



THE SCRUTINY OF EARNINGS PER SHARE BETWEEN  
UNDER AND OVERREACTION TO STOCK RETURNS :  
EVIDENCE FROM MALAYSIA

ALIF HUAZIM BIN ABU KASIM  
2013891014

BACHELOR OF BUSINESS ADMINISTRATION  
WITH HONOURS (FINANCE)  
FACULTY OF BUSINESS MANAGEMENT  
UNIVERSITI TEKNOLOGI MARA  
SABAH

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## ABSTRACT

Earnings per share (EPS) is perceived as a relevant factor as one of the dependent variables. The EPS is usually based on companies' financial statement. Meanwhile, trading volume has been a universal variable that influence the movement of stock returns. Hence, this paper is focuses on the relationship between EPS and trading volume with stock returns. This study adopted the efficient market hypothesis model created by Eugene Fama (1970). The purpose of this paper is to examine the under and overreaction of companies. The evidence from Ruhani Ali (2011) stated that winner stocks will have negative return, whereas loser stocks will have positive returns by employing the event study methodology. To test the research hypotheses, we used time-series with the sample period of 6 years, from 2009 to 2014 (recovery period) based on the monthly data listed in BURSA Malaysia. There were 30 companies in the sample with 6 different industries. Only 14 out of 30 companies were significant. Trading volume showed a positive relationship towards stock returns. Whereas, EPS showed negative relationship towards stock returns. Lastly, for our second hypothesis, only 4 companies showed overreaction whereas, 10 companies showed underreaction based on Aguiar et al. (2008), Aguiar and Sales (2010), Aguiar (2012), and Aguiar and Belardi (2013) hypothesis.

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