draw a meaningful comparison, this study conducted pre-post analysis on the 11 sample companies that adopted IR practice in the year of 2015 and after; 2015 was the mid-year. The post-period was considered as IR adopted years from 2016 to 2019 and the pre-period was the equal number of years as in the post-period before 2015. The analysis of these two periods was based on the regression analysis and modified Ohlson Valuation Model (1995) to test the value relevance of summary accounting information of Earnings Per Share and Book Value Per Share (EPS and BVPS) on Share Price (SP). According to the correlation results of the selected independent variables (EPS and BVPS) were significantly correlated with the dependent variable (SP) in the post IR adoption period than pre IR adoption period. As well as regression analysis and overall model describe that the SP highly effect on accounting variables (EPS and BVPS) in the post IR adoption period than pre IR adoption period. Therefore, according to the analytical results of the IR adopted firms and non-adopted firms, this study concluded that IR practices are value relevant in the Sri Lankan context. Therefore, this study provides more contributions for different parties in the Sri Lankan context to improve the IR practices toward the mandatory setting of IR practices.

Keywords: Book value per share, Colombo Stock Exchange, earnings per share, integrated reporting, share price