



THE VALUE RELEVANCE OF ACCOUNTING
VARIABLES TOWARDS MARKET STOCK PRICE
ACROSS THE INDUSTRIES IN MALAYSIA

DK NOOR AZIANTIE BINTI AG SOBUDIN

2013796329

BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE

UNIVERSITI TEKNOLOGI MARA, SABAH

JUNE 2016

ACKNOWLEDGEMENT

First praise to Allah SWT, the Almighty, on whom ultimately we depend for guidance and sustenance. I am grateful for the health, the strength and the wellbeing given for in order to complete this thesis. Secondly, I wish to express my gratitude to my advisor, Pn Roslida Ramlee, whose guidance and give valuable constructive comments which it persistently helped me a lot in improvised my thesis. A special thanks to the second panel who examining this paper, Pn Habibah for suggesting some ideas and helping me to improvised my thesis. A sincere appreciation also for Professor Dr Imbarine Bujang for his valuable advice and knowledge at the initial stage of this study.

I am also thankful to my beloved family and my friends for giving me a consistent support and encourage completing this thesis as well as my study.

TABLE OF CONTENTS

| | |
|---|------|
| TITLE PAGE | i |
| DECLARATION OF ORIGINAL WORK | ii |
| LETTER OF SUBMISSION | iii |
| ACKNOWLEDGEMENT | iv |
| TABLE OF CONTENTS | v |
| LIST OF TABLES | vii |
| LIST OF FIGURES | viii |
| ABSTRACT | x |
| | |
| CHAPTER 1 : INTRODUCTION | |
| 1.0 Introduction | 1 |
| 1.1 Background of Study | 1 |
| 1.2 Problem Statement | 3 |
| 1.3 Research Questions | 3 |
| 1.4 Research Objective | 4 |
| 1.5 Significant of Study | 5 |
| 1.6 Limitation of Study | 7 |
| | |
| CHAPTER 2 : LITERATURE REVIEW | |
| 2.0 Introduction | 8 |
| 2.1 Theory | 8 |
| 2.1.1 Ohlson Theory | 8 |
| 2.2 Literature Review | 9 |
| 2.2.1 Market Stock Price | 9 |
| 2.2.2 Earnings Per Share | 10 |
| 2.2.3 Book Value Per Share | 11 |
| 2.3 Theoretical Framework | 12 |
| | |
| CHAPTER 3 : DATA AND METHODOLOGY | |
| 3.0 Introduction | 14 |
| 3.1 Data Collection | 15 |

| | | |
|--|--|----|
| 3.2 | Empirical Models | 16 |
| 3.3 | Estimation Methods | 17 |
| | 3.3.1 Panel Unit Root Test | 17 |
| | 3.3.2 Panel Data Models | 17 |
| | 3.3.3 Estimation Procedure for Panel Data Approach | 18 |
| | 3.3.4 Diagnostic Test | 19 |
| 3.4 | Flow of Estimation Procedure | 21 |
| CHAPTER 4 : FINDINGS | | |
| 4.0 | Introduction | 22 |
| 4.1 | Analysis Measure | 23 |
| 4.2 | Panel Root Test | 24 |
| 4.3 | Pooled Ordinary Least Square | 25 |
| 4.4 | Breush and Pagan LM Test | 28 |
| 4.5 | Hausman Specification Test | 29 |
| 4.6 | Diagnostic Test | 30 |
| 4.7 | Result of Hypothesis Testing | 33 |
| CHAPTER 5 : CONCLUSION AND RECOMMENDATION | | |
| REFERENCES | | |
| APPENDIX | | |
| Appendix A | List of Company | 39 |

ABSTRACT

Earnings per share and book value per share are the summary of accounting variables in financial statement which widely used in business community in order to track financial performance and at the same time provided necessary information for investors as indicators for decision making in choosing stock. Both of the essential components of finance accounting and reporting has been used to indicate the market stock price by adopting Ohlson Theory model which the previous research done usually cover on its relevant over years. However, some of the previous research done did not comparing the usefulness of earnings and book value across the different industries. Thus, the objective of this paper is to identify the relevancy value of earnings per share and book value per share towards the market stock price across the different industries in Malaysia. Panel Data approach were used in this paper and from the findings shows that earnings per share and book value per share have significant relationship with the market stock price across the different industries in Malaysia. Consumer products industry has the highest explanatory power for earnings per share while plantations industry has the highest explanatory power for book value per share.